CDFI Fund Quarterly
Investing in America's Communities
*Spring 2000, Volume 3, Number 2*

# Inside



Department of the Treasury

Community Development Financial Institutions Fund
601 Thirteenth Street, NW
Washington, D.C. 20005

# Demand for Funding on the Rise

On April 12, 2000, CDFI Fund Director Ellen Lazar testified at a hearing on the fiscal year 2001 budget request before the United States Senate Appropriations Subcommittee that oversees the Fund's budget requests. Lazar cited an ever-increasing "interest in our programs" and the "significant community development impact" of the Fund's awards as two reasons for requesting increased funding.

Each year since the Fund's inception, demand for funding has increased. The current funding rounds are no exception. The Fund has made $25 million available in the current funding round of the Bank Enterprise Award (BEA) Program. The Fund has received 228 applications – a 64% increase over last year's 113 applications. The Fund's preliminary review of the applications shows that if the applicants complete all of their projected activities, they would qualify for a total of $109 million – more than four times the amount of available funds.

In addition, the Fund announced that $50 million is available in the current funding round of the Core and Intermediary Components of the CDFI Program. 160 applications have been received, requesting $264 million – over five times the

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*First State Community Loan Fund Annual Meeting in Willmington, Delaware - L-R: Governor Tom Carper, Executive Director Caroline Glackin, Lt. Gov. Ruth Ann Minner, Maurice Jones, CDFI Fund; and Congressman Mike Castle.*

***Secretary Lawrence Summers to address international audience at the Forum on Women's Economic Empowerment - Women 2000/Beijing Plus Five, June 6 in New York City.***

## • Director's Viewpoint • • •

*Dear Friends:*

*In 1995 President Clinton traveled to Beijing, China for the United Nation's Fourth World Conference on Women. Upon his return he wrote a memorandum requesting that the CDFI Fund create and administer a Presidential awards program that would recognize organizations that excelled in microenterprise development. He also asked that the Fund establish an Interagency Workgroup on Microenterprise Development. I am please that the Fund has successfully implemented both directives.*

*On June 5-9, 2000 the United Nations (UN) will be conducting a special session celebrating the Beijing Platform for Action. Women leaders from around the world will gather in New York City to address a range of issues including human rights, women's health, science and technology, and economic empowerment. Both governments and non-governmental organizations (NGOs) are working together to sponsor a series of forums to discuss pertinent issues affecting women through the Women 2000/ Beijing Plus Five Conference.*

*On June 6, Treasury Secretary Lawrence Summers will speak at the opening plenary of the day-long Women's Economic Empowerment Forum in New York City. I will participate in the Leadership Forum that follows, and the CDFI Fund and the Interagency Workgroup on Microenterprise Development will host a workshop in the afternoon.*

*The Women's Economic Empowerment Forum is co-sponsored by the Center for Policy Alternatives and the AFL-CIO Working Women's Department, with the support of the Ms. Foundation for Women. The morning Plenary and the Leadership Forum will take place at the Customs House in lower Manhattan and the afternoon workshops will be conducted at the Borough of Manhattan Community College at 199 Chambers Street.*

*The day-long Women's Economic Empowerment Forum will consist of a series of plenaries, workshops, and discussion circles designed to encourage dialogue among women focusing on four key themes: Family Investments; Worker's Rights in the Global Economy; Economic Security and Opportunity; and Entrepreneurship and Economic Empowerment.*

*We are pleased to be able to participate in this historic event and hope that many of you will be able to join us.*

Ellen

*Ellen Lazar*

# Staff Updates at the Fund

The CDFI Fund welcomes the following new employees who have joined in our mission to promote access to capital in America's distressed communities.

• ***Caroline McComber*** has joined the Fund as a Management Analyst. Prior to joining the Fund, Caroline was a Management Analyst for the Department of Housing and Urban Development's Public and Indian Housing Division and served as staff assistant for the Deputy Assistant Secretary for Native American Programs. Caroline's background and experience with Native American programs will be very beneficial to the Fund's Native American Lending Study.

• ***Cathy Presnell*** has recently joined the Fund as our Financial Manager. Previously, Cathy was a Senior Manager at KPMG, LLP. She has over 16 years of experience, a sound understanding of financial management services and a keen awareness of the Fund's mission and activities. She holds a Bachelor's degree from Bowling Green State University and is a Certified Public Accountant, Government Financial Manager, and Information Systems Auditor.

• ***LaQuita Sanders*** has joined the Fund as a Budget Analyst. Most recently, LaQuita was a Senior Budget Analyst for HUD where she also served as a Community Planning and Development Specialist with the Community Development Block Grant Program. She holds a Bachelor's degree from the University of Tennessee and a Master's degree in City and Regional Planning from Howard University. LaQuita brings to the Fund a sound understanding of the budgetary process, coupled with the experience of working with grant-making programs.

