The Political Economy of Discriminatory Lending in the San Luis Valley

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Introduction

On a brisk spring morning in 2016 we drove down to Demetrio and Olive Valdez's ranch, which sits just south of Antonito, CO along the west side of Highway 285. We had to cancel our first interview with the couple because a late spring storm had snowed in their driveway and Demetrio was afraid we wouldn't be able to get back out if we went down the steep hill leading to their home. However, the weather cooperated the second time around, and after we settled in, we began to talk with them about their family history as well as their experiences raising cattle in the San Luis Valley (SLV).

Demetrio's ties to the region run deep. His ancestors were sheepherders who came to the Americas from the Basque Country in the 17th century. In fact, in 1694 his relatives descended the steep hill that now serves as the couple's driveway as part of the De Vargas' expedition. Then, in the mid-19th century several of these explorers' decedents returned to the SLV to settle permanently.

> They called it *el valle donde nace el rio del norte*. [Later] they got a land grant from Spain, the first land grant for the whole valley. Then after Mexico won the independence from Spain, they applied for a land grant from Mexico but they broke it up into the Costilla land grant, the Baca Grande, the Zapata, and the Conejos. But the Conejos land grant was still the big one from the Rio Grande this way [west], from the San Antonio Mountain north, from La Garita south, and into the timberline [west] (Demetrio Valdez, 2016).[1]

Like his father, and his grandfather before him, Demetrio grew up farming and ranching. He learned his trade like most landowners, on the job. Still, despite his deep ties to the region, he and his wife have always struggled to keep the ranch afloat. As Olive pointed out,

> I had never seen anyone work harder than Demetrio. He worked and he worked and he worked and got so little, got so little for all those hours. Demetrio was certainly a prime example of someone who had such a good heart, such a love of the land and yet wasn't able to make a living, to make a living wage when he was working just as hard and as smart as he possibly could (Olive Valdez, 2016).

Demetrio and Olive's struggles are not uncommon in the San Luis Valley; where, at just under \$30,000 per year, median income is more than \$20,000 below the national average. For years, the couple simply assumed that their struggles were similar to what their neighbors were facing. However, as they came to find out, while their experience indeed paralleled that of other Hispanic residents of the SLV, it diverged a great deal from the experience of White farmers and ranchers in the region. Inequities between Hispanics and Whites are particularly strong in Conejos County, where Demetrio and Olive live. In 2010, for example, 58.9% of residents in the county were Hispanic. Still, despite earlier settlement patterns, and initial advantages in way of land and water rights, as Figure 2 shows, in 2010 median incomes for Hispanics was merely \$25,208, compared to \$41,791 for Whites. Put differently, there is a 40% income gap between Hispanics and Whites in

[1] Note: Historical accounts contrast slightly with Demetrio's version. For example, technically, Spanish law dictates possession only in case of settlement, so by not establishing a settlement the property was likely never transferred. Also, the Baca #4 was established in 1860, well after Mexican concession in 1848, by the US government in exchange for land near present day Las Vegas, NM. Tracts #1, 2, 3, and 5 are in other states. Finally, Baca Grande refers to a modern subdivision near Crestone, CO, not the land grant.

Conejos county, which is 14% more than the gap between Whites ($54,168) and Hispanics ($40,165) at the national level.

[Figure 2 about here]

The aforementioned inequalities are the result of unequal opportunity structures, which have affected Hispanics in the San Luis Valley since 1848, when the Treaty of Guadalupe Hidalgo incorporated nearly half of Northern Mexico into the United States. After the Mexican-American war, Hispanic families, including Demetrio Valdez's ancestors, found themselves living in a society dominated by Anglos in which legal, political, social, and economic dealings were conducted in English. Families struggled to survive in the newly established U.S. territory, where they were forced to speak English. As many of our interviewees reminded us, their ancestors never crossed the U.S. border, the border crossed them. They were Mexican, and then suddenly after the war, without ever moving, they were subjects of the United States.

Still, while the treaty ostensibly bestowed Hispanics in the SLV with the full legal rights associated with U.S. citizenship, in practice it severely restricted their privileges. Many residents lost their property because they couldn't negotiate or understand the new laws of the land, which were written in another language and frequently used against them. Furthermore, as Hispanics they faced blatant discrimination in nearly all areas of life, but in particular, in the financial realm. With this in mind, in this chapter we look at the role of discriminatory lending practices in maintaining, and in many cases, aggravating, wealth disparities in the San Luis Valley. In particular, we analyze the *Garcia v. Vilsack* case, which, in 2015 awarded a handful of Hispanic farmers and ranchers in the U.S. with compensation for discriminatory lending practices during the 20th century. Based on more than 60 in-depth interviews with plaintiffs, financial experts, congressional staffers, and residents, we contend that historic discrimination against Hispanic populations in the San Luis Valley helps explain social issues currently affecting residents.

Specifically, we argue that decades of discriminatory lending have contributed to elevated poverty rates, severe unemployment, and high rates of drug abuse and crime. We believe that the effects of discriminatory lending in the SLV underscore a point that economists typically fail to highlight; which is that the economy is intimately linked to culture. In fact, the economy is a product of culture. Financial practices are intimately linked with cultural habits and norms, and thus, when a society's financial viability disappears, its very way of life faces extinction. When Anglo lenders in the SLV chose not to extend credit to Hispanic farmers and ranchers, they not only undercut these individuals' ability to manage their land, they underwrote the demise of Hispanic communities throughout the region.

While our findings are limited to a specific case study, extant research reveals parallels between lending practices in the SLV and lending norms elsewhere in the country. For this reason, while our work is specific in focus, we believe that our findings are generalizable to the experiences of other minorities living in rural communities in the U.S. Furthermore, we maintain that addressing contemporary social issues requires policy makers to consider the cumulative disadvantage of historic discrimination.

Our chapter is divided into four sections. In the first section we provide a brief review of Hispanic settlement in the SLV in so much as it concerns farming and ranching. Then we review existing research regarding the compounding effects of discriminatory lending in the U.S. Subsequently, we present the reader with our data, which we use to demonstrate the lasting effects of discriminatory lending practices in the SLV. Finally, we offer a series of conclusions, including several policy recommendations.

