

# News & Views

Published by the Federal Reserve Bank of Chicago Consumer and Community Affairs Division

Volume 5 Number 3  
December 1999

Inside this Issue:

*\$112 Million in 1999  
CDFI Fund Awards*

*USDA Investing in Rural  
Illinois*

*Microbusiness Loan Fund  
in Grand Rapids*

*Y2K Action Loan Program*

*Native American Lending  
Study*

*Brownfields are Good  
Investments*

*CRA Agreements Working*

*Individual Development  
Accounts*

*From Our Research  
Department*

*Small Business and the  
Year 2000*

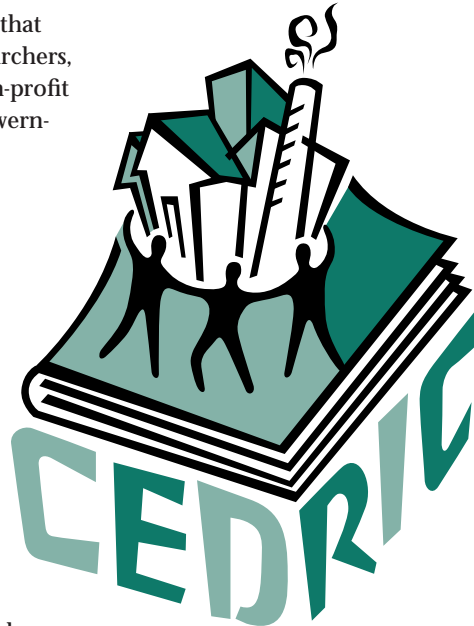
*Around the District*

*Business Access to Capital  
and Credit Symposium*

## *Introducing a New Web Resource*

We are pleased to announce a new web site that offers a wealth of information to assist researchers, community development professionals, non-profit organizations, financial institutions, and government agencies.

It's called the Consumer and Economic Development Research and Information Center (CEDRIC). Its principal mission is to foster research related to consumer and economic development issues such as consumer and small business financial behavior, access to credit, affordable housing, and community development and reinvestment. Created and maintained by the Federal Reserve Bank of Chicago, CEDRIC has a research repository that includes abstracts of research studies as well as full text articles, reports, working papers and other studies generated by Federal Reserve researchers and analysts as well as academicians, government agencies, and non-profit organizations. CEDRIC also provides a subject listing describing research included in the repository; announcements of upcoming events; a collection of valuable data resources; a glossary of community development terms; and links to CEDRIC partners.



CEDRIC's repository subject listings are highlighted below:

■ **Community and Economic Development** – investment/development, urban stability, empowerment/enterprise zones, rural/agricultural issues, community development centers, and inner city rejuvenation;

*continued on page 2*

## *New Web Resource* continued from page 1

■ **Consumer Financial Behavior** – access to credit, consumer wealth, mortgage delinquencies, mortgage defaults, credit delinquencies, credit defaults, bankruptcy, culture and credit, income distribution, and alternative financial services;

■ **Housing** – mortgage lending, location desires, appraisal process, homeownership patterns, private mortgage insurance, and housing search process;

■ **Indian Reservation Development** – affordable housing, community investment, legal considerations, access to credit, and banking services;

■ **Institution Behavior** – branch banking, credit scoring, fair lending, redlining, affordable/low-income housing, profitability and regulations, homeowner insurance, pricing of credit, geographic patterns, financing alternatives, CRA, ECOA & FHA activities, GSE & FHA activities, secondary market underwriting, and minority-owned institutions;

■ **Small Business** – entrepreneurship, failures, minority/women issues, lending, financing, and development.

CEDRIC is a comprehensive research tool designed to help economists, analysts and other professionals identify consumer and economic development related research. It includes a *Glossary of Community Development Terms*, covering a wide array of relevant terms and concepts. For terminology beyond the scope of this web page, the user is directed to a variety of other online glossaries, including a *Glossary of*

*Consumer Credit Terms* and a *Glossary of Financial Regulators and Institutions*. In addition, CEDRIC highlights high-quality, reliable online data sources. Drawing upon the data collection and analysis expertise of the Chicago Fed's Consumer Issues Research Unit, we have provided a brief description about the numerous electronic databases and information systems, encompassing the fields of statistics, econometrics, economics and finance.

Two search options have been developed to provide CEDRIC users with an efficient way to retrieve relevant information. One can conduct a quick search by clicking on one of the six major subject areas located on the Repository Subject Listing page to view all of the documents related to that subject. Similarly, one can perform a focused search by specifying keyword(s), author(s), and/or title information.