• ***Shamla Smith*** has joined the Fund as an Accounting Technician. Prior to joining the Fund, Shamla was an Accounting Technician for the Library of Congress, U.S. Copyright Office and the Bureau of Public Debt before its relocation to Parkersburg, West Virginia. She attended the University of Maryland Eastern Shore and the University of Maryland College Park where her academic concentration was Business Administration/Accounting. Shamla is currently enrolled at U.S. Department of Agriculture's Graduate School, where she is seeking a certificate of accomplishment in Accounting. Shamla's background and experience will be very beneficial to the Fund.

• ***Alice Veenstra*** is on a detail to the Fund to help with the Native American Lending

*(continued on page 4)*

## • FY 2001 Program Calendar • • •

### CDFI Program

| | | |
|---|---|---|
| **Core Component** | NOFA Published | Aug 14, 2000 |
| | Information Sessions | Sept 20 - Oct 6, 2000 |
| | Application Deadline | Dec 15, 2000 |
| **Intermediary Component** | NOFA Published | Aug 14, 2000 |
| | Information Sessions | Sept 20 - Oct 6, 2000 |
| | Application Deadline | Dec 12, 2000 |
| **TA/SECAP * Component** | NOFA Published | Jan 2, 2001 |
| | Information Sessions | Jan 16 - 26, 2001 |
| | Application Deadline | Feb 28, Mar 30, Apr 30 & May 31, 2001 |

### BEA Program

| | |
|---|---|
| NOFA Published | Sept 5, 2000 |
| Information Sessions | Sept 20 - Oct 6, 2000 |
| Application Deadline | Nov 21, 2000 |

### Presidential Awards for Excellence in Microenterprise Development

| | |
|---|---|
| Program Opens | May 2001 |
| Application Deadline | August 2001 |

** For a description of SECAP, see page 7, column 1*

# Native American Lending Study/Action Plan

As reported in the Winter 2000-CDFI Fund Quarterly, the Fund completed 13 workshops for the Native American Lending Study and Action Plan. The workshops covered 10 regions throughout the continental United States and Alaska and Hawaii. To assist in the workshop process, the Fund collaborated with 14 regional Native American organizations. In January, 2000, the Fund sponsored a Round Table Workshop in Washington, DC involving 40 high ranking representatives from Tribal governments, Alaskan Native organizations, Native Hawaiian representatives, federal agencies, federal supervisory agencies and private financial institutions. The meeting provided a forum for these key officials to review and comment on the findings of the regional workshops; to add their perspectives on barriers and impacts affecting access to capital and investment in Native American communities; to develop models for accessing capital, equity, investments; and to share their experiences, with success stories, depicting solutions for overcoming barriers to capital.


*Native American Roundtable Workshop, January 2000 in Washington, DC*

The Fund has transcribed the proceedings of all the workshops and will send copies to all the participants. In addition, the Fund is conducting a national financial survey. The results of this survey will be included in the Fund's final report to the President and the Congress. The final report is anticipated to be completed in the Fall of 2000.

## Staff Updates at the Fund

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Study until early this summer. She is a Program Examiner at the Office of Management and Budget where she analyzes policy, budget, and programs related to banking, consumer protection and community development. She holds a Masters degree in Public Administration from Harvard University's Kennedy School of Government and a Bachelor's degree in Economics and Business from Macalester College.

- ***Deborah Smith***, who joined the Fund in August 1998 as an Administrative Services specialist, was promoted to External Affairs Specialist in September of 1999. Debbi's duties include, among other tasks, the designing of Fund outreach materials, including this newsletter and the Fund's annual report.

- ***Walter Gans*** has recently joined the Fund as an Office Support Assistant. Previously, Walter was an Instructional Assistant with the Fairfax County, Virginia school system at Glen Forest Elementary School in Baileys Crossroads, Virginia. Walter recently completed a Bachelor of Science degree in Speech Communications at Lynchburg College, in Lynchburg, Virginia.

- ***Kyle Stentiford*** has recently joined the Fund as an Office Support Assistant. Previously, Kyle attended the United States Naval Academy in Annapolis Maryland for three years. He plans on continuing his education at a private university, working towards a degree in Political Science.

# New CDFI Certifications

*by Yoo Jin Na, CDFI Fund*

The Fund has certified 393 CDFIs nationwide. For a complete listing, please refer to our website at www.treas.gov/cdfi.

The following are CDFIs that have been certified since December 1999.

