Industrial Development Bonds

By Andrea Guay

The first industrial development bonds (IDBs) were issued more than 60 years ago. Since that time, and particularly in the last 20 years, state and local governments have used this vehicle to obtain a below-market cost of funds as an incentive to promote economic development. Also known as industrial revenue bonds, IDBs are secured by revenues from the projects they finance. They are commonly used to enhance community development activities.

Industrial development bonds are a special type of municipal revenue bond that is issued by a municipality to provide funds to private companies for construction projects designed to benefit the community. The bonds typically provide for repayment from the proceeds of long-term leases or other arrangements between the private company and the municipality. An IDB issue allows a government to pass-through low interest rate financing, referred to as a conduit financing because the bonds are usually repaid exclusively from the project revenues, to desired private development.

In effect, the industrial development bond is one type of economically targeted investment. The bonds allow a state or local government to act as a conduit to the tax-exempt market to provide a lower cost of funds to a private project than would be available from a conventional source of funds. The investor receives a market rate of return in addition to tax benefits.

Perspective

A Practical Side to Fair Lending

By Courtney Dufries

Accusations of lending discrimination typically grab the headlines, but would eliminating discrimination completely eliminate racial disparities in lending? Unfortunately, no.

When looking at the large racial disparities in lending, it is evident that financial factors are very often the root cause of much of the problem. When reviewing the 1990 data for home purchase loans reported under the Home Mortgage Disclosure Act, we note that black applicants are denied home purchase loans 2.4 times more frequently than whites, and applicants of Hispanic origin are denied 1.5 times more frequently than whites.

Income Differences

However, when looking at the median household incomes of these same groups, we can see that on average, white households have 1.7 times the income of black households and 1.8 times the income of Hispanic households. In the South, these income differences are even larger. Among the states, the income differences are even larger.

See Barriers, page 6

Inside this Issue

- Tax increment financing provides new opportunities for development activity in the inner-cities ............ 2
- Micro-enterprise lending addresses small business credit needs ............ 5
- Tennessee Valley Authority targets minority and women-owned businesses with equity and debt financing ............ 7
- Educational materials available to help consumers and financial institutions understand risks associated with Mutual Funds ............ 11

See IDBs, page 4
Creative Financing Technique Provides Targeted Development Funds

Tax increment financing can help revitalize communities

By Hank Helton

The nation's cities, much like the states in which they are located, compete for development projects to stimulate their economies and improve their quality of life. To compete effectively, urban areas must continue to seek additional vehicles for financing everything from affordable housing to professional sports facilities. As a result, an innovative approach known as tax increment financing (TIF) has emerged as a valuable tool to developers and city governments.

This type of financing, sometimes called tax allocation financing, can provide local municipalities the necessary means to target city borrowing capacity for specific development purposes. Tax increment financing is feasible when tax revenues exceed projections or exceed the amount necessary to meet existing legal obligations. The surplus revenue can be used to repay new bonds that are specifically issued to meet targeted development needs.

Currently, more than 35 states have enacted legislative measures allowing cities to engage in TIF activity. This is not an additional tax, but a reallocation of existing tax revenue at existing tax rates.

Originally designed as a mechanism to assist development in blighted inner-city neighborhoods, TIF provides cities with the ability to participate in a variety of development projects. In order to engage in this type of activity, municipalities must create geographically distinct TIF districts, include them in their development plans pursuant to state and federal law, and issue bonds for a specific development purpose.

**Reallocation of Revenue**

TIF reallocates portions of tax revenues and places them in the control of the local government or a city-sponsored development agency. The allocated revenue source usually comes from an overlapping jurisdiction that the city shares with a county or school district.

The county or school district does not experience lost revenue; however, any future revenue generated because of tax base expansion is directed to the city. This additional revenue is usually committed to a dedicated source, such as loan funds for community development purposes.

The premise behind TIF is that tax increment bonds pay for themselves by attracting other development. For example, by creating a TIF district in Pensacola, Florida, the local redevelopment authority was able to issue new bonds and invest approximately $39 million in the downtown area for infrastructure and streetscape improvements. These improvements have reportedly attracted over $102 million in private investment to the targeted area. As a result, additional revenue is being generated for the city, and repayment of the bonds is assured.

