

For release on delivery
Friday, September 22, 1967
6 p.m., C.D.T.
(7 p.m., E.D.T.)

FINANCIAL INSTITUTIONS AND
URBAN REHABILITATION

Remarks by

Andrew F. Brimmer
Member
Board of Governors of the
Federal Reserve System

before the

Annual Convention of the
National Bankers Association

Hotel Continental
Kansas City, Missouri

September 22, 1967

FINANCIAL INSTITUTIONS AND
URBAN REHABILITATION

The recent announcement by the nation's leading life insurance companies that they plan to invest \$1 billion in urban rehabilitation has thrown into sharp focus a number of questions relating to the role of financial institutions in the core areas of our cities. This meeting of bankers who devote their energies almost entirely to meeting some of the financial needs of the citizens of these areas provides a good forum for the discussion of several of these issues.

The principal points in the remarks which follow can be summarized briefly:

- with the steady (though mixed) improvement in employment opportunities, the income of the Negro community is rising more rapidly than for the nation as a whole.
- this rising income is attracting more and more national businesses (including life insurance companies and other financial institutions) to a market which was previously the primary preserve of Negro businessmen.
- The results are not unexpected: with the decline in the protective tariff of segregation, Negro business and professional men in traditional fields are declining relative to the population.

Negro-owned financial institutions, with the exception of a few recently chartered banks, are making only limited progress in the face of growing competition from the larger institutions active in the general market.

- The results are also disturbing: although the Negro middle class is expanding at a rapid pace, the new job opportunities are concentrated in the middle grade technical and professional occupations. While these are clearly improvements over the low-skill and low-paid jobs traditionally held by the average Negro, they ordinarily are not a promising source of community leadership.

The vigorous competition of the major institutions (especially the competition from the life insurance companies) for business in the Negro community -- combined with their investment patterns -- may be resulting in a net drain on the savings of the urban ghetto.

These trends suggest strongly that the nation's leading financial institutions should re-examine carefully their techniques of doing business in the ghetto. For example, the move by the insurance companies to invest \$1 billion in urban areas could be supplemented through a more direct involvement with financial institutions already operating in the ghetto.

- As far as I can determine from personal conversations in the industry, no leading life insurance company has designated a

Negro mortgage banker as a local correspondent. Since a major share of the mortgage origination and servicing business is done through such correspondents, the establishment of such links would facilitate the flow of investment into the ghetto.

The Negro-owned banks can also play an expanded role in the creation of new job opportunities in urban areas through joint ventures with white-owned banks and other financial institutions. An actual project now under active consideration will illustrate clearly how this can be done.

Trends in Personal Income

Before examining more closely the expanded opportunities for financial institutions in the ghetto, let us review recent developments in the income and employment patterns for nonwhites. In the last few years, the personal income of the nonwhite community (of which Negroes make up well over 90 percent) has risen substantially in absolute terms and in comparison with that for the white community. The actual figures showing the median income of families are:

| <u>Year</u> | <u>Total</u> | <u>White</u> | <u>Nonwhite</u> | <u>Nonwhite as per cent of White</u> |
|-------------|--------------|--------------|-----------------|--|
| 1960 | \$5,620 | \$5,835 | \$3,233 | .55 |
| 1961 | \$5,737 | \$5,981 | \$3,191 | .53 |
| 1962 | \$5,956 | \$6,237 | \$3,330 | .53 |
| 1963 | \$6,249 | \$6,548 | \$3,465 | .53 |
| 1964 | \$6,569 | \$6,858 | \$3,839 | .56 |
| 1965 | \$6,882 | \$7,170 | \$3,971 | .55 |
| 1966 | \$7,436 | \$7,722 | \$4,628 | .60 |

Several conclusions can be drawn from these figures. During the first three years of the 1960's, the gap between the median income of white and nonwhite families actually widened; the ratio of nonwhite to white income fell from .55 in 1960 to .53 in 1963. This deterioration was a direct reflection of the slow pace of the economy following the 1960-61 recession. Between 1960 and 1963, the median income of white families rose by \$713, or by 12 per cent. The corresponding changes for nonwhites were \$232 or 7 per cent. However, following the general tax reduction of 1964, the national economy expanded much more vigorously and was further stimulated by the acceleration of the military effort in Vietnam. One result was a sharp climb in personal income. For white families, the gain amounted to \$1,174 (or 18 per cent) between 1963 and 1966. In this same period, however, the gain in the median income of nonwhite families was almost as large in absolute terms -- an increase of \$1,163 -- and represented a rise of 34 per cent, or nearly double that recorded for white families. In these most recent years, nonwhites made substantial gains in employment, and again the gap between white and non-white income was narrowed.