***Colorado Housing Assistance Corporation***
*Denver, CO*

***Colorado Housing Enterprises, Inc.***
*Westminister, CO*

***Community and Shelter Assistance Corporation***
*Newberg, OR*

***Community Bank of Lawndale***
*Chicago, IL*

***Community Capital Works***
*Philadelphia, PA*

***Community Partnership Development Corporation***
*New York, NY*

***Council for South Texas Economic Progress***
*McAllen, TX*

***East Harlem Business Capital Corporation***
*New York, NY*

***Fairbanks Neighborhood Housing Services, Inc.***
*Fairbanks, AK*

***Florida Community Capital Corporation***
*Orlando, FL*

***H Street Finance Corporation***
*Washington, DC*

***Hill District Federal Credit Union***
*Pittsburgh, PA*

***Ka'u Federal Credit Union***
*Na'alehu, HI*

***LaVallee Federal Credit Union***
*Madawaska, ME*

***May Coalition, Inc.***
*Spruce Pine, NC*

***Metropolitan Community Credit Union***
*Washington, NC*

***Minnesota Investment Network Corporation***
*Minneapolis, MN*

***National Economic Opportunity Fund***
*Washington, DC*

***NC Community Development Initiative Capital, Inc.***
*Raleigh, NC*

***Neighborhood Housing Services of New Orleans, Inc.***
*New Orleans, LA*

***Neighborhood Housing Services of Waco***
*Waco, TX*

***Neighborhood Housing Services of Asheville, NC, Inc.***
*Asheville, NC*

***Phillips County Self-Help Federal Credit Union***
*Helena, AR*

***Partners for Self-Employment (d/b/a/) Working Capital Florida***
*Miami, FL*

***Rural Enterprise Development Corporation***
*Bloomsburg, PA*

***Sacramento Neighborhood Housing Services, Inc.***
*Sacramento, CA*

***Sto-Rox Community***
*McKees Rocks, PA*

***Unity National Bank of Houston***
*Houston, TX*

***Virgin Islands Capital Resources, Inc.***
*St. Thomas, VI*

***Washington Community Alliance for Self-Help***
*Seattle, WA*

***Washington Community Development Loan Fund***
*Seattle, WA*

***WCHR Securities, Inc.***
*Worcester, MA*

## Re-Certification Reminder

*by Yoo Jin Na, CDFI Fund*

During the month of July, 2000 certification of 207 organizations as Community Development Financial Institutions (CDFIs) will expire. The CDFI Fund has recently completed a mailing to each of these organizations reminding it of the date its certification expires and requesting the submission of application materials for re-certification.

The CDFI Fund suggests that organizations submit materials for re-certification no later than three months prior to the organization's current certification expiration date. This will allow the Fund sufficient time to consider the application and make a decision prior to the expiration date.

Copies of the Application for Certification and the CDFI Program regulations may be downloaded and printed from the Fund's website at www.treas.gov/cdfi/certification_only.html. The current list of Certified CDFIs, which now includes the certification expiration date, can also be found at the above mentioned web address.

Questions about the re-certification process or application should be sent via e-mail to cdfihelp@cdfi.treas.gov or by calling the Fund at (202) 622-8662.

## THE BANK ENTERPRISE AWARD AND THE VALUE OF LEVERAGE - One Bank's Perspective

*By Mary Schultz, Senior Vice President*
*Bank of America*

Over the past four years, the CDFI Fund's Bank Enterprise Award (BEA) Program has played a significant role in helping Bank of America achieve community development impact in ways as never before. As the recipient of several BEA Program awards, Bank of America has been able to support a diverse array of projects and activities—from building expertise to creating new small businesses, fostering job creation and providing affordable housing.

The capital made available through the BEA Program has been integral to the growth of the Bank of America CDFI program. The bank's 1996 commitment to invest up to $25 million in effective CDFIs has been expanded to $140 million, a record level, and more than any other financial institution. Bank of America seeks to invest in new or expanding CDFIs that provide a crucial link in the financing stream that makes community development possible.

Last year, a $1.2 million loan to ACCION Texas, a Texas CDFI, leveraged an innovative approach to lending. ACCION Texas offers micro-credit products (loans up to $25,000) to individuals and small businesses that cannot access traditional lending sources. In Chicago, the BEA Program award has helped underwrite a comprehensive approach to community development through a number of financing vehicles—equity investments and lending for small business and affordable housing—providing a microcosm of how effective community development is achieved.

With its first BEA Program award in 1996, the bank established the Bank of America Leadership Academy in concert with the Local Initiatives Support Corporation (LISC). This program, conducted by the Development Training Institute (DTI), offers executives of community development corporations an unparalleled opportunity to increase their leadership, management and development skills.

Through the leverage offered by the BEA Program, Bank of America has forged relationships with CDFIs that make it possible to deliver lending, investing and technical assistance to low-and moderate-income communities more effectively than ever before. This delivery builds communities and changes lives, which is, after all, what communities development banking is all about.

## Presidential Task Force Takes to the Road

Two years ago, the Presidential Task Force on the Employment of Disabled Adults formed the Task Force Committee on Economic Incentives & Entrepreneurship to review federal policies and to develop recommendations to increase small business, microenterprise and entrepreneurial opportunities for adults with disabilities.