Another advantage of this type of financing is that governments do not have to pledge the "full faith and credit" of the municipality (a general obligation). If a default occurs in a TIF district, the municipality's bond rating will not be affected.

TIF bonds obligate a specific area or district within the municipality. In some cities, these bonds cannot be issued without a two-thirds vote of the residents.

**TIF District Bond Ratings**

The downside to TIF is that few investors are interested in purchasing these bonds unless the current revenues in the targeted area can readily cover the debt service load carried by the issue. The possibility exists that a TIF sponsored development will be unable to attract enough additional development to cover the debt service of the bond issue. Sufficient risk management is required to mitigate the risk and ensure that the activity is not solely based on speculative development.

From an investor's perspective, this type of financing is most effective in areas with on-going projects that are already generating tax revenue. Continual development supports TIF activity over the life of the bond.

TIF bond ratings typically fall below a municipality's general obligation rating. This is due to the limited scope of a smaller geographic area within a larger jurisdiction. Standard and Poor's
TIF: Reallocation of existing tax revenues

Continued from page 2

rating criteria for TIF bonds include a number of factors such as the current development trends and economic condition of the district, size of the district, and acreage available for development. The diversity of the tax base, stability of area, and whether or not existing tax revenues are able to cover all future debt service determine if a TIF district receives an investment grade rating.

Rating criteria vary, but the general requirement is that 1.25 times coverage of future estimated annual debt service be produced by revenues from the current assessed value of the district.

Investor Opportunities

Investors can provide take-out financing after the development is completed in the targeted area. Private investors provide the local municipality with the option of removing the bond obligation pledge once the development is complete.

State or other governmental or quasi-governmental agencies can also act as partners in TIF activities. These organizations often have powers of eminent domain. Utilizing these powers to assemble parcels of land for development, these agencies can enter into development agreements with local governments for the creation of TIF districts. This provides cities with the opportunity to joint venture in a variety of development projects ranging from housing development to street and highway improvements. For example, local municipalities may choose to contract with local school districts to develop education facilities or local development agencies to support infrastructure projects.

Designation of TIF Districts

TIF districts are designated in the local municipality's comprehensive development plan. The designated area's current assessed tax value is determined and other local taxing entities, such as school districts or development authorities, continue to levy their normal tax rates on this base and receive revenue from it. As the TIF district's assessed value exceeds the base valuation because of new development, the difference that occurs between the total district's current assessed value, including the new development and the original base value, is referred to as the incremental valuation. The incremental valuation is subject to the same tax rates as the base assessed value, but any revenue produced by the incremental assessed valuation are returned to the local municipality's redevelopment agency to be used towards a dedicated purpose and to cover the debt service of the bond issue.

In general, the most successful TIF development districts contain large parcels of open land. This allows new development to occur without being encumbered by having to reuse existing facilities. Often, new development is easier to undertake than more cumbersome adaptive reuse projects. Low- and moderate-income housing development, industrial parks, streetscape and landscaping improvements, and street re-routings are common activities in TIF districts.

The possibility also exists that litigation will arise because of the creation of a TIF district. Reallocation of taxes almost always results in scrutiny from both public and private sources. A number of cases have arisen addressing the constitutionality of the enabling legislation of TIF districts, the use of eminent domain, and the legality of the reallocation of tax revenue. Most of these prove to be unsuccessful; however, the delays resulting from litigation can prove to be detrimental to TIF district activity and reduce developer interest in the area.

Tool for Directing Growth

TIF financing is becoming more acceptable as cities are faced with increasing needs brought on by rapid growth and competition for development projects. TIF can be utilized as a tool for directing new growth or stimulating the redevelopment of distressed areas, particularly in the inner-city.

Before engaging in TIF district activity, local government officials should analyze the overall benefits of the endeavor, keeping in mind the present value of the proposed district and its ability to cover the debt service incurred by the bond issue.♦
corollary benefit to the community is the boost to employment and the general economic benefits derived from business expansion.