Hyper-segregation, Discriminatory Lending, and Emigration

In 2016, despite being a full 150 years removed from Lincoln's Emancipation Proclamation, and nearly 60 years after the Civil Rights movement, segregation between Whites and minorities in the U.S. has improved relatively little. In fact, while segregation has dropped slightly in urban areas with small African-American populations (Charles 2003), it has remained virtually the same in cities with larger black populations like Chicago, New York, and Washington (Iceland et al 2002). The situation is only slightly better for the country's fastest growing minority group; Asians, who report significantly higher incomes than Blacks and Hispanics, but experience almost as much segregation as other minority groups (Logan and Zhang 2013). In turn, researchers find that Hispanic communities, faced with anti-immigrant sentiments and widespread discrimination (Charles 2003; Massey 2009; Ross and Turner 2005), have actually experienced increases in segregation in recent decades (Wilkes and Iceland 2004). Segregation is particularly high among darker skinned Hispanics and Latinos (Denton and Massey 1989; Massey and Bitterman 1985; Massey and Denton 1992), who experience more discrimination relative to lighter skinned Latinos (Murguia and Telles 1996).

In large part, the hyper-segregation that exists in U.S. cities is the result of unequal access to credit. Within capitalist economies access to credit plays a fundamental role in shaping opportunity structures. In the absence of adequate savings, credit allows for individuals to access education, housing, and entrepreneurial opportunities (Yunus 1999). In the U.S. minorities have never had equal footing in financial institutions. Still, inequities in lending markets became much more apparent following the New Deal. During the Great Depression the government created a number of programs to facilitate the purchase of homes at low interest rates. The Federal Housing Authority (FHA), in conjunction with local lenders, brokered the distribution of federal funds. In theory, access to federally subsidized credit presented a historic opportunity for U.S. citizens from all walks of life to improve their wellbeing. Unfortunately, in practice, local lending agencies routinely denied loan applications in minority neighborhoods, making it nearly impossible for non-White residents to join their neighbors in the new suburban communities popping up in the periphery of cities across the country. The FHA quite literally underwrote the hyper-segregation of urban cities in the United States.

While a great deal is known about the role the U.S. government played in reinforcing segregation in urban settings (Massey et al. 2009), far less is known about the lasting effects of discriminatory lending practices in rural communities. Over the course of the 20th century, migration out of rural America quite literally drained the countryside of its inhabitants. In fact, in 1800 more than 94% of the country lived in rural areas, and a century later, more than 60% still resided in such settings. However, during the 20th century millions of Americans from all walks of life packed up and relocated to cities. By 1950 only 40% of U.S. inhabitants claimed rural residency, and by 2010 less than 20% lived in rural communities (U.S. Census). Still, while minority and majority groups alike left for the city in droves during the 20th century, the circumstances that pushed them from their land were quite different.

At the dawn of the 21st century White landowners possessed just over 98% of private land in rural America, which represented roughly 50% of all private land in the country and equated to a value of

1.1 trillion dollars (USDA 1999). While many factors have contributed to these imbalances, unequal access to credit has made it particularly difficult for minorities in rural areas to improve their lot in life vis-à-vis majority groups. Credit is particularly important in farming and ranching communities, where access to lending institutions allows residents to overcome the volatility of commodity markets and the unpredictable nature of the natural environment. With this in mind, during the 20th century discriminatory lending practices left minorities in rural America at a distinct disadvantage vis-à-vis Anglo farmers and ranchers.

Given the unequal distribution of credit in rural counties, it is not surprising that minorities began leaving the countryside earlier and at faster rates than their Anglo neighbors. Current segregation in U.S. cities has been conditioned by unequal opportunity structures within rural communities. Still, most of what we understand regarding segregation in urban settings in the U.S. is tied to practices like redlining and discriminatory lending practices within cities. Much less attention is lent to how similar practices in rural American conditioned urban segregation and inequalities long before individuals began migrating to the city. Discriminatory lending in rural America represents a missing link in the chain of oppression that continues to burden minorities across the United States. A better understanding of this link stands to improve current efforts aimed at reducing urban segregation. To this end, in this chapter we analyze the nature of discriminatory lending in rural America via a case study of the SLV.

Methodology: Narratives of Discrimination

Through this project we have come to greatly appreciate the lasting power of personal narratives. Our research is based on 60 interviews conducted between 2014 and 2016 in the SLV which is the south-central gateway to Colorado. All of our participants graciously allowed us to film their interviews, which were then transcribed by dedicated local college students, and in time, they will be made publically available on our website.[2] We used a qualitative research design to evaluate discriminatory lending practices, and their consequences within local communities in the region. In practice, we found that a qualitative approach was the only way to gain meaningful access to the experiences of residents. In large part, our methodology reflects our desire to honor the region's long history of oral story telling, which stems from the deep Native American and Hispanic roots that structure the communities we were working in. As researchers, we found that the only way to truly capture the lasting effects of discriminatory lending was by actually sitting down with those most affected by it and listening to their heartfelt stories through an ethnographic lens.

Our research benefitted from the openness and flexibility of this qualitative approach (Lamnek 2010). Although this study is informed by previous work on discriminatory lending, it is largely inductive in method. The inductive method is particularly powerful in this case because it sheds light on the internal worldviews that define local social boundaries. This approach permits for a more holistic depiction of how inequitable social boundaries have formed from generation to generation in the SLV. Like Emerson and co-authors (2011: 2), "We draw on ethnography as a way to understand and describe social worlds…through *immersion* in others' worlds in order to grasp what they experience as meaningful and important." This process is very similar to "boundary work," as described by author Michele Lamont in *The Dignity of Working Men*. Like Lamont, we believe that "groups that find themselves in relatively similar structural positions can draw very different [social]

[2] The *Voices of the Valley* project currently archives interviews at: benjaminjameswaddell.com

lines" and that in this respect, "social exclusion takes different forms" depending on the particular "sets of cultural tools" available to the group (Lamont, 2000: 7). In this study we employ the inductive method as a means of illuminating the status distinctions that underpin social inequalities from the point of view of those living in the SLV.