This Committee, chaired by Small Business Administration Administrator Aida Alvarez and co-chaired by Tony Coelho, Chairman of the President's Committee on Employment of People with Disabilities (PCEPD), is comprised of senior level representatives from 11 federal departments and agencies including Ellen Lazar, Director of the Fund. John Lancaster, of the President's Committee, and Lydia Bickford of the Small Business Administration, chair the Committee on behalf of Administrator Alvarez and Chairman Coelho.

In order to apply the lessons learned at the Federal level, the Committee has designed a so-called "Traveling Roadshow" to take to localities throughout the country inviting public and private sector representatives who provide services and programs for adults who have disabilities. Its purposes are to inform the community of available entrepreneurial opportunities to people with disabilities and new legislation and programs that will expand those opportunities.

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## Funding on the Rise

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amount available.

The Fund announced that $4.5 million is available under the current funding round of the Technical Assistance Component of the CDFI Program. The Fund anticipates that the TA component will similarly be oversubscribed.

This great demand reflects the continued growth of the CDFI industry. As of April 27, 2000 the Fund has certified 393 CDFIs located in 47 states, the District of Columbia and the Virgin Islands.

In an effort to penetrate the industry more deeply, the Fund plans to reach smaller and emerging CDFIs by refining the current Technical Assistance Component in time for the fiscal year 2001 funding round. Endorsed by the CDFI Coalition, the proposed "Small and Emerging CDFI Access Program", or SECAP, would allow smaller, new and emerging CDFIs to apply for capital and technical assistance grants up to $200,000 through a streamlined application process.

Lazar also emphasized at the Senate appropriations hearing the great impact of the Fund's past awards. The Fund recently administered a survey to all 1996 and 1997 CDFI Program awardees – a total of 71 organizations – to determine the impact of the Fund's investments. These awardees were selected to receive the survey because they have had at least one-year to absorb the Fund's investments and put them to work. To date, the Fund has received and analyzed responses from 53 awardees. Together, these 53 organizations received a total of $50 million in assistance from the Fund.

***Table A: Impact of 1996 & 1997 Awardees' Community Development Loans and Investments***

- Supported over 6,000 microenterprises
- Created or maintained roughly 37,000 jobs
- Developed or rehabilitated over 28,000 units of affordable housing
- Developed or supported close to 750 community facilities, including childcare centers, health care centers, charter schools and job training centers
- Provided business training, credit counseling, homebuyer training and other development services to almost 33,000 individuals and organizations

Preliminary data indicates that these organizations have made $1.5 billion in community development loans and investments (please see "Table A" for detail). In addition, these 53 awardees have strengthened their own capacities, enabling them to deliver products and services to the diverse communities they serve (please see "Table B" for detail). Their total assets have increased by 119%, growing from $685 million in the aggregate before receiving a CDFI Fund award to nearly $1.5 billion in the aggregate in 1999. Finally, the Fund's awardees have leveraged significant additional capital. The 53 awardees estimate that an additional $215 million in capital, over-and-above the $50 million raised as part of the Fund's 1:1 matching funds requirement, can be directly attributed to receipt of a CDFI Fund award.

***Table B: Client demographics of respondents***

- 72% of the clients served are low-income
- 59% of the clients served are minorities
- 51% of the clients served are women
- 55% of the clients served live in inner cities
- 35% of the clients served live in rural areas
- 10% of the clients served live in suburban areas

The fiscal year 2001 budget request includes $125 million in appropriations for the CDFI Fund. Director Lazar is hopeful that the Fund's request will be approved "so that we may continue to work on creating jobs, affordable housing, childcare facilities, small businesses and economic revitalization in communities across America."

For a copy of Director Lazar's testimony please visit: *www.treas.gov/cdfi/testimony.pdf*

# Consortia and the CRA

*by Fred Mendez,*
*Federal Reserve Bank of San Francisco*

Multi-bank community development organizations ("consortia") represent the financial industry's best effort to formalize community development lending as an equal partner in the world of traditional banking. By assuming the role of sub-contractor to their bank investors, consortia can provide the community development expertise and capacity that small- and mid-sized financial institutions cannot often afford. At the same time, these intermediaries can provide large financial institutions with an effective way to reach underserved populations through products and services that may initially be unprofitable if performed internally.

The role of consortia within the financial industry is still a topic for discussion in many banking circles, and regulatory agencies have no role in determining the mechanisms by which banks meet the credit needs of their communities. However, one role that the regulatory agencies *do* play is in setting the foundation for bank participation in newly formed consortia by providing regulatory guidance. The Federal Reserve Bank of San Francisco is currently providing such guidance to two dozen financial institutions in the State of Utah that are undertaking the task of creating a statewide consortium. The grid presented on the following page is derived from a presentation delivered to these financial institutions in an effort to explain the CRA implications of consortia lending.