Inherent in an industrial development bond issue is a public/private partnership that, by nature, requires that both partners add value to the endeavor. The contribution of the municipality or public agency is the issuance of the low-interest rate bonds that finance the project at reduced cost. The unique contribution of the private partner is the provision of jobs and resultant increase in taxes to the local economy. Without one or the other, economic and community development partnerships could be increasingly hard to form.

Tax-Exempt Implications

Although in 1985, the United States Supreme Court upheld the tax-exempt status of municipal bonds, the 1986 Tax Reform Act reduced the availability of tax-exempt financing for any project with private sector participation. In fact, the legislation eradicates the issuance of the tax-exempt bonds that finance a “non-government” activity. In essence, the Tax Reform Act makes the test for private involvement more arduous by creating a distinction between two general types of municipal bonds: government bonds and private activity bonds.

Governmental Bonds

Governmental bonds are tax-exempt under the Act as long as they comply with certain arbitrage restrictions. Arbitrage is the practice of selling lower-rate bonds, which are used to pay off higher-rate bonds before their call date. The proceeds of the lower-rate bonds are invested in U.S. Treasury obligations until the first call date. The municipality is able to profit from the interest rate spread of these securities. Certain tax-exempt implications are involved; the IRS is usually consulted to ensure the bonds’ tax-exempt status remains.

Private Activity Bonds

IDBs which finance private development and are secured by revenues of the project financed are private activity bonds. The 1986 tax legislation prohibited the traditional uses of tax-exempt IDBs for such projects as sports facilities; convention centers and trade show facilities; parking facilities; industrial pollution control; privately owned airport, dock, wharf and mass commuting facilities; hydroelectric facilities and industrial parks. Small issue IDBs for non-manufacturing facilities were eliminated on December 31, 1986, and the authority for tax-exempt bonds for manufacturing plants ended December 31, 1989. In addition, the legislation limits the volume of private activity bonds that may be issued. Private activity bonds are tax-exempt, with limitations, if they (1) serve a “qualified” purpose, (2) comply with the arbitrage restrictions and (3) meet other requirements applicable only to private activity bonds (such as volume limits). Private activity bonds are subject to the Alternative Minimum Tax.

Regardless of the reduced level of taxable bonds being issued and restrictions on their uses, industrial development bonds remain an active tool in economic development in the

See IDBs, page 8
Creating Big Opportunities for Small-Scale Enterprises

Microenterprise loan funds provide financing

By Jennifer Grier

What can a small developing country like Bangladesh teach the U.S. about economic development? The answer is a model for microenterprise lending that has emerged as a successful development strategy to provide financing for the smallest of small businesses. Typically, these businesses are part-time, home-based enterprises that employ fewer than five persons.

The number of microenterprise loan funds has increased significantly since the concept was introduced to the U.S. in the mid 1980s based on models developed in Latin America and Asia. The Grameen Bank in Bangladesh has been the most recognized for promoting self-sufficiency by providing small infusions of capital so that the poor can go into business for themselves.

Based on these models of microcredit delivery systems, over 150 microenterprise organizations operate across the country serving to fill a credit gap not being met by conventional loan products.

Microenterprise Development

Microcredit programs represent just one component of the overall goal of microenterprise development, which is to promote economic self-sufficiency through self-employment. Many of these programs target the economically disadvantaged or those that have historically had limited access to financing, such as women and minorities. Microenterprise development efforts not only seek to provide the financing, but also the technical and management assistance necessary to increase the owner's chances of success.

Microenterprise loan funds utilize a nontraditional approach to small-business lending. Lending decisions are based primarily on one of the "5 C's of Credit"—character. A borrower's character and business potential weighs more heavily because these clients are generally considered "unbankable". They may lack the collateral, capital, or credit history required to qualify under conventional underwriting criteria.

Lending Methodology

The design of a microloan program may differ according to the needs of the community it serves. Although the primary goal is to provide access to financing, the method of delivery may vary. The program may choose to lend directly to the individual or to establish peer-group lending.