CEDRIC also serves as a forum for sharing relevant information about unique projects, initiatives, and events taking place across the nation. Currently, CEDRIC features an academic conference, Business Access to Capital and Credit, hosted by the Community Affairs Divisions of the Federal Reserve System on March 8-9, 1999 in Arlington, Virginia. CEDRIC offers easy access to the complete conference proceedings, which includes papers and summaries of the papers presented by distinguished economists and scholars from across the country. These proceedings are designed to further the understanding of small business lending and credit issues among scholars, practi-

tioners, and policymakers. Furthermore, the Events page announces relevant upcoming conferences, seminars, forums, and workshops taking place across the country.

Finally, CEDRIC users are encouraged to contribute to the site's database by submitting relevant publications, articles, abstracts, working papers and other studies. By utilizing a user-friendly Submission Procedure interface, researchers and analysts have the opportunity to share valuable information with CEDRIC's ever-expanding audience and, thus, foster future research on the topics related to consumer and economic development. To date, CEDRIC has established partnerships with over 60 organizations, including academic journals, non-profit organizations, professional associations and government agencies. You can learn more about CEDRIC's partners by visiting the Partner Listing page, which

includes contact information as well as website links. ■

*Visit CEDRIC located on the Federal Reserve Bank of Chicago's public website at [www.frbchi.org](http://www.frbchi.org) by following the 'Community Development Research Center' link listed under 'Resources.' For further information, please contact CEDRIC's coordinator at [cedric@chi.frb.org](mailto:cedric@chi.frb.org).*

### Communications

Advisors: Alicia Williams  
Editor: Harry Pestine

*Economic Development News & Views* welcomes story ideas, suggestions, and letters from subscribers, lenders, community organizations, and economic development professionals. If you wish to subscribe or to submit comments, call 312/322-8232 or write to:

*Economic Development News & Views*  
Federal Reserve Bank of Chicago  
Consumer & Community Affairs Division  
230 S. LaSalle Street  
Chicago, Illinois 60604-1413.

The material in *News & Views* does not necessarily represent the official policy or views of the Board of Governors of the Federal Reserve System or the Federal Reserve Bank of Chicago.

*Economic Development News & Views* – ISSN: #1083-1657

## Finance

# \$112 Million in 1999 CDFI Fund Awards



U.S. Treasury Secretary Lawrence Summers has announced the recipients of the Community Development Financial Institutions (CDFI) Fund's 1999 awards.

Totalling \$112 million, the awards are given to banks, thrifts and community development financial institutions through the CDFI Fund's Bank Enterprise Award Program and the CDFI Program's Core, Intermediary and Technical Assistance Components.

"The CDFI Fund is helping to rebuild communities across the country," said Secretary Summers. "By creating partnerships between institutions and low-income communities, CDFI Fund award recipients are helping to make financial systems available to all Americans."

"The Fund's \$112 million in 1999 awards represents a 32% increase over last year," added Ellen Lazar, Director of the CDFI Fund.

"Since 1996, the CDFI Fund has provided more than \$300 million to promote community and economic development and encourage private sector investment to underserved markets," she said.

The CDFI Fund's mission is to promote local growth and access to capital by directly investing in and supporting CDFIs and by expanding traditional financial institutions' lending, investment, and services within underserved markets.

The Bank Enterprise Award (BEA) Program provides incentives for traditional financial institutions (regulated banks and thrifts) to invest in CDFIs and to increase their lending

and provision of financial services in distressed communities. The BEA Program supports the community reinvestment efforts of these financial institutions.

Highlights of 1999 Bank Enterprise Award Program

The CDFI Fund selected 102 insured depository institutions to receive a total of \$31,494,652 under the 1999 Bank Enterprise Award Program. The average award per recipient was \$308,526.

The following financial institutions in the Federal Reserve Bank of Chicago's Seventh District received awards:

<i>Allstate Federal Savings Bank</i> Northbrook, IL	\$22,000
<i>Bank Leumi</i> Chicago, IL	\$143,150
<i>Bank of America NT &amp; SA</i> Chicago, IL	\$328,422
<i>Cole Taylor Bank</i> Skokie, IL	\$356,393
<i>Community Savings Bank</i> Chicago, IL	\$33,000
<i>First National Bank of Morton Grove</i> Morton Grove, IL	\$11,000
<i>International Bank of Chicago</i> Chicago, IL	\$509,495
<i>Marquette National Bank</i> Chicago, IL	\$157,000
<i>Mid-City National Bank of Chicago</i> Chicago, IL	\$24,025
<i>Northern Trust Company</i> Chicago, IL	\$1,286,460
<i>South Shore Bank of Chicago</i> Chicago, IL	\$1,225,755
<i>Standard Federal Bank</i> Troy, MI	\$1,122,886
<i>Union Federal Savings Bank of Indianapolis</i> Indianapolis, IN	\$115,530
<i>West Town Savings Bank</i> Cicero, IL	\$95,000