We took care to interview both males and females, to speak with individuals of different races and ethnicities as well as people from different social classes. Our subjects ranged in age from 15 to 95. Our requests to speak with people were almost always well received. In fact, due to their hesitance to speak on the record, only two individuals declined to accept our invitation for an interview. The rest of our subjects openly welcomed us into their lives; allowing us to observe their daily routines at home, while working in the blistering heat on their farms, during moments of worship in their churches and temples, and even during moments of reflection and recreation on the banks of rivers and in the grace of beautiful mountain valleys. Our conversations were semi-structured; still, we never restricted our discussions to the confines of our interview scripts. Rather, we allowed the natural flow of our conversations to dictate the direction of the interview, which often revealed information that we might not otherwise have discovered. We conducted many of our interviews alone but other conversations took place in the presence of our field studies research class, which allowed students to ask subjects questions about their struggles, and cultural traditions. By meeting with our participants where their life naturally occurs we found our subjects to be more relaxed and willing to open up to our intrusion into their lives. Most of our interviews were around 40 minutes long but others went on for hours. With key informants we stayed in contact throughout the duration of our study, and in many cases, we interviewed subjects multiple times. The fact that nearly all of our interviews were captured on video has allowed us to observe more subtle forms of expression including body language, inflection of voice, linguistic variation, facial expressions, and emotion. For interviews involving more than one participant we also observed patterns of social interaction, such as gender norms. The depth of our interaction with subjects has allowed us to peer deeper into the lived experiences of our participants.

The Compounding Effects of Discriminatory Lending in the San Luis Valley

Erwin Romero grew up in Los Pinos, which is located on the border with New Mexico. Like nearly everyone else we interviewed, Erwin grew up speaking Spanish but was forced to learn English in school. His childhood home lacked electricity and running water, and he studied at night to the dim light of an oil lamp. In the summer he would head to the high country to help with his family's sheep, and as a young adult he spent time in Leadville, where he worked with other Hispanics from the SLV in mines and restaurants. Later, he served his country in South Korea, where he met his wife. Traditionally, his family farmed and ranched, and while his grandfather had land, he didn't have enough to go around. For this reason, when Erwin returned from Korea, he had to turn to credit agencies to purchase land. He and his brother looked for different plots, and eventually, in the early 1970s they found a ranch that fit their needs. The estate was in foreclosure, and the bank was selling it for $250,000. However, after several attempts, they were unable to procure financing to purchase the spread. "I just thought that's the way things were. I assumed everyone else was experiencing the same trouble," Erwin told us. "I didn't start to wonder if something else was going on until someone told me, 'You didn't get those loans because you're just a couple of poor Mexicans.' That was my first sign that things might not be fair." Through our research, we found that Erwin's experience was unfortunately typical during the 20th century. However, unlike the majority of minority farmers and ranchers denied loans in the 20th century, the Romero brothers were lucky to have a paper trail. "The house was in foreclosure, so the lawyers had to sign it and there was a written record. Otherwise we wouldn't have had any proof" (Romero 2016).

Without the proper financing, Erwin was unable to make a go of ranching and so he turned toward education. He finished his undergraduate degree, began working in local school districts, and even taught mathematics for several years at Adams State University. And while Erwin's life turned out fine, he's finally getting back to ranching, which is what he wanted to do in the first place. Unfortunately, his most productive years are behind him. It's hard to imagine what might have become of Erwin's life had he and his brother received the loan they applied for so long ago, but as Erwin pointed out in our conversation, $250,000 in the 1970s is worth a fortune today. In fact, the cumulative rate of inflation between 1970 and 2016 is 523%, which means that $250,000 in 1970 would be worth $1.5 million today.

Alfonzo Abeyta, Aaron's father, was treated similarly as the Romero brothers. Mr. Abeyta grew up in Mogote, CO, which is just west of Antonito near the New Mexico border. The Abeyta ranch is located just west of Antonito, in the small town of Mogote. In 2010, 270 hearty souls lived in Mogote. The median age of the town was 55, nearly 15 years above the national average, and just under 40% of the town's homes were unoccupied. Furthermore, a surprisingly high 29.4% of Mogote's homes were used for seasonal, recreational, or occasional use, reflecting the town's transition from a once-stable ranching town to a transient population of seasonal tourists and former residents who have left over the years in search of more-stable economic conditions. Many of the latter return periodically to visit family or tend to land holdings, but very few move back home.

Population shifts in the SLV tend to mirror those taking place across the rest of the United States. In 1900, over 72% of the country lived in rural areas, that is, in regions with less than 2,500 residents. By 1970 only 30% of the country lived in such regions and by 2010 less than 18% resided in rural areas. Mogote is part of a much larger migration trend that is affecting the whole nation. Across the country the large majority of small rural areas have nearly been reduced to ghost towns. Within the next generation less than 10% of the nation's residents will reside in towns like Mogote. Still, as Alfonzo's story reveals, whereas in White communities economic factors best explain emigration, in places like Mogote race and ethnicity have played a fundamental role in the unraveling of the community.

Alfonzo served in the military in the late 1950s and returned home with the dream of expanding his father's ranch. However, he was unable to procure financing to purchase land. "I remember his [the lender] words to this day. He told me that my people were made to work the land, not own the land." However, as Alfonzo pointed out in an interview at his home in the spring of 2016,

> [C]ome to find out that in the same month that I got turned down a loan the superintendent of North Conejos [School District], or in that time, in La Jara was the superintendent, he got over some $200,000 to purchase some land in Manassa (Alfonso Abeyta, 2016).

Without land, the Abeytas were forced to leave. In the early 1960s Alfonzo and his wife Martha, who also grew up in Conejos County, moved to the Eastern Slope in search of work. They returned every weekend to tend to the ranch, with the hope of one day coming back permanently to the SLV. Along the way they took out private loans, which they could obtain but at much higher interest rates than the federal funded loans given out by the Farm Service Agency. It's worth noting, of course, that private financing in the SLV was, and still is, controlled by Anglos. In this sense, by denying Hispanics subsidized financing, loan officers forced Hispanics into higher interest rates with Anglo lenders. Despite these barriers, the Abyetas slowly expanded their ranch, and finally, in the early 1990s they returned for good. Still, like Erwin Romero, by the time Alfonzo came back, his most productive years were long gone. Still, the sacrifices that he and his wife made set the foundation for their son, Andrew, and his son, Amos, who currently run the family ranch.

Over the years Alfonzo and his wife spoke out against the injustices they faced, and when they returned home they began to meet others who had gone through similar experiences. Together, they began strategizing about how to seek compensation. To document his losses, Alfonzo hired an economist from Washington, DC to estimate what his family's earnings would have been had it been provided access to credit over the years. The report estimated the Abyeta's forgone earnings at just over $3 million dollars. This report aided the family in its efforts to seek compensation through the *Garcia v. Vilsack* case.