Individual or direct lending programs are structured similar to bank lending with an additional education component. These programs usually require that the participants attend training classes and develop a business plan before becoming eligible for a loan. The training may be administered in a classroom setting or provided in one-on-one consultations.

The Grameen Bank Model

Alternatively, a microcredit program may choose the underwriting methodology called peer-group lending established by Bangladesh economist, Muhammad Yunus, the founder of the Grameen Bank.

Mr. Yunus established the Grameen Bank in 1976 with the stated intent to provide self-employment opportunities for the poorest villagers, the landless women in Bangladesh. Initially, Mr. Yunus made the first loans with his personal money. However, the Grameen Bank became an independent bank in 1983 with the support of the central bank, foundations, international aid agencies, and foreign governments.

As of May 1995, Grameen reported over 2 million depositors, over $1.4 billion in disbursements and $29 million disbursed per month (with an average loan size of $65).

Under this model, a small group of individuals is organized that will be mutually responsible for repaying the loans. The members will evaluate each of the business plans and determine who will receive the first loan. As long as payments on that loan are kept current, other members may also obtain loans. However, if any one member defaults, no one else will be able to obtain credit. Consequently, each group member has a vested interest in the performance of his or her peers.

The peer-group lending model provides certain advantages that benefit the borrower. First, the group borrowing model fosters mutual support and networking opportunities for the participants. The participants are also able to share information and learn from

See MICRO, page 9
Barriers: Net worth differences are substantial

Continued from page 1

of black households, and 1.4 times the income of Hispanic origin households. Differences in income alone account for some of the disparities in lending.

We also note that at the same incomes, and even at higher incomes, black and Hispanic origin applicants still have higher denial rates than white applicants. Why?

No easy answers are available, but we should not overlook the clear differences in net worth by race and Hispanic origin. Fortunately in this country, large numbers of minorities are moving into middle- and upper-income households. This is in part because more employment and business opportunities are available now than would have been available 30 years ago. However, although incomes have improved significantly, net worth differences still exist.

Net Worth Differences

Net worth, (assets minus liabilities) is often a result of family wealth (inheritance) and it typically builds over time. Two individuals with the same income may have substantially different net worths, regardless of race, and especially if one of them has moved from a low-income status to an upper-income status. Differences in net worth frequently influence lenders’ decisions based on other related loan underwriting criteria.

For example, a low net worth may be an indication that potential borrowers have few liquid assets or a large amount of liabilities relative to assets. Few liquid assets, including cash to close a loan, savings for a down payment, or cash reserves to finance any income interruptions or to carry an entrepreneur through the downside of a business cycle, could pose a higher credit risk and result in loan denials.

Debt Levels

A large amount of liabilities could indicate the applicant has too much debt relative to income. Sometimes the debt itself is not excessive, but as a percentage of income it results in an excessive leverage ratio.

Individuals with lower net worths may only have the capacity to finance the purchase of consumer goods, such as car or furniture loans, with the “minimum down payment.” In these cases, the individual may have higher debt levels than another person of the same income who could afford a larger down payment.

Of course, net worth has implications for business loans too. Frequently businesses seek debt financing when they really need equity financing. But it would appear to be easier for white applicants to inject more equity in a business than a black or Hispanic origin applicant. In 1991, average white households had 9.6 times the net worth of black households, and 8.3 times that of Hispanic origin.

Available Solutions

We all have a role in developing solutions that address these issues. In fact, there are several steps that both lenders and borrowers can take to ensure equal access to credit.

First, lenders should carefully review their own loan policies and practices to ensure that lending discrimination does not and cannot occur at their own institution. Lenders should become familiar with loan discrimination prevention techniques, and may find the pamphlet and video entitled “Closing the Gap: A Guide to Equal Opportunity Lending” a critical component of their education program (see the Reading File for information on obtaining copies).

Secondly, lenders should carefully review their loan under-
Barriers: Many critical factors

Continued from page 6

writing to ensure they utilize appropriate flexible underwriting criteria. Restrictive policies could result in disparate treatment of applicants. Also, lenders should be aware of other sources of financing and technical assistance so they do not just deny a loan, but instead offer another potential funding source for applicants. Many government and nonprofit organizations have been established to fill this funding gap: some are featured periodically in this newsletter.