Highlights of 1999 CDFI Program Awards: Core & Intermediary Components

The CDFI Fund selected 66 community development financial institutions to receive a total of \$68,165,185 in financial and technical assistance under its CDFI Program 1999 Core Component. This funding includes the following types and amounts of assistance:

<i>Capital Grants</i>	\$44,743,500
<i>Equity Investments</i>	\$14,035,185
<i>Loans</i>	\$8,020,000
<i>Technical Assistance</i>	\$1,366,500

The Fund also provided \$8,150,000 in financial assistance to four intermediary CDFIs under the Fund's 1999 Intermediary Component of the CDFI Program. The Intermediary Component provides support to those CDFIs that primarily finance and build the capacity of other CDFIs.

These awards represent the fourth round of funding of the Core Component and the third round of funding of the Intermediary Component.

CDFIs in the Federal Reserve Bank of Chicago's Seventh District received the following awards:

<i>Community Investment Corporation</i> Chicago, IL	\$2,000,000
<i>Indianapolis Neighborhood Housing Services, Inc.</i> Indianapolis, IN	\$1,000,000
<i>Legacy Bancorp, Inc.</i> Milwaukee, WI	\$1,500,000
<i>Michigan Housing Trust Fund</i> Lansing, MI	\$520,000
<i>Near Eastside Community Federal Credit Union</i> Indianapolis, IN	\$758,000
<i>Neighborhood and Family Investment Fund</i> Harvey, IL	\$300,000

Highlights of 1999 CDFI Program Awards: Technical Assistance Component

The CDFI Fund selected 88 applicants to receive awards totaling \$4,013,620 under its CDFI Program 1999 Technical Assistance Component. These awards are in the form of grants. The average grant size is approximately \$45,000. The aim of these awards is to enhance the capacity of the recipient to serve its target market. The grants provided under the Technical Assistance Component may provide funds for staff or management training, the acquisition of technology to improve financial management or internal operations, and the use of outside experts to build organizational capacity in specific areas. The 1999 awards represented the second annual round of funding of the Technical Assistance Component.

The following applicants in the Federal Reserve Bank of Chicago's Seventh District received awards for technical assistance:

<i>Illinois Ventures for Community Action (IVCA)</i> Springfield, IL	\$27,250
<i>Lafayette Neighborhood Housing Services, Inc.</i> Lafayette, IN	\$40,000
<i>Sable Bancshares, Inc.</i> Chicago, IL	\$21,250
<i>Wisconsin Women's Business Initiative Corp.</i> Milwaukee, WI	\$40,000

For additional information on the various CDFI Fund programs, contact the Consumer and Community Affairs Section of the Federal Reserve Bank of Chicago at 312/322-8232.

# USDA Investing in Rural Illinois



Wallace D. Furrow  
Retired USDA State Director

The U.S. Department of Agriculture (USDA) invested \$214,226,440 in loans and grants in rural Illinois during fiscal year 1999.

“This has been an exciting year for the USDA’s Rural Development office, its staff and customers,” said Wallace D. Furrow, USDA state director for Illinois. “We have successfully provided program assistance impacting the lives of thousands of rural residents, continued to streamline our organizational structure, and with the assistance of local partners, developed a blueprint for future activities.”

The mission of the USDA’s Rural Development program is to enhance the ability of rural people to create, build and sustain ventures and communities by building partnerships and investing financial and technical resources in areas of greatest need. To accomplish this mission, the USDA administers various programs throughout the country at the state level. Rural Development includes the Rural

Utilities Service, Rural Housing Service and Rural Business-Cooperatives Services.

The Rural Development office’s federal loan programs are designed to strengthen rural



businesses, maintain and create rural employment, finance and improve rural housing, and develop community facilities. Direct and/or guaranteed loans are available for housing, electric energy and telecommunications needs, waste and water systems, rural businesses, and community facilities. A limited amount of grant funds are also available for some targeted programs.

These programs have an existing loan portfolio of approximately \$751 million in Illinois. The programs are delivered through 18 local and nine area office locations as well as the state office in Champaign.

Rural Development works to provide more than just financial assistance. It also works with many agencies and groups to address business, community or

housing needs. In addition, Rural Development’s Cooperative Development Specialist is available upon request to help groups or individuals with questions about cooperatives.

Rural Business-Cooperative Service

The Rural Development program includes the Rural Business-Cooperative Services (RBCS), which works to promote a dynamic business environment in rural America. RBCS works in partnership with the private sector and community-based organizations to provide financial assistance and business planning. It also provides technical assistance to rural businesses and cooperatives, conducts research into rural economic issues, and provides cooperative education material to the public.

