

Remarks
by
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before the
Community Lenders Luncheon
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For many years, the economy of Kansas City revolved around the railroad and the stockyard. Wealth from cattle trading and grain farming turned Kansas City into a booming Midwestern city, with -- I have been told -- more miles of wide boulevards than any city other than Paris and more public fountains than any city other than Rome -- and the world's first shopping center.

Kansas City, however, did not start life as a cattle trading center. It originally -- and for about thirty years -- was a town that outfitted settlers and miners headed west.

That changed -- dramatically -- soon after the Civil War. Before the construction of the Hannibal Bridge across the Missouri River at Broadway Avenue, there were no bridges across the river for its entire length. The railroads ended at the unincorporated town of Harlem on the river's north bank. Hannibal Bridge opened on July 3, 1869. A year later, Kansas City was a railroad hub, with eight different radiating lines. By 1880, it was the nation's largest cattle trading center. The people who planned and built that bridge made it happen.

In 1880, William Rockhill Nelson arrived in Kansas City from Indiana. He founded the Kansas City Star and as editor of that newspaper spent the following decades exhorting and working with his fellow citizens to develop Kansas City economically and culturally. He persuaded Col. Thomas H. Swope to donate his 1,344-acre farm to the city -- while Swope was still alive -- because the city needed a public park. Kansas City's place among the top convention cities can be traced back to Nelson -- who persuaded his fellow citizens to build the city's first convention hall at the turn of the century. The remarkable range of 19th- and early 20th-century buildings in Kansas City today is a monument to the vision and efforts of Nelson and his contemporaries.

They made things happen -- as did the people whose vision and efforts more recently have led to the building of the Kansas City International Airport, the City's foreign trade zone, its underground storage industry, and Crown Center. Economic diversification in the last few decades has again transformed Kansas City -- from a boom town into a booming Midwestern metropolis, the area being home to nearly a score of major insurance companies and to

operations of about 200 of the Fortune 500 companies. In Kansas City today, the wholesale and retail trade industries employ the greatest number of people, with the service industry ranking close behind.

None of this happened by accident. The development and prosperity of Kansas City occurred because people here -- business people, officials, media people, citizens -- had a strong sense of shared purpose and community. Because of that strong sense of shared purpose and community, people made things happen.

Because of the vision and effort of the people who live here, Kansas City, Kansas, was named an All-American City in 1992 -- Kansas City, Missouri won the award in 1994 -- and in 1994 Kansas City was named an Urban Enhanced Enterprise Community.

The success of Kansas City as an economic and cultural center rests upon a partnership that has spanned neighborhoods and jurisdictions, the public and the private sector, and generations of community-minded people.

When people work together, things happen.

Because of the partnership of banks and community representatives -- and the partnership of banks and the Federal Deposit Insurance Corporation -- some things are happening in community development here in Kansas City.

For example, Central Bank of Kansas City -- a \$45 million institution -- recognized a need to encourage remodeling and improvements for homeowners in the Northeast Community. Its goal was to help stabilize the community. The bank believed that the income restrictions on traditional grants and low-rate programs eliminated middle-income owners and prospective home buyers who were needed in the community. The bank requested that Old Northeast, a local community development corporation, develop an approach. The result is a remodeling and home improvement loan program within a seven-neighborhood area serviced by Old Northeast. The interest rate on the loans is five percent with no fees to the borrower. If the home is located on what Old Northeast designates a model block, the rate can be lowered to 3 percent. There are no income restrictions. The only restriction is that the applicant must be the owner/occupant. These low cost funds give middle income owners an incentive to stay in the area and prospective buyers a reason to move in. So far, the bank has loaned \$115,000 for home improvements under the year-old program.

Working together, two of the sponsors of this luncheon, the Community Development Corporation of Kansas City and Hillcrest Bank, a \$68 million institution, arranged financing by

the bank for a 14-unit complex as part of Mercy Housing Kansas City. This organization is a not-for-profit corporation whose purpose is to renovate deteriorated housing or construct new homes for rent to families whose annual incomes are no more than 60 percent of the area's annual median income. Hillcrest also works with the CDC of Kansas City to provide loan opportunities for low- to moderate-income persons through the Revolving Loan Guarantee Fund -- and it works with the Entrepreneur Assistance Corporation to create business ownership and employment opportunities in the inner city.