In addition, potential borrowers, including those individuals of any race who have attained "first generation middle class" status, should avoid high debt levels if they desire home purchase or small business loans. Sometimes reducing consumer debts, for example, can allow the individual to qualify for a higher priced home. Tradeoffs exist and the individuals should determine for themselves their own priorities. But understanding the requirements is critical before sound decisions can be made. Credit counseling and homebuyer education programs are a critical component of the process.

Discrimination is a vitally important issue. During the debate over the extent of the problem, we should not lose sight of other important obstacles to obtaining credit, including the financial capacity of borrowers. There are many solutions to these financial problems: education and credit counseling, changes in bank underwriting, government and foundation assistance, and others. Lenders, community groups, government agencies, and others should all strive to implement these solutions. ♦

1991 Median Household Net Worth by Race and Hispanic Origin

<table>
<thead>
<tr>
<th>Race and Hispanic Origin</th>
<th>Median Net Worth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Black</td>
<td>$4,604</td>
</tr>
<tr>
<td>Hispanic Origin</td>
<td>$5,345</td>
</tr>
<tr>
<td>White</td>
<td>$44,408</td>
</tr>
</tbody>
</table>

Source: Census Bureau, Household Economic Studies, P70-34

News You Can Use

TVA Business
Loans Available

Equity and debt financing are available for small businesses in the Tennessee Valley regions of Alabama, Georgia, Mississippi, and Tennessee through the Valley Investment Fund (the Fund). Established by the Tennessee Valley Authority, the Fund is managed and administered by Valley Management, Inc. (VMI). VMI is a specialized investment company that targets the development of minority-owned businesses.

VMI, solely or in partnership with private financial institutions, provides financing to qualified small businesses that are at least 51% minority-owned. In general, investments are made to existing businesses, but start-up operations that are beyond the research and development stage are also eligible.

The Fund provides from $100,000 to $1 million in either debt or equity financing to qualified small businesses. Loans are made at current market interest rates with an average repayment period of 8 years. These are subject to change depending on VMI's equity participation in the project. A minimum 10% investment of the total project cost by the business owner is required.

Located in Chattanooga, Tennessee, VMI has subcontracted with organizations in Alabama, Mississippi, and Tennessee to assist in the operation and management of the Fund. For more information call 615/265-0774. ♦
IDBs: Investments limited to 10% of capital and surplus

Continued from page 4

United States today. From an investor’s perspective, tax-exemption is a major incentive to purchase such bonds, and credit enhancement provides increased marketability to a municipal bond.

**Taxable Municipal Bonds**

Federal restrictions in the mid-1980s on the issuance of tax-exempt bonds, arbitrage, and the diminishing list of authorized projects catalyzed a rapid increase in the issuance of taxable municipal bonds. Taxable bonds still allow a municipality to offer low-interest loans to qualified projects by providing a pool of capital at a fixed rate for seven to ten years. However, in many cases, the taxable bond issued was driven by arbitrage opportunities.

The bonds are secured and payable from revenue received from the loans, investment earnings or unexpended bond proceeds and reserve funds established at the time of bond sale. Prior to the commencement of a loan program, the bonds are invested under a guaranteed investment contract (G.I.C.) or investment agreement (such as a letter of credit). In the case of a G.I.C., an insurance company guarantees a specified return on the investment of bond proceeds and the debt rating is equal to the claims paying ability of the insurance company. An investment agreement or letter of credit is provided by a financial institution whose credit rating is at least equal to that of the bonds.

Pre-1986 arbitrage with respect to tax-exempt bonds was allowable as long as there was a realistic expectation on the part of the bond issuer that the proceeds would actually finance a future project. In taxable bond programs, the applicants for funding are screened for project feasibility and the issuer may require prepayment penalties.

**Bank Investments**

IDBs appeal to investors mainly because they are tax-exempt, although the government may limit the amount of exemption. Properties financed by IDBs are nominally owned by the issuing government, but the bonds are the credit responsibility of the firms that lease the facilities. This way, the bond ratings reflect the corporations backing them, not on the governments issuing them.