The *Garcia* case, as most know it, was an effort on the part of Hispanic farmers and ranchers to seek compensation through a class-action suit against the federal government. Like other minority groups before them, the Hispanic plaintiffs argued that discriminatory lending practices had deprived them of their way of life, and thus, the government should be held accountable.[3] Jose Guadalupe "Lupe" Garcia, who was from Las Cruces, New Mexico, spearheaded the efforts. Lupe lost his land to an Anglo farmer who had deliberately sought out ways to bankrupt him by working with local loan officers. In the end, they were successful, but Lupe never gave up his fight. However, unlike African-Americans in *Pigford v. Glickman* (1999), and Native-Americans in *Keepseagle v. Vilsack* (2011), the case never gained class-action status. Still, in 2008 efforts by people like Lupe and Alfonzo caught the attention of incoming U.S. President Barack Obama. After appointing Secretary Thomas James Vilsack to his post, President Obama asked him to prioritize some form of settlement with Hispanic ranchers and farmers. Finally, in 2015, after decades of experiencing discrimination in lending practices, Hispanics were provided with a settlement fund from which they could solicit compensation.

According to the United States Department of Agriculture (USDA), compensation under *Garcia v. Vilsack* comes from the judgment fund, which is:

> "a permanent, indefinite appropriation available to pay final money judgments and awards against the United States. The Judgment Fund is also available to pay compromise settlements entered into by the U.S. Department of Justice related to actual or imminent litigation, but only if a judgment on the merits in that litigation would be payable from the Judgment Fund."

In 2015 the Abeyta's received $250,000 in compensation for their losses. However, despite receiving settlement, Mr. Abeyta said that their compensation was a "drop in the bucket." Martha described the settlement in similar terms.

[3] Note: African-American farmers successfully sought compensation under *Pigford v. Glickman* (1999), which was a class action lawsuit against the United States Department of Agriculture (USDA). Native-American farmers and ranchers also achieved class-action status in *Keepseagle v. Vilsack*.

> "When the children were young it really affected us in the way that we had to have two homes, we had to live in Denver or Pueblo or wherever we were working at the time during the week and on the weekends we had to travel here because of what we were trying to do with the ranch. We'd have to come and work and the kids would have to come and do their chores, you know, whatever it entailed, and so it affected us in that way. We didn't have much of a life on the weekends because we're here and then during the week we were there. And the kids had to switch schools you know and that kind of affected them. So, I think that the $250,000 that we received was alright but it could never ever make up for what we went through. For all the sacrifices we made, for all the things we had to give up. For all the things we couldn't give our kids. No the $250,000 is nothing, nothing. And it came a little late."

"It was never about the money," Alfonzo said near the end of our conversation. "It was about what is right."

The principal of the matter is what kept Richard Gomez going through the years as well. Mr. Gomez worked for more than three decades for the Farmers Home Administration (FmHA), and the Rural Development Administration of the USDA. Richard grew up in Guadalupe, CO, which is just up the road from the state's oldest church and a 15-minute drive from Mogote. When he was young he spent his summers tending to sheep in the high country above Chama, NM. "I used to lay under the stars up there, with no one to talk to but the sheep, and think, I'm not doing this all my life! That's why I paid attention in school!" After High School he went to Trinidad Community College on a baseball scholarship and when he graduated he began working as a contractor with his father, who owned Gomez and Sons Construction. Then, in the late 1960s, Richard was offered a job with the FmHA in Alamosa. "I was the first Hispanic to work there," he told us proudly in 2016 at his home several months before he passed away. According to Richard, his insider status gave him a unique opportunity to document the injustices facing Hispanic farmers and ranchers.

In a declaration for the *Garcia v. Vilsack* settlement Richard stated,

> "[I]n the San Luis Valley of Colorado and in Southern Colorado all County Farm Loan Committees were Anglo, so Hispanics had very little chance of getting loans. The FmHA loan personnel were also all Anglo. It was known in this area you had very little chance of getting a farm loan if you were Hispanic and my observations while working at the FmHA confirmed it." (Civil Action No. 1:00CV02445, pg. 2)

In 1986, for example, Richard Gomez noted that of the 30 farm loans given out in the San Luis Valley, only 2 were provided to Hispanics, even though just over 40% of the valley's resident reported being Hispanic on the U.S. Census (1980). Still, per Gomez's experience, even when Hispanics were given loans, the agency frequently delayed the delivery of funds, which made it extremely hard for Hispanic farmers and ranchers to run their operations without going bankrupt. The case of Gary Sandoval and his brother make this process clear. As Gomez noted in his declaration,

> "In 1993 I did get involved with a matter on behalf of the Sandoval brothers, two Hispanic farmers. They needed to borrow money from FmHA to finance their crop, but delays in FmHA processing forced them to seek money from a private bank in order to obtain the money needed for the upcoming crop year. The bank agreed to do so on condition that FmHA would agree to guarantee the loan. 9 or 10 months later the FmHA had still not

> processed the application. The bank complained to me about FmHA's delay, saying that the Sandovals weren't being treated fairly. I got involved and forced the County Supervisor, who I had authority as district director, to fire, to expedite the process. This resulted in prompt approval."

When we met with Gary Sandoval he told us that he was initially blind to the fact that he was being treated with different standards. "I kept blaming myself, I kept blaming myself. I don't have enough equity, I don't have enough cattle, I don't have machinery, I kept pointing the finger at me. It was my fault I wasn't getting the loan," he said outside his home near Mogote. Mr. Sandoval was saddling up his horse as he spoke to us. As he explained, he grew up on the T-Bone ranch, which was one of the largest ranches in the region. His father worked as a foreman on the ranch, and from an early age, Gary expressed interest in owning his own ranch. However, by the time he turned 21 he realized that buying land wasn't an option for men like him. Gary had to make ends meet and so like many other Hispanics in the area, he began working at the nearby perlite mine south of town. He worked in the mine for 9 years before he decided to give ranching another shot. In the mid-1970s he applied for a loan, but was denied.

In retrospect, Gary said he now sees everything more clearly.

> "Spanish is my first language and I still communicate with my brother and neighbors in Spanish. I went to school in Antonito and many of the kids were Hispanic, but discrimination was apparent. I saw it in sports when White kids and their parents were treated differently than us. It made us feel inferior."