These improvements in the income of nonwhite families obviously have meant a further substantial rise in the aggregate purchasing power of the Negro community. In 1963, total money income of families and unrelated individuals amounted to \$371.1 billion, of which \$347.5 billion was earned by whites and \$23.6 billion by nonwhites. Thus nonwhites accounted for 6.4 per cent of the total. By 1965, the total had climbed

to \$419.1 billion; the income of whites amounted to \$391.7 billion and that of nonwhites to \$27.4 billion. So, the nonwhites' share had risen to 6.6 per cent. With the large relative gains in family income registered last year, the total purchasing power of the nonwhite community has undoubtedly expanded further. Thus, the Negro market offers an even stronger inducement for merchants selling to the general community.

Trends in Middle Class Employment Among Nonwhites

The pattern of income changes described above has been the result of significant progress in the upgrading of nonwhite employment opportunities. Between 1963 and 1966, employment of nonwhite workers increased by 10.1 per cent -- from a monthly average of 7,234 thousand to 7,968 thousand. For white workers, the corresponding gain was 7.3 per cent -- from 61,575 thousand to 66,097 thousand. Thus, Negroes obtained about 14 per cent of the net increase in employment, although they represented just over 10 per cent of the total labor force. The unemployment rate for nonwhites fell by one-third between 1963 and 1966 -- from 10.8 per cent to 7.3 per cent of the labor force. White workers experienced the identical relative decline in their unemployment rate -- from 5.0 per cent to 3.3 per cent.

But, as also mentioned above, there was a noticeable change in the pattern of employment growth among nonwhites. Between 1963 and 1966, total nonwhite employment rose by 734 thousand. About one-half of this gain centered in white collar jobs, although only 18 per cent of

employed nonwhites were holding such jobs in 1963. Among white collar occupations, the gains were particularly striking for clerical and professional and technical workers.

In contrast, the increases registered for managers, officials and proprietors were quite modest. Those receiving salaries rose by 22 thousand, but there was a decrease of 6 thousand among those who were self-employed -- all of which was concentrated in the retail trade sector. Thus, nonwhite businessmen in areas other than retail trade apparently about held their own. If this pattern of employment changes can be believed, it is of some significance. It could mean that the apparent downtrend in self employment among nonwhites observed since about 1950 may be moderating. While the tendency for the number of nonwhite owner-operators in the retail sector to decline as public accommodations become generally open to Negroes may continue, other business opportunities may grow more rapidly.

But the adverse changes in white collar employment have not been restricted to businessmen. The number of Negro lawyers is growing slowly, while the number of Negro physicians and dentists is actually declining in relation to total Negro employment. Even the number of school teachers is declining relative to the Negro labor force. In contrast, as observed above, the number of Negro clerical, sales and non-professional technical workers has shown remarkable expansion in recent years. By 1966, nonwhites (who constituted 10.8 per cent of total employment) represented 5.0 per cent of all white collar workers and

6.3 per cent of all clerical workers. On the other hand, they represented only 4.3 per cent of the professional and technical workers, aside from those employed in teaching and the health professions. Other examples could be cited, but the basic point still holds: white collar employment among Negroes is becoming increasingly concentrated in the middle grade salary categories, especially in nursing, retail sales, data processing, clerical and similar activities.

These trends are disturbing. While these occupations are obviously improvements over the traditional low-paying jobs as operatives, laborers and service workers, they are not particularly promising sources of community leadership. For instance, although a computer programmer may earn as much (or more) than a high school principal, he clearly has less weight in the community's affairs. A Negro reservations clerk in a leading downtown hotel is in the same business as the former Negro hotel owner, but here, also, his community role is less significant. In my opinion, the expansion of opportunities for Negroes in the truly professional and managerial occupations should be a prime goal of the Negro business community.

Trends Among Negro-Owned Financial Institutions

At this point, let us return to the promising role which financial institutions can play in the reconstruction of our urban centers. As I stressed above, the Negro-owned financial institutions, with the exception of the newly-chartered banks, have been falling behind relative to the growth of the income of the Negro community at large.