Setting the foundation for this grid are two over-arching issues concerning assessment area and the innovation/complexity of consortia products. The regulation clearly states that community

***" ...represents the industry's best effort to formalize community development lending..."***

development loans, services, and qualified investments are considered under CRA if they support a community development organization or activity that serves an area which includes a financial institution's assessment area. The assessment area need not receive an immediate or direct benefit as long as the purpose, mandate, or function of the activity serves the geographies and/or individuals inside the assessment area or an area that is larger, but includes the assessment area. Keep in mind, however, that an examiner will consider community development activities that have a *direct* benefit to an institution's assessment area as being more responsive to the credit needs of that area than those activities whose benefit is uncertain or diffused throughout a larger area.

Another factor to take into consideration is the level of innovation and complexity. This is determined by a financial institution's efforts to meet community development needs not being met in the normal course of business by the local private market. Financing an organization such as a consortium that provides innovative and complex products and services is all well and good, and will likely result in the typical "garden variety" CRA consideration. But, active partnership with a consortium in the development, management, and distribution of such products and services will result in innovative and complex consideration under the CRA... the stuff of which Outstanding ratings are made.

Understanding the role of consortia, what they can and cannot do, and how to use multi-bank initiatives to provide the greatest impact to those most in need requires a partnership of resources and expertise. While

***" ...multi-bank initiatives to provide the greatest impact..."***

the financial industry continues to evolve, the role of consortia must change with the industry in order to continue the mission of meeting the changing needs and expectations of bank investors. The four federal banking regulatory agencies are committed to assisting the industry in the development and evolution of multi-bank community development initiatives. And, while the CRA is challenging at times, it provides plenty of flexibility to try new things through intermediaries like consortia.

# CRA Implications of Consortia Lending

| ACTIVITY | LARGE FINANCIAL INSTITUTIONS | SMALL FINANCIAL INSTITUTIONS | WHOLESALE OR LIMITED PURPOSE FINANCIAL INSTITUTIONS |
|---|---|---|---|
| LENDING | LENDING TEST: Loans made to a consortium are considered community development loans. Loans made through a consortium either through participation or purchase are also considered community development loans. The loans made by a consortium as a result of a financial institution's loans or investments will allow that financial institution to receive continuing consideration for community development lending activity as long a documentation supports this continued activity. For CRA reporting purposes, multifamily affordable housing loans are considered both a home mortgage and a community development loan. | The focus of the streamlined CRA examination procedures for small financial institutions is on lending and lending-related activities. Loans made to a consortium are considered community development loans, as are loans made through a consortium either through participation or purchase. The loans made by a consortium as a result of a small financial institution's loans or investments will allow that financial institution to receive continuing consideration for community development lending activity as long as documentation supports this continued activity. Participation in a consortium can also be an adjustment factor for a low loan-to-deposit ratio and allows for a bigger "bang for the buck" by providing access to innovative financing in assessment areas that might not be available if an institution did not participate in the consortium. | COMMUNITY DEVELOPMENT LENDING: Similar to large financial institutions, loans made by wholesale and limited purpose financial institutions to a community development consortium are considered community development loans, as are loans through a consortium either through participation or purchase. The loans made by a consortium as a result of financial institution's loans or investments will allow that financial institution to receive continuing consideration for community development lending activity as long as documentation supports this continued activity. For CRA reporting purposes, multifamily affordable housing loans are considered both a home mortgage and a community development loan. |
| INVESTMENTS | INVESTMENT TEST: Any lawful investment in a consortium, be it for creation, capitalization, or the purchase of securitized loans, is considered a qualified investment. In the cases where a consortium generates both community development loans and community development investments, the split credit rule may apply, allowing both lending and investment test consideration for the same transaction. *(See Community Investments, Spring 1996, and Spring 1997 at www.frbsf.org/pubsindx.html#candca)* | The most recent Interagency Questions & Answers document on CRA clarifies that lending-related investments, such as an investment to capitalize or create a consortium, will be evaluated by examiners when evaluating small financial institutions for a Satisfactory CRA rating under the streamlined examination procedure. | COMMUNITY DEVELOPMENT INVESTMENT: Any lawful investment in a consortium, be it for creation, capitalization, or the purchase of securitized loans, is considered a qualified investment. In the cases where a consortium generates both community development loans and community development investments, the split credit rule may apply , allowing both lending and investment test consideration for the same transaction. *(See Community Investments, Spring 1996, and Spring 1997 at www.frbsf.org/pubsindx.html#candca)* |
| SERVICES | SERVICE TEST: Participation by financial institution representatives in the provision of financial services-related activities to consortia is considered a community development service. This would include, but not be limited to, participation on the task force to create a consortium, participation on an organization's board of directors, and participation on an organization's loan committee. | The provision of community development services to a consortium will help a small financial institution if it chooses to be evaluated for an Outstanding CRA rating. | COMMUNITY DEVELOPMENT SERVICE: Formal participation by financial institutions representatives in the provision of financial services-related activities to consortia is considered a community development service. This would include, but not be limited to, participation on a task force to create a consortium, participation on an organization's board of directors, and participation on an organization's loan committee. |

## Presidential Task Force

*(continued from page six)*

We hope you will help us spread the word about this valuable resource in your community.