Bank investment managers know that liquidity and marketability are of the utmost importance in investment securities and other obligations purchased for the bank’s own account. By definition, to qualify as an investment security, the instrument must be marketable. In general, such investments may include state, county, and municipal issues; special revenue bonds, industrial revenue bonds, and certain corporate debt securities.

Securities included in the investment account should provide a reasonable rate of return commensurate with safety. Further, bank management must realize that the investment account is primarily a secondary reserve for liquidity and not a vehicle to generate speculative profits. Speculation in marginal securities to generate more favorable yields is considered unsound banking practice. National banks and state banks that elect to be regulated by the Federal Reserve System (collectively, member banks) are prohibited from underwriting any securities, except for certain specified types of securities such as obligations of the United States and general obligations of State and local jurisdictions. Consequently, IDBs are not normally eligible for underwriting by member banks.

Member banks may purchase IDBs for their own accounts; however, these investments are limited to 10 percent of the bank’s capital and surplus. Banks must pay careful attention that they are not acting as a dealer with respect to IDBs. Questionable transactions may include situations where: (1) the bank sells, within a week after purchasing an issue of IDBs, some or all of the issue; (2) the bank purchases the bonds as “agent” or the bank purchases the entire issue even though it does not have firm orders for the entire amount; (3) the bank attempts to publicly sell or assist in publicly selling the IDBs issued by or for the benefit of a customer; or (4) in addition to selling a particular issue, the bank also provides or guarantees interim financing to the issuer or the company for whose benefit the bonds are issued in the amount of the bond issue.

---

**“Speculation in marginal securities is considered an unsound banking practice”**

---

**DID YOU KNOW?**

Approximately 32.4% of all persons in poor families could not pay their full utility bill, according to a four-month survey ending December 1992 that was recently published by the U.S. Census Bureau.
**MICRO: Financing for the smallest of small businesses**

Continued from page 5

Each other's successes and failures.

In addition, the peer-group lending structure can minimize the costs of loan administration and monitoring charged to the program by making it the responsibility of each of the members. Therefore, the loan program staff will have to spend less time dealing with administrative functions.

**Peer Group Lending Model**

Several microenterprise development organizations have successfully adopted the peer-group lending model. For example, Working Capital, based in Cambridge, Massachusetts, is a nonprofit, multi-state microenterprise organization that provides group-based support, credit, training, and technical assistance to low-income people. Established in 1990, Working Capital currently operates in Delaware, Florida, Massachusetts, New Hampshire, Maine, and Vermont.

In Miami, Working Capital Florida works through a network of community-based organizations to serve low- and moderate-income people in Dade County. Currently, the Florida program supports 25 business loan groups that are each comprised of 4 to 10 entrepreneurs. Based on the lending decision of the group, an applicant may obtain a loan in an amount ranging from $500 to $5,000. The loan terms are 12% interest for 4 to 6 months plus a service fee based on the size of the loan to cover processing costs. For example, a loan of $500 will have a service fee of $3 per month or $18. Larger loans may have slightly larger service fees. Since December 1994, 121 loans have been made through the program.

Many microenterprise programs engage the support of financial institutions to secure funding through loans or grants for loan capital and operating costs. Working Capital Florida has eight participating banks in Dade County who provided a $250,000 line of credit at prime plus two percent for loan capital. The participating banks are: City National Bank of Florida; SunBank/Miami; Central Bank; Commerce Bank; First National Bank of Homestead; Bank United; First National Bank of Miami; and United National Bank.

Generally, microenterprise loan programs do not generate enough revenues to cover their substantial technical assistance and loan administration costs. "Our challenge for the future is to create a self-sustainable organization," states Betty Meyer, executive director of Working Capital Florida. Accordingly, the organization will begin instituting an annual membership fee of $100 for peer group members that will help cover operating costs. In return, group members might receive group health insurance, broader marketing opportunities and other benefits.