This can be seen clearly in the following summary table:

Compounded Annual Average Rates of Change -- In Per Cent

| <u>Personal Income</u> | <u>1961-1965</u> | <u>1961-1963</u> | <u>1963-1965</u> |
|------------------------|------------------|------------------|------------------|
| Total | 5.4 | 4.6 | 6.3 |
| White | 5.3 | 4.5 | 6.2 |
| Nonwhite | 7.1 | 6.5 | 7.7 |

| <u>Life Insurance Companies</u> | <u>1961-1966</u> | <u>1961-1963</u> | <u>1963-1966</u> |
|---------------------------------|------------------|------------------|------------------|
| Insurance in force | | | |
| All companies | 9.4 | 7.7 | 10.5 |
| Negro-owned companies | 2.9 | 2.1 | 3.4 |
| Total Assets | | | |
| All companies | 5.7 | 5.5 | 5.8 |
| Negro-owned companies | 2.6 | 2.6 | 2.6 |

Insured Commercial Banks -- Total Assets

| | <u>1957-1966</u> | <u>1957-1963</u> | <u>1963-1966</u> |
|--|------------------|------------------|------------------|
| All banks | 5.0 | 3.2 | 8.9 |
| Federal Reserve members with total deposits between \$5 and \$10 million | 2.2 | 1.4 | 3.9 |
| Negro-owned banks | 11.4 | 9.0 | 16.6 |
| Excluding newly-chartered banks | | | 5.8 |

The first thing to note is that, as shown earlier, the personal income of the nonwhite community has grown about one-quarter to one-third faster than that of the nation as a whole since the beginning of the 1960's. On the other hand, the Negro-owned life insurance companies have grown only about one-third to one-half as fast as the life insurance industry as

a whole. The experience of the Negro-owned banks has been mixed.

Those institutions which were in business prior to 1963 have grown much more slowly than all insured commercial banks. However, their growth rate has exceeded that for the small member banks of the Federal Reserve System. The four or five newly chartered Negro-owned banks (mainly national banks) have expanded rapidly, and one of them is now the third or fourth largest among the group of 17 Negro-owned institutions.

What factors underlie these trends? How does one account for the extremely modest progress of the Negro-owned life insurance companies? Why have the Negro-owned banks registered such a diverse pattern of growth?

First, let us look at the life insurance companies. For much of the last decade, the large national institutions have been making a special effort to tap the expanding market for insurance among middle class Negroes. Many of them have adopted special promotional programs directed at this market: They have bid successfully for some of the most promising officials of Negro insurance companies, and a fairly large number have established district offices in the heart of the urban areas populated primarily by Negroes. For example, it is reported that one such office of a national company was recently located in Chicago's Southside, with the expectation of building up to a force of 22 salesmen and underwritings of about \$30 million in a few years. But, let me repeat, this type of competition with the Negro-owned companies has been underway for almost a decade. The result is that many Negroes active in the industry

believe that any one of the largest five or six life insurance companies in the country is now carrying on its own books more coverage on the lives of Negro citizens than is carried by all of the Negro-owned companies combined. This assertion is not difficult to believe when we note that the 48 Negro-owned companies had \$2.2 billion of insurance in force and total assets of \$390 million at the end of 1966.

This new interest in the Negro market represents a significant change in itself. Until a few years ago, virtually all of the national companies avoided entirely or were highly selective in the issuance of policies on Negro lives, a practice which they felt was necessitated by excessively high mortality rates in the Negro community. As we know, this practice on the part of the national companies was the main reason that Negro-owned life companies found such promising markets for so many years. With the change in practice, the nation-wide companies are now concentrating on expanding coverage in the Negro community -- especially among the members of the growing middle class. While the average Negro policy is undoubtedly smaller than the average for white policyholders, in the aggregate the volume of net premiums (and the net savings component) collected in the Negro community is sizable and growing. The over-all result has been a marked slow-down in the progress of the Negro-owned companies. But, more fundamentally, these developments also have a number of serious implications for the availability of funds for investment in the ghetto. I shall return to this point before closing these remarks.

Turning to Negro-owned banks, the first thing to observe is that -- taken as a group -- they are not appreciably different from other banks of comparable size. At the end of 1966, the 17 Negro-owned institutions had total assets of \$122 million and held total deposits of \$108 million. Thus, they represented 0.033 per cent of the total assets of insured commercial banks in the country. But even this small figure reflected modest but steady improvement, because in 1963 their share of such assets was 0.021 per cent, and in 1957 it was 0.018 per cent. As mentioned above, a large proportion of the relative gain recorded by the Negro-owned banks can be traced to the four or five recently chartered national banks, which were able to get underway mainly because of more liberal policies followed by the Comptroller of the Currency during the early 1960's. More recently, a few States have also chartered Negro-owned institutions which will operate in the ghettos of several of our large cities.