**Tuesday, June 6, 2000**
*Phoenix, Arizona*
SBA contact:
Gail Gesell 602-745-7224
g.gail.gesell@sba.gov

**Thursday, June 8, 2000**
*Las Vegas, Nevada*
SBA contacts:
Mary Zurawski 702-388-6687
mary.zurawski@sba.gov

Ed Brown 702-388-6687
edward.brown@sba.gov

**Tuesday, June 20, 2000**
*Boston, Massachusetts*
SBA contact:
Lillian Evans 617-565-5589
lillian.evans@sba.gov

**Thursday, June 22, 2000**
*Hartford, Connecticut*
SBA contact:
Bernard Sweeney 860-240-4700, ext. #255
bernard.sweeney@sba.gov

**Tuesday, July 11, 2000**
*Sacramento, California*
SBA contact:
Gilda Perez 916-498-6439
gilda.perez@sba.gov

**Thursday, July 13, 2000**
*Portland, Oregon*
SBA contact:
Toni McKisson 503-326-5122
maria.mckisson@sba.gov

Sylvia Gercke 503-326-5207
sylvia.gercke@sba.gov

**Wednesday, July 26, 2000**
*Iowa City, Iowa* (10th Anniversary of passage of the ADA)
SBA contact:
Keith McBride 319-362-6405, ext. #221
keith.mcbride@sba.gov

**Friday, July 28, 2000**
*Chicago, Illinois*
SBA contact: Sam McGrier
312-353-5429
horace.s.mcgrierjr@sba.gov

## Congratulations to our own Sean Zielenbach!

"*The Art of Revitalization*", authored by Fund employee Sean Zielenbach, has recently been published by Garland Press and is available through several retail outlets.

Senator Ted Kennedy is quoted on the back cover of the book: "In this worthwhile book, Sean Zielenbach offers an important contribution to the ongoing debate over America's inner cities and how they can be revitalized. He presents a persuasive case for strengthening the neighborhood organizations and local enterprises which contribute so much to the fabric of these communities, and which ultimately hold the key to their future."

## Revised Regulations May Facilitate Banks' Investments In CDFIs

*By Matthew Josephs & Margaret Nilson, CDFI Fund*

Banks and thrifts are currently eligible for Community Reinvestment Act (CRA) credit for making certain community development investments, including investments in CDFIs. On December 20, 1999, the Office of the Comptroller of the Currency published regulations in the Federal Register that encourage national banks to make such "public welfare investments" by streamlining and simplifying the relevant review process. Specifically, the revised regulations:

- Allow national banks to "self-certify" more public welfare investments after the fact, rather than requiring them to submit forms to the regulators at least 30 days prior to their investment;
- Remove the requirement that national banks provide regulators with "Community Benefit Information" in order to receive credit for their public welfare investments; and
- Remove the geographic restrictions for self-certified investments so that national banks may use the self-certification process to make eligible public welfare investments in any area in the country.

As a result of these changes, national banks may be willing to increase their investments in CDFIs and make investments in CDFIs that do not operate within their service areas. Investments in certified CDFIs are also activities that may make a bank eligible for a financial award under the Fund's Bank Enterprise Award (BEA) Program. For a copy of OCC's revised regulations, you may visit the Federal Register Online via GPO Access at www.wais.access.gpo.gov. For more information about the BEA Program, you should visit the Fund's website at www.cdfi.treas.gov or call the Fund at (202) 622-8662.

# SBA Women's Business Centers -

## Seeking partnerships with CDFIs

*By Susan Byers, SBA*

People have always dreamed of owning their own businesses, of being their own bosses, and never before have those dreams been more attainable. The economy is booming. The climate is more favorable to entrepreneurship than it has been in years. The Internet is creating opportunities not dreamed about five years ago. The strongest economy in decades means there is more money available to start and develop businesses. Banks seek small business owners, looking to lend capital, and equity financing has become a boom market.

Not everyone is benefiting, however. Too many women who want to start or develop businesses struggle to get the money they need. Many have little or no business experience. They may have no credit history and if they do, it may be minimal or flawed. Sometimes even women with sound credit cannot get loans. So women turn to credit cards and the "friends-and-family bank." They pay high interest rates and scrape by. And if an opportunity to grow comes along, they often cannot take advantage of it because they cannot get the financial support they need for inventory or equipment.