As Gary pointed out, the differences that began in school carried through into the workplace. Regarding the mines, Gary said,

> "[M]uch like everywhere else, the Whites were always in the high positions, and that was the case at the perlite mines. Even though there were a lot of Hispanics working there, the Whites were the ones that were foremen. They too showed prejudice, giving the Hispanics the labor work, while the Whites were operators."

In part, unequal treatment is what drove Gary from the mines. He wanted to get back to his roots, and back to the land, where he would be his own boss. The first time he applied for a loan he went with his father, who introduced him to the loan officer. His father was well-respected in the area, which led Gary to feel confident about his odds of getting a loan. However, as he came to find out, the respect his father had earned as a foreman on the T-bone was worth very little on paper. Gary applied for an operating loan so that he could buy cattle and land. To get started, he intended to buy machinery, 200 acres, and 50 head of cattle. Ultimately, the loan officer denied Gary's request. According to the officer, Gary did not have enough experience to justify such a large loan. The officer verbally committed to loaning Gary a smaller amount so that he could buy land and cattle. To this end, Gary drew up an alternative farm plan in which he would use his father's equipment and machinery. After several months he received an official response from the loan office in which they informed him that he did not qualify for the loan.

Despite being denied, Gary forged on. He continued working in the mines and laboring for other ranchers on the side. Little by little he pieced together enough land and machinery to ranch on his own but his efforts came at a cost. Like many Hispanic farmers and ranchers we spoke to Gary found himself working day and night.

> "I think it took a toll on my marriage. I was spreading myself to thin. I was working at the Perlite, bucking bails on the side, ranching, and roping. So I was hardly ever home. I was trying to get ahead and have a ranch one day. It takes its toll on family life, when you are spreading yourself to thin."

As Richard Gomez pointed out, Mr. Sandoval's struggles mirror the efforts of other Hispanics in the area. In an interview at the USDA's new office in Alamosa just northwest of town, Richard told us, "That's how they'd break them. They'd give them just enough to get in trouble and then they'd let them go bankrupt. They'd break them." In the same interview, referring to one of his former supervisors, he said,

> "That guy was terrible. He sold those potatoes on that guy. Another guy, Miguel Gonzalez, he went out to his farm out there in La Jara, he was delinquent on his loan and he [Richard's supervisor] went and rented a semi and loaded up all his sheep and sold them. And then the guy didn't have any money to pay his real estate taxes with and so they foreclosed on him. That destroyed that man."

Richard went on to explain that while the repossession of goods connected to delinquent loans was within the legal rights of lenders, such practices were typically reserved for minority borrowers. However, as he explained to us at his home, lenders used the system to weed out minority farmers and ranchers.

> "First, they would deny minorities the loans with subsidized rates. Then, they'd recommend them to private lenders, who would frequently work with appraisers to undervalue their land and assets. They all knew each other. They worked together, you see. Sure, they'd procure financing but with low appraisals, Hispanics were extended just enough credit to get in trouble but never enough to keep their farms and ranches afloat. And so they'd turn to working second and third jobs off the ranch. That's what my dad had to do. That's what they all had to do. In time, they'd fail or simply leave. The land would go back to the bank and who do you think was there to buy it up at a discounted rate at the courthouse? The Anglos. It was a big scheme and that's why they wanted me out. I was the only one on the inside that was willing to call things as I saw them. And they hated me but they couldn't get rid of me either. I was a minority hire. They needed me to prove they were complying with equal opportunity laws! Can you believe that?!"

In the case of the SLV, insider information made it possible for Hispanics to document the discrimination that they suffered. Given this, it is not surprising that compared to other regions, claims under *Garcia v. Vilsack* by Hispanics in the SLV were approved at much higher rates than elsewhere. Unfortunately, triangulation between Hispanic farmers and ranchers with insiders like Richard Gomez is extremely rare. In most cases, Hispanic plaintiffs lack the necessary documentation to prove, beyond a doubt, that they suffered from discriminatory lending. A general lack of documentation helps explain the extremely low approval rate of claims made under the *Garcia v. Vilsack* settlement. As Figure 3 demonstrates, although nearly 54,000 claims were made, only 2,847 were paid out. Put differently, 95% of claims were denied.

[Figure 3 about here]

In 2015 the USDA compensated more than 30 Hispanic farmers and ranchers under *Garcia v. Vilsack*. Still, although the rate of compensation in the SLV was substantially higher than elsewhere in the nation, many claimants were denied compensation. Faustin Martinez, for example, made a claim for $50,000 but his claim was rejected. Mr. Martinez grew up on a ranch south of Alamosa, in Las Sauces. In the 1980s he applied for a loan but was turned down by the local FHA office.

> "Back then it was called the FHA office and that was on State St. [in Alamosa] and I went in to get a loan to buy some land and so they took my information but I was denied. The reason they gave me is that I couldn't borrow a loan from the government because I was a teacher, that I had other means to make a living beside borrowing loans."

However, as Mr. Martinez pointed out in our interview, many Hispanics were denied loans in the SLV for having outside employment. Meanwhile their Anglo neighbors were frequently provided with loans despite having employment outside of ranching. When we asked him if he could think of examples he said,

> "Oh yeah, several, there was one that was actually in my neighboring school district, he was actually the superintendent, and at that time I was denied he got a pretty good sized farm loan."

Faustin said that at first he didn't think much of the fact that he had been denied the loan but after several more rejections, he noticed a pattern. He also began to hear of similar experiences from other Hispanics in the SLV. It wasn't until the late 1990s that Hispanics in the SLV began to reach out to farmers and ranchers beyond the region. As Faustin explained,

> "In 2000 or so we met Lupe Garcia from Las Cruces, New Mexico, they were in the same situation down there, and that's when Lupe got together with some attorneys and started the beginning of what became *Garcia v. Vilsack*. And it was a long road from there until, well, most people got a settlement in 2015. I was denied, I didn't get anything. I got a letter of denial and I couldn't believe it because a lot of other people were getting their acceptance letters. So I called my attorney to see what was going on and she said, 'That couldn't be right. Something is wrong.' So she called over to the USDA office and she kept telling them that it was a mistake, that if anybody had all the paperwork in line it was Faustin and I was one of the original ones that filed way back and I've been in farming all my life."