Further insight into the characteristics of the Negro-owned banks can be seen by comparing a few key ratios for the banks in 1966 as shown below (per cent):

| <u>Ratios</u> | <u>Negro-owned Banks</u> | <u>FR Members with Assets of \$5-10 Million</u> | <u>All Insured Commercial Banks</u> |
|-----------------------------------|------------------------------|---|---|
| Cash and U.S. Gov't./total assets | 35.9 | 36.0 | 28.1 |
| Cash/total assets | 11.8 | 14.2 | 15.1 |
| U.S. Gov't./total assets | 24.1 | 21.8 | 13.1 |
| Loans/total deposits | 58.2 | 53.8 | 64.7 |
| Time deposits/total deposits | 51.3 | 49.2 | 52.8 |
| Capital/risk assets | 14.7 | 13.4 | 11.0 |

The Negro-owned banks are compared with all insured commercial banks as well as with Federal Reserve member banks of approximately the same size as the Negro-owned institutions. (The mean asset holding of the Negro-owned banks was \$7.2 million against \$29.8 million for all insured commercial banks). In relation to total assets, the Negro banks tend to hold a smaller proportion of cash and loans and a larger proportion of U. S. Government securities than do other banks -- except that their loan-deposit ratio is higher than for smaller member banks of the Federal Reserve System. They also seem to rely on time deposits as a source of funds to about the same extent as do other banks. However, as a group, the Negro-owned banks seem to be somewhat more heavily capitalized.

But this global review does not tell us very much of what we need to know about the performance of the Negro-owned institutions. During the last few months, with the assistance of a number of people in several of the Federal Reserve Banks, I have spent a considerable amount of time studying the experiences of the Negro-owned banks. Without going into details concerning particular banks, the findings can be summarized briefly in the following observations on asset quality and the problems faced by their managements.

Over-all the asset quality of the banks seems to be fair. However, the banks chartered prior to 1960 appear to follow somewhat less venturesome policies than do the newly-chartered institutions, and this shows up in a number of differences among them. For example, among these older institutions, there is a heavy reliance on savings accounts of individuals and less reliance on demand deposits -- especially of partnerships

and corporations. They rarely make unsecured loans, with the bulk of their lending activity centering in loans secured by real estate. Their loan loss record is good. The ratio of loans to deposits in these banks is somewhat low, averaging 53 per cent, compared with an average of 58 per cent and a range of 42 per cent to 75 per cent for all Negro-owned institutions. This lower average ratio probably reflects primarily the policy of making basically only secured loans. As a group, the asset quality of these older banks was generally satisfactory.

Among the banks chartered since 1960, the asset quality is generally not quite as satisfactory as that found in the older institutions -- even of comparable size. These newer banks have gone readily into areas of unsecured loans and discounting of consumer installment contracts, principally dealer generated automobile paper. Because these fields were generally unexplored by the banks, some of them have encountered a number of difficulties. Some of the newer banks have not been able to press their collection policies as vigorously as they would have liked, and past due loans have averaged somewhat higher than for other banks. This may be due in part to the fact that the newer banks have moved -- sometimes aggressively -- to extend loans to lower income groups which find it very difficult to make up payments on amortized loans once they become delinquent.

Probably the most serious problem faced by all of the Negro-owned banks is that of obtaining, training -- and retaining personnel. This seems to be true of clerical personnel as well as of senior management and younger individuals with management potential. The older, well established banks have managements which are generally rated satisfactory, and most of them

have provided adequately for management succession. However, they do seem to encounter considerable difficulty in maintaining experienced operating staffs. Since these banks (like those newly-chartered) are serving primarily a low-income community, they are faced with a heavy volume of lobby traffic and an equally heavy volume of paper work. Such conditions are one of the causes of a high turnover rate of clerical staff which compounds the training problem. Of course, this situation -- and its effect -- is common to all banks where it exists.

For some of the newly chartered institutions, the task of obtaining and keeping a senior management cadre has been difficult. To some extent, this may have reflected the pressure of competition for bank management personnel faced by all institutions -- especially by the smaller ones. Some of the banks have attempted to meet their difficulties by employing white persons (particularly retirees) with bank management experience. Others have brought in officers from the established Negro-owned banks. Nevertheless, some of these new banks are still facing an uphill struggle.