***"...women are starting businesses at twice the rate of all businesses."***

Yet—and this may surprise you—women own nearly 40 percent of the nation's businesses. In 1999 their companies employed 27.5 million people and contributed $3.6 trillion to the economy—and those numbers continue to grow, because women are starting businesses at twice the rate of all businesses. What's more, a woman-owned firm is more apt to be in business three years down the road than a business started by a man. And women business owners are just as likely as men to pay off their loans and make their payments on time.

The SBA is acutely aware of the needs of women entrepreneurs. In 1998, what is now the Women's Business Center (WBC) Program started as a pilot to address the unique needs women face as entrepreneurs, from cultural and social barriers to childcare and family needs, from lack of business experience to discrimination in lending. An extremely effective program, it has grown to a nationwide network of 80 women's business centers with thousands of clients who own or want to own businesses—women who need financing.

Many WBC clients are established business owners who only need a little help from the SBA. But many are socially and/or economically disadvantaged and some are on welfare. They have little or no business experience. Many banks won't touch them.

***"Skills can be learned and networks can be built."***

Surprisingly, these women have proven to be excellent credit risks, sometimes better, in fact, than traditional borrowers. And where they have received the financial and technical support they needed, they have often become remarkably successful; a few, once on welfare, now run multi-million-dollar businesses.

SBA and its resource partners offer the training, counseling, networking and expertise businesses need to succeed. But to be fully successful, to be able to take advantage of opportunities when they arise, women entrepreneurs need money. That's the bottom line. A few need venture capital; their companies are poised for rapid growth. Most need small loans and some need only microloans—small investments that have the potential for excellent returns.

Dreams can come true. It takes hard work, determination, and a willingness to take risks. It also takes skills, support from peers and mentors—and it takes money. Skills can be learned and networks can be built. But the money has to be loaned.

Women, from every walk of life, are proving that their businesses are good places to invest. Interested? Contact a Women's Business Center near you. You can find contact information on the Online Women's Business Center at www.onlinewbc.org.

# Rural Business Cooperative Service

## USDA, Rural Development

*Wayne Stansbery, USDA*

The mission of the Rural Business Cooperative Service (RBS) of USDA Rural Development is to enhance the quality of life for all rural Americans by providing leadership in building competitive businesses and cooperatives that can prosper in the global marketplace. To meet business credit needs in underserved areas, RBS Business Programs are usually leveraged with the resources of commercial, cooperative, or other private-sector lenders. Business Programs of RBS are described below:

## Commercial Lending

### *Business and Industry Guarantee Loans*

The Business and Industry (B&I) Guarantee Loan Program helps create jobs and stimulates rural economies by providing financial backing for rural businesses. This program guarantees up to 80 percent of a loan made by a commercial lender. Loan proceeds may be used for working capital, machinery and equipment, building and real estate, and certain types of debt refinancing. The primary purpose is to create and maintain employment and improve the economic climate in rural communities. This is achieved by expanding the lending capability of private lenders in rural areas, helping them make and service quality loans that provide lasting community benefits. This program represents a true private-public partnership.

B&I loan guarantees can be extended to loans made by commercial or other authorized lenders in rural areas (this includes all areas other than cities of more than 50,000 people and their immediately adjacent urban or urbanizing areas). Generally, authorized lenders include: Federal or State chartered banks; credit unions; insurance companies; savings and loan associations; Farm Credit Banks or other Farm Credit System institutions with direct lending authority; a mortgage company that is part of a bank holding company; and the National Rural Utilities Finance Corporation. Other loan sources include eligible Rural Utilities Service electric and telecommunications borrowers and other lenders approved by RBS who have met the designated criteria.

***"The mission...to enhance the quality of life for all rural Americans"***

Assistance under the B&I Guaranteed Loan Program is available to virtually any legally organized entity, including a cooperative, corporation, partnership, trust or other profit or nonprofit entity, Indian tribe or federally recognized tribal group, municipality, county, or other political subdivision of a State. Applicants need not have been denied credit elsewhere to apply for this program.

The maximum aggregate B&I Guaranteed Loan amount that can be offered to any one borrower under this program is $25 million.

### *Business and Industry Direct Loans*

The Business and Industry (B&I) Direct Loan Program provides loans to public entities and private parties that cannot obtain credit from other sources. Loans to private parties can be made for improving, developing, or financing business and industry, creating jobs, and improving the economic and environmental climate in rural communities (including pollution abatement). This type of assistance is available in rural areas (this includes all areas other than cities of more than 50,000 people and their immediately adjacent urban or urbanizing areas).

Eligible applicants include any legally organized entity, including cooperatives, corporations, partnerships, trusts or other profit or nonprofit entities. Indian tribes or federal recognized tribal groups, municipalities, counties, any other political subdivision of a State, or individuals. Loans are available to those who cannot obtain credit elsewhere and for public bodies.