Faustin's case reveals what the vast majority of claimants under *Garcia v. Vilsack* experienced. As he expressed to us, the outcome affected his faith in government.

> "You know I think it changed my trust. In the legal system, my trust in the political system, and I'll tell you one of the reasons I say that is because I supported and I campaigned for President Obama. We wanted to meet with him in Denver since he was going to be there and explain our situation and see why they were making it so hard for Hispanics but not once did he ever respond to us."

As Faustin's experience with *Garcia v Vilsack* reveals, discrimination sets in motion a process that cannot easily be reversed. In the case of the SLV, discriminatory lending not only cost Hispanic farmers and ranchers their land, it cost them their way of life. Those persons who received compensation were unable to restore what had been lost. For example, it is impossible to know whether the Abeyta family would have realized the $3.4 million in foregone earnings, but even if they had realized half of that figure, the money would have contributed to the local economy by providing local jobs, increasing tax revenue, and in general, improving wellbeing within the wider community. With a stronger economy and more employment opportunities, fewer people would have had to leave.

The trickle-down effects of discriminatory lending in the Southwest run much deeper than the individual plaintiffs listed in the final settlement under *Garcia v. Vilsack*. Discriminatory lending is a financial practice, but its repercussions extend beyond the bank and into the community, affecting families, traditions, and ultimately, local cultures. In the SLV discriminatory lending didn't just cost farmers and ranchers their land, it cost them their very way of life. Not surprisingly, all our interviewees shared one thing in common; after being denied loans, they left the SLV in search of work. As Figure 3 shows, their experience is not uncommon within Hispanic regions of the SLV. In fact, during the 20th century emigration rates in the SLV were highest in Costilla county and Conejos county, which is where the majority of Hispanics in the region reside. This is particularly evident between 1950-2000, when more than 4,000 people left these two counties.

[Figure 3 about here]

The lack of financial support, combined with the exodus of young people in search of work, has undermined the ability of local farmers and ranchers to keep their operations afloat, but it has also made it difficult to pass on customs and traditions to the next generation.

"It was more than cleaning a ditch," pointed out José Martinez one afternoon in the village of San Francisco, which is located near the town of San Luis, Colorado. "I've been trying to teach these things to my grandson but it's hard." Mr. Martinez joked that it would be easier to teach his grandson if he could text him what to do. "But I can't! It's very frustrating," he said. Part of Mr. Martinez's frustration is rooted in the fact that his grandson only visits from time to time. Only a few families remain in San Francisco and most residents are retired. "Our grandson is one of the few young people connected to the village that is trying to learn the traditional ways of doing things but it's hard. He doesn't live here and there's a huge cultural divide between our traditions and the world he lives in," pointed out Juanita Martinez, who is from Mora, New Mexico but lives with her husband José in San Francisco.

The issues that José and Juanita discussed with us were evident at the 4th Annual Acequia Congreso in San Luis, CO, which we attended on October 6, 2016. The event had a wonderful turnout but there were very few young faces in the crowd. Several days before the event we spoke with Rick Manzanares, who was serving as interim director of the Sangre de Cristo National Heritage Area. "The acequia system is the glue of the community. It's what keeps everything else together. It's the economy," he told us.[4]

[4] Note: There is a large literature concerning the culture of traditional Spanish irrigation in the southwest. For more on this rich and detailed history please see: Peña 2005; Rivera 1998; Rodriguez 2006.

Local educator Dennis Lopez, who grew up on a ranch near Capulin and went on to teach for decades at Alamosa High School, made a similar point when he spoke to us.

> “Where talking about lending practices but that’s only scratching the surface because many people have lost water rights, they’ve lost land, where denied educations because they were told they should go be sheep herders or they should stay and work the ranches as laborers instead of getting an education. It goes deeper than just one topic, or one subject, discrimination across the board is what has kept our people oppressed, and it truly is, an oppressive society.”

Land loss, oppression, high unemployment rates, and dwindling populations have accelerated social disorganization in communities across southern Colorado. In many towns schools are underfunded, infrastructure such as roads and bridges are crumbling, and substance abuse rates are very high. According to the Colorado Trust, which is a foundation dedicated to the wellbeing of Colorado residents, drug and substance abuse rates in the southern SLV are among the highest in the country (Jones 2015). However, as South Conejos Elementary Principal Michele Trujillo explained, substance abuse is likely just a symptom of a much deeper problem.

> "When things like land are taken or sold and people lose that attachment that they are innately born to do, I think that causes pain and they go off searching for things that they can do in this world that can make as much of a difference and sometimes they can't find that and sometimes they have no means to leave and so they have to numb their pain somehow. And they can't take care of their family and maybe they don't feel much like a role model or a provider. They feel like they're a loser and so they have to numb, so you just keep covering it up and covering it up and sometimes the alcohol doesn't work enough, so then you choose something else, and something else, and something else."

Michele’s observations resonate with something that Aaron Abeyta told us during an interview at Adams State University, where he is a professor of English.

> "I think that eventually, I don't want to sound too pessimistic about it because there's a lot of beauty, there's a lot of strength and a lot of good things. But eventually you become so in tune with your loss and the losses around you seem to multiply. And you know it's not any sort of this plus this, it's this times this. And I think with that multiplication of loss, it's become compounded, and then there's this loss of hope. And then when there's loss of hope I think it becomes more compounded and it becomes shame. And I'm not trying to put myself on a pedestal to make my point but I think that so many men are afflicted by shame because they've been emasculated by racism, by prejudice, by lack of employment, by so many outside factors that emasculation leads to loss of hope. And when you get a point of shame, just like anyone else who is ashamed, you just don't contribute. You go within yourself, you find other avenues to mend and to heal yourself and unfortunately, I think that some of those are very damaging and hurtful. Drugs, alcohol, abandonment, and that's just the tip of the iceberg really."

As we explain below, these observations are crucial to understanding the slow unraveling of Hispanic towns in both southern Colorado and northern New Mexico.