But, taken as a whole -- and despite the problems which some of them face -- the Negro-owned banks are filling a vital need in their respective communities. With few exceptions, each of these banks is located in a part of an urban area which the large, white-owned banks have not sought aggressively to serve -- even when State branch banking laws would have permitted them to do so. In fact, it seems that several of the newly-chartered national banks were able to obtain charters primarily because they

proposed to concentrate on the needs of communities where the number of banking offices per capita was particularly low. A few of the State bank charters recently obtained by Negroes seem to have been granted for similar reasons. Although the community support for some of the new institutions may not have developed as rapidly as had been anticipated, the Negro-owned banks as a group do seem to be meeting a definite need which has gone unmet for many years.

On the other hand, as mentioned above, the tasks of mobilizing the financial resources necessary to rehabilitate the urban ghetto will place a gigantic burden on all of our institutions. This clearly calls for a genuinely cooperative effort in which Negro-owned institutions can -- and should -- share.

Avenues of Cooperation

Let us look, then, at some of the specific ways in which this needed cooperation can be facilitated. Initially, let us return to the life insurance companies' plan to invest \$1 billion in the urban ghetto. At the outset, I want to make certain that everyone understands my own attitude toward this proposal: I applaud it because it is a major step -- not simply in the right direction but also because it represents a sizable amount which could increase substantially the availability of funds for urban housing. In saying this, I am not unmindful of the magnitude of the tasks we face. Nor am I unaware of the enormous volume of resources under the command of

the life insurance companies. At the end of 1966, total assets of these institutions amounted to \$167 billion, having increased by \$8 billion during the year. But during 1966, they acquired a total of about \$37 billion in new investments, an amount more than four times as large as the net gain in total assets -- a fact reflecting the reinvestment of loan repayments, exchanges, replacements and short-term security purchases.

I, personally, do not interpret these large flows of life insurance company funds to mean that the diversion of \$1 billion of investments to the urban ghetto (perhaps over a period of several years) is of only minor importance. To the contrary. In the first place, insurance companies are pinched for funds. The cash flow in a typical life insurance corporation is about as fully committed as it has ever been. In my judgment, these corporations would have absolutely no trouble putting the money into investments elsewhere with a higher rate of interest. Of course, insurance companies already have heavy commitments in the city -- investments in housing and in industrial and commercial facilities. Therefore, I can see that they would want to share in underwriting the efforts of urban reconstruction.

I think this decision of the life insurance companies is significant in another way. It is my impression, based on a number of conversations with officials of Negro-owned life insurance companies,

that the large, nation-wide institutions are collecting substantially more in net premiums in the Negro community than they are re-investing in that community. Of course, one cannot document this statistically, but the indirect evidence seems to support the conclusion. As mentioned above, they have written a considerable amount of coverage on Negro lines, and the total is growing rapidly. At the same time, because of the high risk inherent in investing in ghetto properties, the flow of investments to the Negro community, in the judgment of Negro insurance officials, probably falls considerably short of the outflow.

In reporting these observations, let me say immediately that I am not advocating that there should be a one-to-one ratio between the flow of life insurance savings and the re-investment of funds in a particular locality or community. If such a rule were applied across the board, the efficiency of our machinery for mobilizing and channeling funds would be greatly damaged if not essentially destroyed. On the other hand, if extra risk in the urban ghetto has induced life insurance companies, on balance, to steer investments to other areas, there is much to be said in support of a conscious effort on their part to divert funds into the ghetto.

So, in my judgment, this is a good decision. But, how can Negro-owned financial institutions help to translate these plans into effective action. The possibility of joining in local financing

of low-cost housing developments (perhaps through limited dividend cooperations) is an obvious step. Apparently, projects involving properties backed by FHA and built to rent on the basis of Federally-subsidized rents, will be among those initially undertaken by the participating insurance companies.

Opportunities for Mortgage Bankers

But, at some stage presumably, the companies would plan to branch out into expanded financing of other projects in the ghetto -- particularly single-family homes, small apartment buildings, and commercial properties. Here, then, one can see even more promising opportunities for the large national institutions to build not simply physical structures but human bridges as well in the ghetto.

It is my impression, based on considerable checking with industry officials, that so far no major life insurance company has designated any of the Negro mortgage bankers as correspondents. Of course, many of the companies have made a considerable number of loans against Negro homes and business properties in urban areas. However, these were effected primarily through white mortgage bankers, through Negro mortgage brokers, or by the companies directly. Moreover, most insurance companies have long-established relationships with one or two mortgage bankers in their principal lending areas. Nevertheless, there appear to be positive advantages which would probably result

from the development of correspondence relationships with some of the Negro mortgage bankers -- who could not only originate loans but service them as well.

