

Remarks by
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A friend of mine who is also from Tennessee is fond of telling about Private Telly Pappas, who, at the beginning of World War II, was stationed outside the small town where my friend grew up. Private Pappas was anxious to get married before going overseas, but he could not get a furlough to go home to New York. His fiancée, however, was perfectly willing to come to Tennessee -- but once she was there, a difficulty arose. She was a devout young woman and insisted on being married by a Greek Orthodox priest. There lived no one of the Orthodox faith in the county where her husband-to-be was stationed, much less an Orthodox priest. So they wired Father Constantine Rozakis in New York, and he agreed to help them with their problem.

Father Rozakis immediately took a train to Memphis, and then a bus for the two-hour drive to the small town. When he got off the bus, several youngsters in the area were struck speechless by his long, gray beard; his shoulder-length gray hair; his long black coat; and his conservative black hat -- a fedora with a wide brim. They followed him as he walked through town, with other children joining the parade until the poor priest thought he was leading a procession.

Finally, he turned around and asked: "What is the matter with you kids? What do you find so fascinating?" The largest boy in the crowd stepped forward and replied: "Sir, we are sorry if we appear rude -- it's just that we don't get to see many Yankees here."

We expect misconceptions to occur when people are strangers to each other -- when they operate on the basis of hearsay and stereotypes, rather than on their own experience. Unfortunately, people do not have to live half-way across the country to be strangers to each other -- culture and class and other intangible divisions make people strangers to each other, too.

Three years ago, Robert Mooney, a community affairs officer in the Chicago region of the Federal Deposit Insurance Corporation, was asked by an association of women business owners to co-sponsor a seminar for bankers on lending to members of the association and to other women business owners. They wanted us to deliver the message that banks needed to lend more. Bob Mooney looked at this request as an opportunity to try out an idea.

These business owners wanted loans, but they needed more than loans -- they needed the type of advice that bankers have long provided -- guidance on financial and business management -- in short, they needed banking relationships. No one can coerce relationships, however -- they have to be built on understanding and trust. Rather than lecturing bankers to do more, the FDIC brought together a small group of bankers and women business owners to talk about the specific obstacles -- on both sides -- to developing banking relationships, and how they could be overcome.

So rather than trying to solve the problems of the bankers and entrepreneurs in the meeting, the FDIC -- and the Federal Reserve Bank of Chicago, which co-sponsored the meeting -- provided them an opportunity to overcome their problems on their own.

Some of the participants in the meeting may have come away with new banking relationships -- but all came away with a greater understanding of the people on the other side of the banking equation, an understanding built on experience.

At the FDIC, our experience is that, if financial institutions become involved in the community development process beyond just lending, if they offer a range of banking services, the results are longer term and better. Our Community Affairs Officer, Bob Mooney, believed that -- by building understanding and trust on the basis of personal experience -- his approach of bringing people together in small groups could promote community development. He convinced his colleagues at the FDIC to give it a try.

It seemed reasonable. His approach did not have the "glitz" of a big, top-down governmental program. It did, however, have a number of virtues, the greatest one being its flexibility: Community development is a process, not an event -- a process that is constantly changing -- and it is as varied as communities are themselves -- no single approach will work everywhere.

Moreover, from the FDIC's perspective, this approach did not say to the participants: "We are from the government and we are here to help you." Rather, we said: "We are here to help you help yourselves."

That was consistent with our commitment to a partnership with banks to help them identify and address community development needs.

In addition, it was a creative approach to promoting community development outside the role of a regulator enforcing compliance with the Community Reinvestment Act and laws against discrimination -- as essential as that role is -- and outside our traditional outreach and training efforts. It is positive for everyone involved: bankers, who can find new markets and new customers; and community development representatives and small business people, who will have the opportunity to explore banking relationships and financing.

As facilitator of these meetings, we can also make discussions easier.

Whatever stereotypes the participants brought with them -- community advocates as unreasonable militants; bankers as members of a privileged profession interested only in catering to the establishment -- they would meet a reality more complex -- not so easily reduced to stereotypes -- of community advocates who want to talk with bankers to encourage benefits to the community, bankers who want to do business wherever they can in a safe and sound way and also help the community.

This is certainly a role different from any that we have played in the past in promoting trust, understanding and -- ultimately -- working relationships between the private and public sectors for community development. These partnerships would bring business judgment into the community development process -- that is good for everyone: for the community and for business.

Our approach means thinking locally and acting locally. It means providing a base on which local businesses can be established and can grow -- creating jobs -- which, in turn, create home ownership opportunities -- community by community.

A friend of mine tells the story of two people who were walking along the beach after low tide stranded thousands and thousands of star fish along the shore -- where they were drying out in the hot sun. Every time one man came across a star fish, he would pick it up and throw it into the water. The other man finally said to him: "Why do you keep doing that -- there are thousands of star fish on the shore -- why does it matter?" The first man replied: "It matters to each star fish."

Community development -- each community by each community -- matters.

One such community where it matters is East Palo Alto, California. Last year, we brought together representatives from 17 banks in the San Francisco area with community group representatives, local officials, and business people in East Palo Alto to talk about community development.

The banks ranged from Bank of America and Home Federal Savings and Loan to the Bank of Los Altos, with \$74 million in assets. The City of East Palo Alto was represented, as was local business, such as Bains Moving & Storage.

About 25,000 people live in East Palo Alto -- and almost 90 percent of them are minorities. One-third of the residents speak Spanish.