Conclusions

In this chapter we examine discriminatory lending practices in southern Colorado. Specifically, we focus on the long-term effects of such practices within Hispanic communities. In our research, we explore the degree to which unfavorable access to credit has contributed to wealth disparities in the southern end of the SLV. Our results demonstrate that Hispanic farmers and ranchers were systematically denied subsidized loans throughout the 20th century. In turn, these same agencies provided loans to Anglo farmers and ranchers living in similar conditions. Discrimination against Hispanic farmers and ranchers burdened minority families in the SLV with unbearable debt, and simultaneously under minded an entire culture. The lack of access to formal banking, the under appreciation of homes and land, and the deliberate isolation of Hispanics from formal institutions contributed to the type of economic hardship that few could withstand. As a result, many Hispanic families have been pushed out of the SLV altogether. Most of these individuals have left reluctantly but they were faced with few alternatives. Without the ability to work the land, they were forced to seek employment elsewhere, and in their absence, their hometowns have struggled to keep cultural norms and traditions alive. Ultimately, unequal access to credit in the SLV has fostered deep inequalities, and in addition, it has led to the demise of numerous Hispanic communities throughout the area.

Although our findings are limited to a specific region, our results parallel the findings of research conducted elsewhere in the United States. For this reason, we believe our results are generalizable to other rural Hispanic communities. As our research reveals, access to credit matters. All else equal, those persons who have access to lending markets accumulate more wealth overtime than those who have limited access or no access at all. Unfortunately, access to credit markets in the US has historically been limited to Anglo males, which helps explain the vast wealth gaps between non-Hispanic Whites and minorities in the United States. In 2013, for example, the average wealth of Black Americans and Hispanics was just $12,000 and $15,000, respectively. Asian Americans faired much better at $91,000 but they still lagged well behind White Americans, who reported an average wealth of more than $140,000 (Pew Center). Wealth disparities are even more acute in rural areas. At the dawn of the 21st century White landowners possessed just over 98% of all private land in rural America, equating to a value of 1.1 trillion dollars (USDA 1999).

Racial and ethnic inequities of this nature reflect the compounding effects of discrimination. As our results reveal, *ex post facto* compensation does not make up for discrimination. For decades, Hispanic ranchers and farmers sought reparation from the USDA. After years of fighting, their efforts led to the creation of a settlement fund, which came to be known as *Garcia v. Vilsack* or the *Garcia* case. Unfortunately, most plaintiffs were unable to document the discrimination that they had suffered. As a result, an astounding 95% of claimants were denied compensation under *Garcia v. Vilsack*. Although the *Garcia* settlement ostensibly provided Hispanic farmers and ranchers with compensation, in reality it simply served as a reminder that even in the 21st century minorities do not compete on equal ground with members of the majority group.

The outcomes of the *Garcia* settlement sheds light on the compounding effects of discrimination. All too often people assume that as soon as discrimination ends the effects of unfair treatment also end, but that is simply not true. Discrimination sets in motion a destructive cycle that extends well beyond the discriminatory act itself. In fact, the legacies of discrimination compound overtime, such that unfair treatment in the past sets the foundation for unfair advantages in the future. Today, years removed from the heyday of discriminatory lending in the SLV, Hispanic farmers and ranchers find themselves at a distinct disadvantaged vis-à-vis Anglo farmers who have also been in the SLV for generations. Hispanics are less likely to inherit land and equipment, which leaves them with less collateral to expand their farms and ranches. It also means that if they were to need credit today, even if they were eligible, they would face less favorable lending terms than producers with more assets. In this respect, the profits of well-to-do farmers and ranchers today are tainted by the unfair treatment of their minority counterparts in the past.

This vicious cycle underscores a point that many economists fail to realize; which is that the economy is inherently linked to culture. In fact, the economy is a product of culture. Financial practices are deeply rooted in cultural habits and norms, and thus, when a society's financial viability disappears, its very way of life faces extinction. When Anglo lenders in the SLV chose not to extend credit to Hispanic farmers and ranchers, they not only undercut these individuals' ability to manage their land, they underwrote the demise of Hispanic communities throughout the valley. With this in mind, those interested in restoring what has been lost must consider not only financial forms of compensation but also, and perhaps more importantly, meaningful ways to support and nurture local culture. For in the end, the only way to revive an economy is by investing in the culture that has sustained it.

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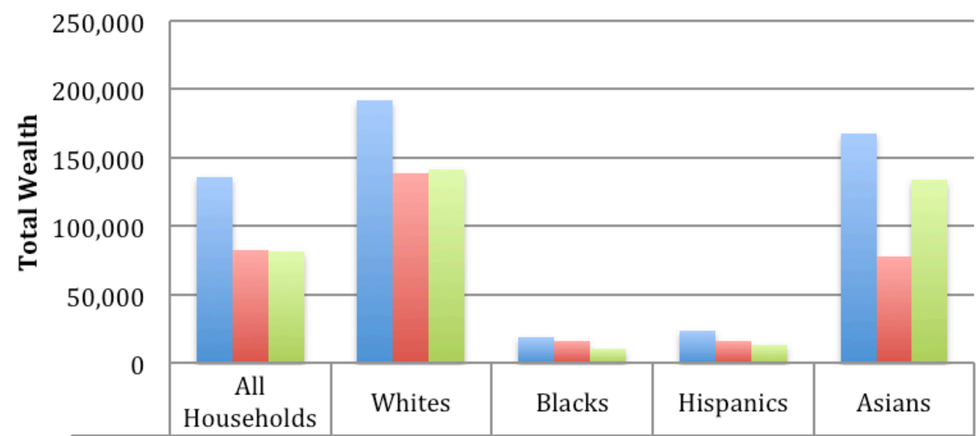
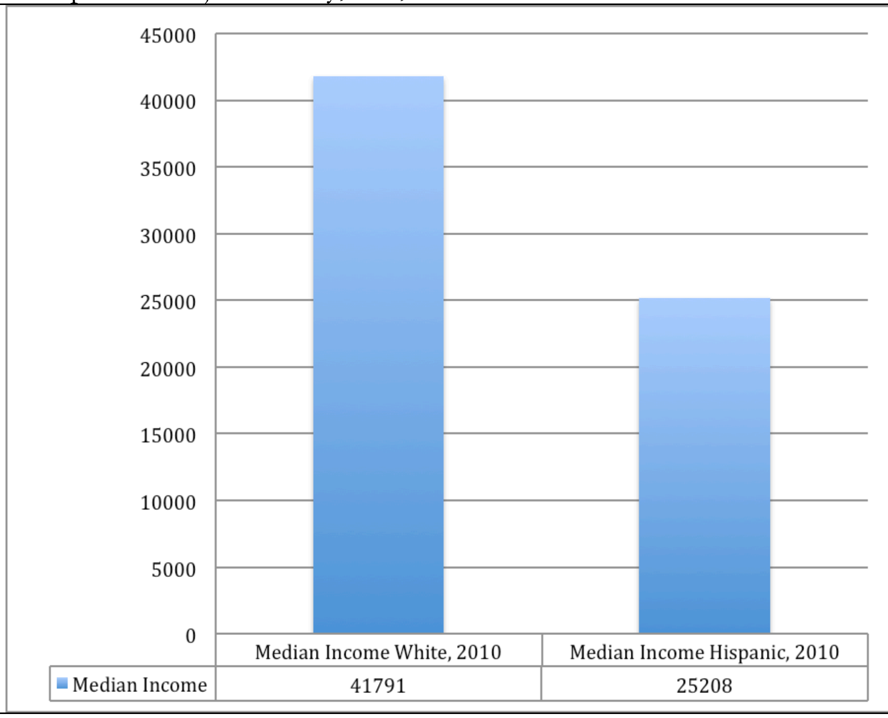
Figure 1 Wealth Gaps in US by Race and Ethnicity, 2007-2013