I am told that there are presently some 1,300 mortgage bankers in the country. Eight of these are Negroes who have met the requirements of FHA approval -- e.g., that applicant:

- Must be a responsible person.
- Must have net worth of \$100,000 for office in one State, plus another \$50,000 for office in noncontiguous States, and \$250,000 for offices in several States.
- Must have commercial bank lines of credit against warehousing of mortgages.
- Must have outlets with institutional investors (such as life insurance companies and mutual savings banks) other than FNMA.

The typical mortgage banker has a net worth of something over \$100,000 and services about \$50 million of loans in a year, although the largest may do a volume of business in excess of \$1 billion. The largest of the Negro mortgage bankers has a net worth of \$100,000 and originates and services roughly \$12 million of loans in a year. One-third to two-fifths of this total amount is on behalf of FNMA rather than for private lenders. The other Negro mortgage bankers are said to have a volume of business in the neighborhood of \$2 - \$4 million.

In conversations with a number of officials in Negro-owned institutions (particularly banks and insurance companies) a great deal of stress was put on the need for Negro mortgage bankers to obtain secure correspondent relationships with leading life insurance companies. They believe that such channels would greatly enhance the flow of funds to the ghetto by making available to these lenders a degree of knowledge about local conditions which they cannot otherwise tap. While no one would want to suggest that a particular company should employ a particular person as a correspondent, it does appear -- at least at a distance -- that there may be merit in some company's pursuing the idea further.

The continuous access to local people with expertise in ghetto housing problems does seem to be a necessary condition of a successful program of the type which the life insurance companies have undertaken. This seems to be one of the over-riding conclusions which has emerged from the experience of the Philadelphia savings banks which launched a similar program in that city about 18 months ago. Four of these institutions pledged to invest \$20 million in private homes to be insured by FHA and purchased by residents of the ghetto. The amount was to be distributed among the participating banks on a pro-rata basis according to their assets, and they made it clear that additional funds could be provided. So far they have

been able to disburse or firmly commit about \$1-1/2 million, although they originally expected to be much farther along toward their goal by the time 18 months had passed. They have encountered a number of obstacles which are only gradually being overcome. It took quite a bit of time to work out procedures with the regional office of FHA, and it took even more time to devise a system for appraising ghetto homes and establishing criteria of eligibility without compromising on income standards. But above all, it took time to make contact with ghetto residents and to instruct many of the potential buyers about the process -- and responsibility -- of becoming homeowners. While they worked through a local information center and even employed a young lawyer full-time to help expedite the program, they relied mainly on their own personnel supplemented by local mortgage brokers and others active in real estate.

From the experience of the Philadelphia institutions, it seems clear that Negro bankers, insurance company officials, and others with a specialized knowledge acquired through lending funds against ghetto properties could make a major contribution in helping to translate the recently announced \$1 billion life insurance company program into a significant effort of urban reconstruction.

Opportunities in Job-Creating Enterprises

Beyond the housing field, opportunities will probably also exist to join in the establishment of job-creating enterprises in

the ghetto -- although only limited planning in this direction has been undertaken by the life insurance companies so far. One concrete example of how this might be done was called to my attention only a few days ago: Just outside the boundary of one of our large midwest cities is an all-Negro community with a population of about 10,000, and a labor force of roughly 5,000 -- of whom 20 per cent to 25 per cent are unemployed. The reasons for the high unemployment rate are the usual ones, of which a lack of skills is the most important. The municipal officials have drawn up a development plan and are actively trying to attract industry. A moderate-size machinery manufacturing firm has responded with an offer to establish a plant in the community which would have approximately 300 employees when it reached full strength in about two years. The capital outlay would be about \$300 thousand, and the company is prepared to supply \$150 thousand. It has asked the city to find the remaining \$150 thousand. It appears that about \$300 thousand would be required to underwrite the on-the-job training program necessary to fit most of the local potential employees for the semi-skilled assignments which the plant would provide. It also appears that training funds may be available through existing Federal Government programs. Thus, the net requirement is for \$150 thousand for plant facilities. Here, then, is a

natural opportunity for Negro businessmen and bankers in that midwest community to join with a life insurance company participating in the newly-announced investment program to translate a plan into a going enterprise offering jobs to ghetto residents. I am confident that similar opportunities exist in every one of our major cities.

I urge the National Bankers Association to share in the identification and development of these opportunities. Our citizens in the ghetto -- and particularly their children -- will be eternally grateful to all of you.