Missouri Bank and Trust, a \$51 million institution, worked with the Westside Housing Organization to develop 15 units of low-income housing. Construction is complete and there is a waiting list for occupancy. The bank has recently formed a loan committee -- which includes residents of the Westside -- that will be making home improvement loans in the community. The loans are expected to be in the \$2,500 to \$10,000 range and interest rates will be from one percent to seven percent, depending upon the applicant's income. Repayment terms will be from two to ten years. In part because of its community development efforts, Missouri Bank and Trust has improved its Community Reinvestment Act rating from four to one.

In the new CRA regulations, federal bank and thrift supervisors made it easier for lenders to bring their imagination and creativity to good use in community development, eliminating the most burdensome of CRA reporting requirements while assuring that safety and soundness standards are met. The regulations open up new possibilities to banks and thrifts in creating partnerships to promote home ownership and to revitalize communities -- a fact that has not been lost on any of you, I am sure.

Missouri Bank and Trust became involved in low-income housing development in the Westside after the bank's CRA officer, James Goetz, was introduced to Jerry Shecter, executive director of the Westside Housing Organization, at one of these community lenders luncheons. They -- and the people who work with them -- made that development happen. That is what these monthly luncheons are all about -- promoting better communications between community representatives and lenders so that they can work together to address community development needs. I understand that a survey last year revealed that approximately \$3.5 million in loans had been originated as a direct result of these luncheons -- and, because many of these loans required other sources of financing, they leveraged at least another \$3.5 million.

I am pleased to say that our Division of Compliance and Consumer Affairs regional office here in Kansas City has supported these luncheons since its inception because we view them as important in establishing partnerships between bankers and community groups. We try to have several representatives at each monthly meeting. In fact, our people were instrumental in

establishing a similar group in St. Louis several months ago. Our office here is also helping to initiate a similar program in Des Moines.

These types of efforts are not isolated to our Kansas City office. We have people all across the country who are supporting partnerships between the private and public sectors for community development in a number of ways. These partnerships bring business judgment into the community development process. In doing so, they also help people help themselves -- and that is good for everyone: for the community and for business.

Without these partnerships, the neighborhoods of our cities would have fewer opportunities for economic change.

The Federal Deposit Insurance Corporation is committed to a partnership with banks to help them identify and address community development needs. We sponsor focus groups and roundtables. We give guidance on how to identify and meet low- and moderate-income lending demand, including credit for self-employed and small scale entrepreneurs. We send scores of people to meetings and conferences every year to help bankers and community representatives come together.

An initiative in our Atlanta region is one more clear example of what our role is as a catalyst. Last year, we brought together 12 local community group and community development representatives with bankers -- mostly CEOs -- from the ten banks supervised by the FDIC in the South Carolina counties of Greenville and Spartanburg. The purpose of the meeting was to talk about community development, and particularly to talk about the credit needs of minority small business owners and operators. We sponsored a second meeting of the group. Since then the group has met four more times -- without the need for our sponsorship. The group is trying to create a loan consortium -- to formulate uniform small business applications to be used by all the banks -- and to develop a program of technical assistance for small business people. Coming together, they found a sense of community and shared purpose. Working together, they are making things happen.

Community has been described as the sense of being on the same lake, even if we are in different boats -- what affects one, affects all. The FDIC itself was created out of this sense of community. When Congress established the FDIC in 1933, so many people were losing their bank deposits that the ties that held the national community together were breaking. It is no exaggeration to say that 63 years ago the FDIC saved the banking system of our country, and in doing so it saved the country from financial chaos and social upheaval. Federal deposit insurance was not an end in itself. Although it probably made individual depositors sleep better at night knowing their deposits were safe, deposit insurance really was aimed at keeping the national community together.

As the FDIC's history shows, an investment that strengthens the community brings important returns: increased stability and prosperity.

The sense of community here in Kansas City has been strong historically. I mentioned earlier a convention center that was built here at the turn of the century. About a year after it was constructed, the convention center burned to the ground, but in the light of the flames ordinary citizens circulated among the crowd around the blaze to collect money to begin rebuilding. The city had committed to hosting a national political convention the following summer -- its first national event -- and the community pulled together to make sure that the commitment was met. A new convention center was up and open by the time the delegates arrived.

Generation after generation, the people here have worked together -- as a community -- building and rebuilding this city to respond to opportunities and needs. Today you too are working together to shape tomorrow. In sponsoring meetings such as this one, and through our many other efforts, we at the FDIC are happy we are able to be a part of community development here and throughout this country.

Thank you.

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