	All Households	Whites	Blacks	Hispanics	Asians
2007	135,700	192,500	19,200	23,600	168,103
2010	82,300	138,600	16,600	16,000	78,066
2013	81,400	141,900	11,000	13,700	134,008

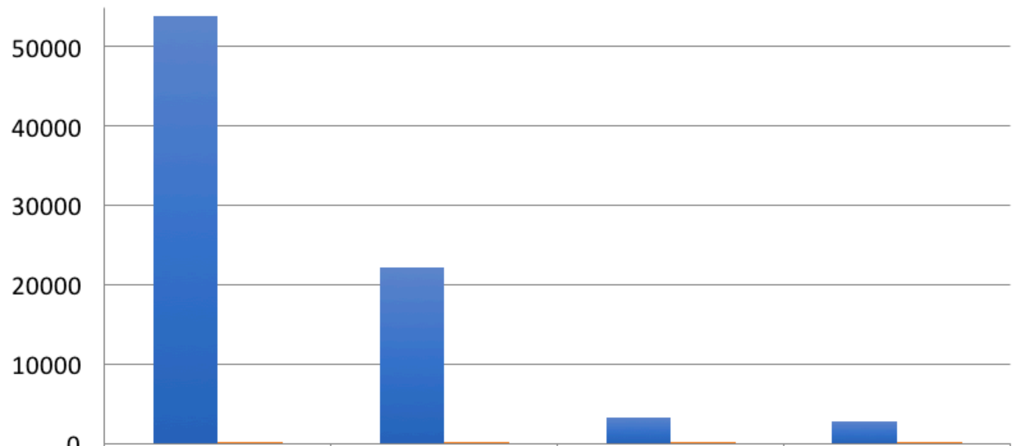
Source: US Census.
*Median net worth of households. Figures in 2013 dollars.

Figure 2 Wealth Gaps in Conejos County, CO,



Source: US Census, 2010.

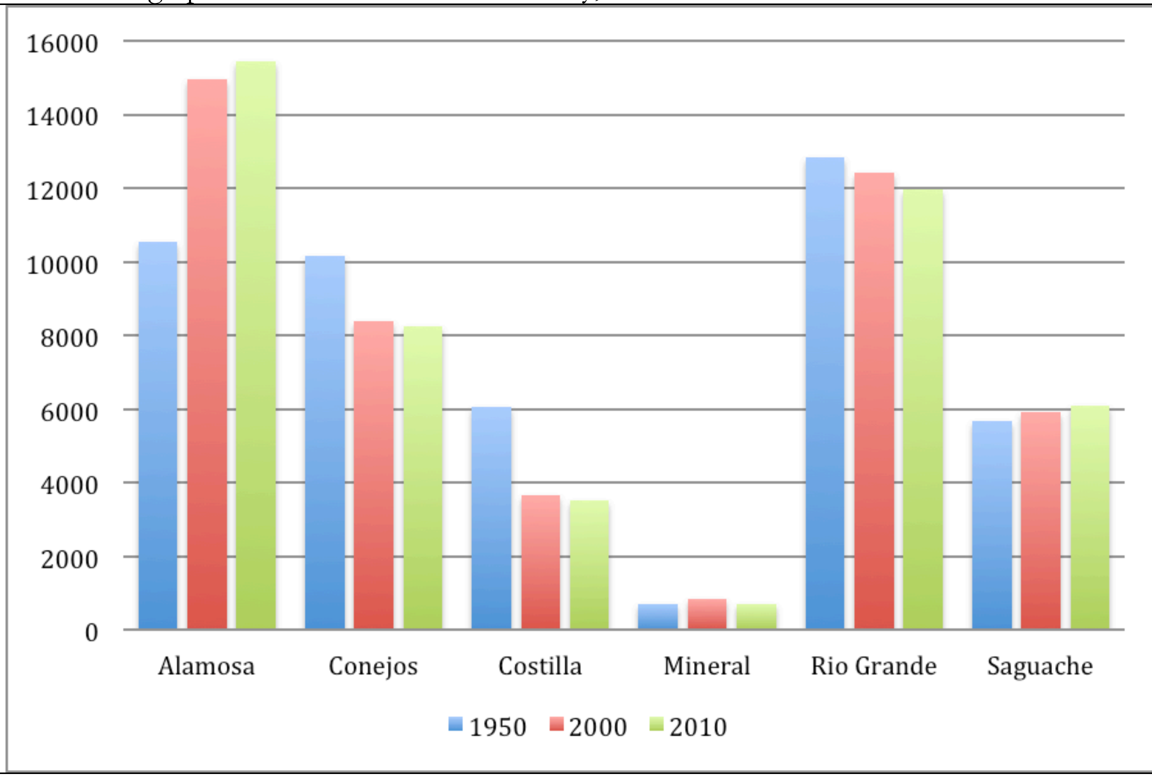
Figure 3 Claims made under *Garcia v. Vilsack*



	Claims submitted	Claims complete	Claims Approved	Claims Paid
Total Claims	53803	22163	3210	2847
% Claims	100	41.19287029	5.966210063	5.291526495

Source: United States Department of Agriculture (USDA). Data extracted from *Rosemary Love, v. Tom Vilsack*.

Figure 4 Demographic Shifts in the San Luis Valley, 1950-2010



Source: US Census.