**Risk Management**

Many microenterprise loan funds mitigate their exposure to repayment risk by placing a ceiling on the dollar amount of first-time loans. Essentially, borrowers must prove that they are creditworthy by repaying the first loan in a timely manner. Also, the loan limit ensures that the borrower will be in business for a certain period of time before taking on larger amounts of debt.

Under the peer-group lending model, all of the group's outstanding loans have to be current before any additional loans are granted. However, both the group- and direct-lending models require that the borrower repay all outstanding loans before additional credit will be extended to that borrower.

There may be additional benefits to applicants who are able to "step-up" to borrowing larger loan amounts based on their record of timely repayment. For example, applicants in the Working Capital Florida program may be eligible for matching financing from one of eight participating banks. In some cases a peer group member qualifying for a $3,000 working capital loan could also receive a matching loan up to $3,000 from a bank. As a result, the program eventually is able to graduate its group members to conventional lending.

Although several models of microenterprise loan funds exist, there are significant differences in the way they operate. As these programs mature, many have modified or adopted different approaches to better address the needs of borrowers.

Microloan funds facilitate microenterprise development efforts to promote entrepreneurship for low- and moderate-income individuals by providing access to credit. These programs develop businesses and owners that have the potential to stimulate and sustain economic growth in their communities.

For more information on microenterprise lending, contact Jennifer Grier of the Community Affairs section at the Federal Reserve Bank of Atlanta, (404) 589-7374.

---

For more information on microenterprise lending, contact Jennifer Grier of the Community Affairs section at the Federal Reserve Bank of Atlanta, (404) 589-7374.
Development Incentives, Good or Bad? 2 pps., Regional Update Volume 8, Number 1, published by the Federal Reserve Bank in Atlanta, provides a perspective on state development incentives based on a speech given by Thomas Cunningham of the Federal Reserve Bank of Atlanta to the Small Business, Labor, and Agriculture Advisory Committee in April 1995.

Partners Software Program, produced by the Federal Reserve Bank of Atlanta is a Windows-based product that illustrates how personal financial factors and loan underwriting techniques impact home purchase loan applications, and offers solutions to overcome barriers for applicants who may not qualify for conventional home purchase loans. For free copies, call (404) 589-7358.

Community Development Investments: A Guide for State Member Banks and Bank Holding Companies, 37 pps., Board of Governors of the Federal Reserve System. For free copies, call (404) 589-7307.

Breaking Ground: A Beginner's Guide for Nonprofit Developers, 35 pps., published by the Federal Reserve Bank of Dallas, is targeted to the community-based nonprofit developer and provides basic information about planning, financing and developing affordable housing. For free copies, call (404) 589-7307.

Marketwise, 22 pps., 1995, Issue One. A Community Development Publication from the Federal Reserve Bank of Richmond. Published three times a year, the inaugural issue features articles on community development lending and CRA. For free copies, call (404) 589-7307.

Community Reinvestment Act: Challenges Remain to Successfully Implement CRA, November 1995, GAO Report #GAO/GGD-96-23, discusses the major problems with the implementation of the act identified by the affected parties, the extent to which the recent regulatory reform efforts have addressed those problems, and the challenges to regulators as they implement the new CRA regulations. For copies, call (202) 512-6000 - the first copy is free, additional copies are $2 each.

Credit & Culture, 32 pps., Community Reinvestment, Summer 1995 Special Issue, Volume 3 Number 1, provides a summary of information presented during the Conference on Credit and the Economically Disadvantaged, sponsored by the Federal Reserve Bank of Kansas City in the Fall of 1994. For free copies, call (816) 881-2867.

Economic Development and the Introduction of Casinos: Myths and Realities, 9 pps., University of Nevada, Reno, evaluates the question of whether casinos are an effective economic development tool. For free copies, call (404) 589-7307.


Circular Letter 110-95 - Revised Regulation BB (Community Reinvestment Act), 117 pps., Federal Reserve Bank of Atlanta, provides guidance to financial institutions on the assessment of their CRA-related activities. For free copies, call (404) 589-7307.

The Credit Process: A Guide for Small Business Owners, 26 pps., Federal Reserve Bank of New York, provides detailed information for small businesses on potential methods and criteria to obtain credit from financial institutions. For free copies, call (404) 589-7307.