Per capita income in East Palo Alto is less than half of that of its surrounding county -- San Mateo -- and less than a third of neighboring Palo Alto. There is not a lot of business locally. There are no large- or medium-sized commercial enterprises in East Palo Alto -- its businesses are primarily small retail enterprises and restaurants. Almost half of these businesses -- 46 percent -- are operated out of homes and garages.

Before we brought the bankers together with the folks in East Palo Alto, there were no depository institutions there and no automated teller machines. The only financial institutions in the neighborhood were check cashing stores.

The community representatives wanted to make the case that East Palo Alto was a market opportunity. They succeeded -- after the meeting, Wells Fargo Bank committed to create a branch in East Palo Alto that will be located in a newly developed retail mall anchored by a Home Depot store.

Most people in America would not find that a big deal -- retail malls with bank branches and home supply stores are common enough to be unremarkable. In East Palo Alto, they hold out the promise of a turnaround in the community's economy.

Eagle Butte, South Dakota, is a long way from San Mateo County -- in more ways than just geography. Eagle Butte is on the Cheyenne River Sioux Indian Reservation.

For years, local banks have been reluctant to lend on the reservation because the tribe is a sovereign nation with its own contract laws and without clear ways to establish security interests in collateral.

Last May, the FDIC brought representatives from seven local financial institutions -- State Bank of Eagle Butte, 1st Financial Bank South Dakota of Dupree, Community First State Bank in Gettysburg, Farmers and Merchants Bank & Trust of McIntosh, Bank West, Inc. in Pierre, Bank of Hovan and Dewey County Bank in Timber Lake -- and two representatives of the South Dakota Bankers Association together with 11 members of the Cheyenne River Sioux Tribe to discuss economic development on the reservation. This meeting in Eagle Butte went far in establishing an effective working relationship among the participants, who agreed to continue

to meet. This group most recently met in mid-July and will meet again in early September. The parties are working together so productively that the FDIC will stand aside and turn the sponsorship and management of the meetings over to other participants.

The bankers made their case concerning their uncertainty about the tribe's contract law and their resulting hesitancy to lend -- and the tribe is now working on adopting the South Dakota Uniform Commercial Code as the tribe's contract code. To make this job easier, the South Dakota Bankers Association provided the tribe with a copy of the state's U.C.C. on CD-ROM.

Further, the Cheyenne River Sioux hope to share this ground-breaking U.C.C. work with other tribes so that they, too, can benefit.

In South Carolina we took the same approach. Last year, we brought together 12 local community development representatives with bankers -- mostly CEOs -- from the ten banks supervised by the FDIC in Greenville and Spartanburg counties to talk about community development. We also sponsored a follow-up meeting. Since then the group has met five more times -- without the need for our sponsorship. Being able to stand aside is the surest sign of success in our role as catalyst.

The banks have created a loan consortium for minority business lending and they are formulating uniform small business applications to be used by all the banks to make it easier to apply for loans. In addition, they are developing a program of technical assistance for minority small business people -- precisely the kind of "relationship banking" for which banks have been traditionally noted -- and valued.

Hudson Barksdale, the director of Spartanburg's Southside Neighborhood Action Partnership, participated in the South Carolina meetings, and he has summed up his experience this way: "I went into the process not trusting banks. I've been pleasantly surprised. I'm glad to see they are open to ideas. I have more respect for the banking community."

In September this group will sponsor a local seminar on small business lending -- with an emphasis on technical assistance -- followed by a program that will permit attendees to meet with local bankers one-on-one. This success is about as close to grass-roots community development as one can get.

Our new approach may not transform the world -- but it is transforming East Palo Alto, Eagle Butte, Greenville/Spartanburg, and other communities into places where people have greater opportunities.

Before you can have community development, you have to have a sense of community, the sense of being on the same lake, even if we are in different boats -- what affects one, affects all. In promoting that sense of community, we are promoting community development.

Here in Salt Lake City, the FDIC has been meeting with the Utah Nonprofit Housing Corporation, the Salt Lake City Neighborhood Housing Services; the Utah Technology Finance Corporation; the Utah Microenterprise Loan Fund; the Salt Lake Community Action Program and Artspace -- which creates affordable housing and studios for artists -- to identify the areas where we can be a useful catalyst in helping banks and community groups identify good business opportunities that also help their community.

We are putting our imagination and creativity to good use to help Americans work together productively.

In doing so, we take inspiration from the example of George B. Dantzig.

Mr. Dantzig was a graduate student in mathematics at Stanford University when he arrived late for a statistics class one day. Finding two problems written on the chalkboard, he assumed they were homework, so he jotted them down in his notebook and, over the next few of days, he worked them out. He then turned them in to the professor.

Not long thereafter, the professor suggested that Mr. Dantzig publish his answers. The two problems were not a homework assignment after all -- they were problems previously thought to be insoluble that the professor had used as examples. Because Mr. Dantzig arrived late for class, he did not know the problems were insoluble. No one told him. He was free to bring his imagination and creativity to bear.

In the new Community Reinvestment Act regulations, federal bank and thrift supervisors made it easier for lenders to put imagination and creativity to good use in community development -- we opened up new possibilities to create partnerships to promote home ownership and revitalize neighborhoods -- a fact not lost on any of you, I am sure. The process of community development may call on financial institutions to reexamine how they do business. As never before, it calls on everyone involved to open his or her mind to new ideas and new opportunities.

As the example of George B. Dantzig shows, even the insoluble problem can be solved if you bring innovation and creativity to bear. The problems of community development can be difficult but are far from insoluble if we work together, and, like the man on the beach saving star fish, if we recognize the importance of each one.

Thank you.

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