The maximum aggregate B&I Direct Loan amount to any one borrower is $10 million.

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## Revolving Loan Funds and Technical Assistance

### *Intermediary Relending Program Loans*

Intermediary Relending Program loans finance business facilities and community development projects in rural areas, including cities with a population of less than 25,000. RBS lends these funds to intermediaries which, in turn, provide loans to recipients who are developing business facilities or community development projects. Eligible intermediaries include public bodies, nonprofit corporations, Indian tribes, and cooperatives.

### *Rural Business Enterprise Grants*

Rural Business Enterprise Grants help public bodies, nonprofit corporations, and Federally recognized Indian tribal groups finance and facilitate development of small and emerging private business enterprises located in rural areas (this includes all areas other than cities of more than 50,000 people and their immediately adjacent urban or urbanizing areas). Grant funds can pay for the acquisition and development of land and the construction of buildings, plants, equipment, access streets and roads, parking areas, utility and service extensions, refinancing, and fees for professional services. Grant funds can also pay for technical assistance and related training, startup costs and working capital, financial assistance to a third party, production of television programs targeted for rural residents, and for rural distance learning networks.

### *Rural Business Opportunity Grants*

Rural Business Opportunity Grant funds provide for technical assistance, training, and planning activities that improve economic conditions in rural areas. Applicants must be located in rural areas (this includes all areas other than cities or more than $10,000 people). Nonprofit corporations and public bodies are eligible. A maximum of $1.5 million per grant is authorized by the legislation. RBS is designing the program to promote sustainable economic development in rural communities with exceptional needs.

### *Rural Economic Development Loans and Grants*

This program finances economic development and job creation projects in rural areas based on sound economic plans. Rural Economic Development Loans and Grants are available to any Rural Utilities Service electric or telecommunications borrower to assist in developing rural areas from an economic standpoint, to create new job opportunities, and to help retain existing employment. Loans at zero-interest are made primarily to finance business startup ventures and business expansion projects. Grants are made to these telephone and electric utilities to establish revolving loan programs operated at the local level by the utility. The revolving loan program facilitates rural development by providing needed capital (a) to nonprofit entities and municipal organizations to finance community facilities which promote job creation in rural areas, (b) for facilities which extend or improve medical care to rural residents, and (c) for facilities which promote education and training to enhance marketable job skills for rural residents. Projects should substantially benefit areas having a population of less than 2,500 residents.

## Applications

Detailed information and applications for financial assistance are available through State and local offices of USDA Rural Development. Some of the authorized programs described above require the implementation of regulations before they are available for funding projects. Consult your USDA Rural Development State Office for information on fund availability.

For more information on RBS Business Programs, you may also call the RBS National Office at (202) 720-0813, or connect to the RBS website: www.rurdev.usda.gov

# CDFI Fund Launches State-of-the-Art Website!

*By Jeannine Jacokes, CDFI Fund*


In May 2000, the CDFI Fund will launch service of its new state-of-the-art on-line Help Desk. The new Help Desk will provide the Fund's customers with easy access to data needed to establish eligibility under the CDFI Program and BEA Program. In addition, the Help Desk will provide data on market conditions. This feature will provide a new tool for the Fund's customers to perform market analyses of communities that they serve.

The new on-line Help Desk pushes the edge of the technology envelope by introducing to the world wide web the first geographic information system website capable of conducting on-line aggregation of social and economic data. The Help Desk will provide data from the U.S. Bureau of Census on key population, economic and housing quality and affordability indicators, current unemployment data, and data on current housing and small business lending activity of banks and thrifts from the Federal Financial Institutions Examination Council. The new on-line Help Desk replaces the Fund's Help Desk service that provides users with pre-made "static" maps and worksheets. The new website is highly dynamic allowing users to craft and create instant customized maps and reports for any area in the United States including U.S. territories and Indian Reservations. Starting in May 2000 the new Help Desk can be accessed through the Fund's Home Page at www.treas.gov/cdfi.

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The Community Development Financial Institutions Fund is a wholly-owned government corporation within the U.S. Department of Treasury. Its vision: An America in which all people have access to capital and financial services. Its mission: Promote access to capital and local economic growth by directly investing in and supporting community development financial institutions (CDFIs) and expanding financial service organizations' lending, investment, and services within underserved markets.

The CDFI Fund encourages the dissemination of new ideas and information to further community development in the United States. Articles authored by people who are not CDFI Fund employees, however, may not be endorsed by the Fund nor has the Fund conducted any independent research to determine their accuracy.

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**If you receive duplicate issues of this newsletter, please notify us.**

**VISIT OUR WEB SITE FOR UP-TO-DATE INFORMATION ON THE FUND**

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