Closing the Gap: A Guide to Equal Opportunity Lending, 27 pps., Federal Reserve Bank of Boston, provides a comprehensive list of suggestions and practices to ensure loan applicants are treated fairly and to expand markets for banks. A must for lenders! For copies, call (617) 973-3459. Also available on videotape from VIDICOPY. Call 800-708-7080 for pricing and availability information.

Copies of materials produced by the Federal Reserve System can be obtained by writing or calling the Community Affairs section at (404) 589-7307.
Consumers are not always aware that some bank products, such as mutual funds, are not insured by the Federal Deposit Insurance Corporation. To help educate consumers and ensure that financial institutions provide clear and accurate information on mutual fund products, the Federal Reserve System has established a series of free educational tools and programs that are now available. Some of these items are presented below.

Video Available

A new video, "Mutual Funds: Understand the Risks," produced by the Federal Reserve System emphasizes that mutual funds and annuities are not insured by the Federal Deposit Insurance Corporation like certificates of deposit, nor guaranteed by the banks that sell them. This eight-minute video provides valuable information for bankers and consumer groups to share in their educational programs. A complimentary copy of this video is available by writing to the Public Affairs Department, Federal Reserve Bank of Minneapolis, P.O. Box 291, Minneapolis, MN 55480-9985.

Consumer Education Packet

A consumer education program resource, "Mutual Funds: Understand the Risks," produced by the Federal Reserve System, includes a video, a suggested script with overhead masters, consumer handouts, and sample publications. The handouts include checklists to help consumers determine if mutual funds or annuities are right for them, and to help them compare product fees. A glossary of terms and a listing of federal regulators is also provided. The community educator packet also contains guidelines and information on how to plan and implement a program in your community, including sample press releases, sample publicity/registration forms, and a sample agenda. A complimentary copy of this consumer education resource packet is available by writing to the Consumer Policies Section, Consumer & Community Affairs, Mail Stop 800, Board of Governors of the Federal Reserve System, Washington, DC 20551-0001.

Training for Financial Institutions

An educational program for financial institutions, "Mutual Funds, Annuities and Other Uninsured Investment Products," produced by the Federal Reserve System, is available to compliance personnel and others involved in selling uninsured investment products at financial institutions. The program focuses on trouble spots in complying with the Interagency Statement of Retail Sales of Nondeposit Investment Products issued on February 15, 1994, compliance procedures, networking agreements, and the most recent regulatory developments. If you are interested in this program for your institution or would like to receive the regulatory materials related to retail sales of nondeposit investment products, contact Mary McGuire, Senior Examiner, Division of Supervision and Regulation, Federal Reserve Bank of Atlanta, at (404) 589-7379.

Consumer Group Presentations

Federal Reserve Bank staff have presented the consumer program to AARP chapters and other groups around the country. If your consumer group is interested in a presentation of "Mutual Funds: Understand the Risks," by Federal Reserve staff, please contact Linda Garland, Examiner, Consumer Affairs section, Federal Reserve Bank of Atlanta, at (404) 589-7239.
Information provided on upcoming events of other organizations should be viewed as strictly informational and not as an endorsement of their activities.

January

National Association of Development Companies, January 7-12. NADCO'S Winter Training Series, Scottsdale, AZ. Contact (703) 812-9000.


February

American Bankers Association and Bank Marketing Association, February 4-6. BMA Database Marketing Seminar, Santa Monica, CA. Contact (800) 338-0626.

Neighborhood Reinvestment Training Institute, February 13-17. Training Conference on community development, economic development, leadership and management, affordable housing, construction, and community development lending, will be held in Atlanta, GA. Contact (800) 438-5547.


March


National Association of Development Companies, March 5-6. NADCO's Legislative Summit, Arlington, VA. Contact: (703) 812-9000.


April

American Bankers Association and Bank Marketing Association, April 21-23. Tax Compliance Seminar, Arlington, VA. Contact (800) 338-0626.

BULK RATE
U.S. Postage
PAID
Permit No. 292