RBCS Business Programs help fund projects that create or preserve quality jobs and/or promote a clean rural environment. The financial resources of RBCS are often leveraged with those of other public and private credit source lenders to meet business

***In 1999, Rural Development in Illinois provided more than \$214 million of assistance to rural residents***

### *Community Programs*

- Over \$34.3 million was loaned to rural communities for water and waste projects
- Over \$5.6 million was funded for community facility projects in 17 rural communities

### *Business & Industry*

- Over \$18.8 million was loaned to rural businesses in Illinois
- 541 jobs were saved or created

### *Rural Housing*

- Over \$154.7 million in loan funds and guarantees were provided by Rural Development in Illinois to meet rural Illinois’ growing housing needs
- 2,878 rural families were assisted with the purchase or repair of their homes

and credit needs in under-served areas. Participants in these programs may include individuals, corporations, partnerships, cooperatives, public bodies, non-profit corporations, and private companies.

- Business & Industrial Guaranteed Loans are used to improve, develop, or finance business, industry, and employment, and

## *USDA Investing in Rural Illinois* continued from page 4

improve the economic and environmental climate in rural communities, including pollution abatement and control. This objective is achieved by bolstering the existing private credit structure with guarantees of quality loans which will provide lasting community benefits. This type of assistance is available only to businesses located outside the boundary of any city of 50,000 or more and its immediately adjacent urbanized area.

■ **Intermediary Relending Program** finances business facilities and community development projects outside the boundary of any city of 25,000 or more. This is achieved through loans made by Rural Development to intermediaries that provide loans to ultimate recipients for business facilities and community development in rural areas.

■ **Rural Cooperative Development Grants** are made available to nonprofit corporations and institutions of higher learning to assist with the startup, expansion or operational improvement of a cooperative; or to enhance processes that can add value to on-farm production.

■ **Rural Business Enterprise Grants** can assist public bodies and nonprofit corporations in financing and facilitating development of small and emerging private business enterprises outside the boundary of any city of 50,000 or more and its immediately adjacent urbanized area.

■ **Rural Economic Development Loans and Grants** are provided at

zero interest to rural electric and telephone borrowers to promote rural economic development and job creation projects.

■ **Cooperative Development Technical Assistance** is available to help rural residents form new cooperative businesses and improve the operation of existing cooperatives.

■ **Community Facilities Loans** are used to construct, enlarge, extend, or otherwise improve

**Community Facility Program**  
The Community Facility Program is providing needed public facilities in rural Illinois. In 1999, Rural Development funded 17 projects totaling \$5,637,500 in loans, grants and guarantees. This year's projects included construction of day care facilities, library improvements, fire stations, mental health facilities, hospital improvements, a health clinic, senior citizens facilities, and others.

*Rural Development works  
to provide more than just  
financial assistance.*

community facilities providing essential services in rural areas and towns with a population of 20,000 or less. The funds are available to public entities such as municipalities, counties, special-purpose districts, Indian tribes, and corporations not operated for profit for such purposes as health care, fire and rescue, community centers, assisted living projects, day care and other purposes.

■ **Guaranteed Community Facility Loans** are available to finance the same types of facilities as the direct loan program.

■ **Community Facility Grants** are available for small projects in low-income areas to make essential facilities affordable.

**Rural Business Enterprise Grant Program**  
The Rural Business Enterprise Grant (RBEG) Program assists small and emerging businesses by providing funding for startup costs. In 1999, ten applicants received \$657,000 in grant funds. These funds were designated to provide infrastructure, technical assistance or revolving loans to benefit private business enterprises.

**Business and Industry Loan Program**  
In 1999, Illinois was one of the leading states in the number of Business and Industry (B&I) Guaranteed Loans granted in the nation. Designed to help provide a positive environment for economic growth and stability for rural areas, the B&I Program in

Illinois totaled \$18,834,000, resulting in 541 jobs being created or saved.

A variety of projects were funded in FY 1999, including gas stations/convenience stores, machine shops, farm implement dealers, manufacturing plants, a food distribution center and others. Funds can be used to finance real estate, equipment or working capital.

Cooperative Development Rural Development, through an experienced Cooperative Development Specialist, helps people interested in forming new cooperatives by providing a wide range of assistance such as identifying potential cooperative functions and best business practices, assisting with organization and business plans and providing training for directors. In 1999, technical assistance also was provided to existing cooperatives to overcome problems, analyze merger possibilities or new functions, help with planning, and provide training.

Cooperatives in rural areas may use guaranteed loans to invest in machinery and equipment, real estate and working capital. ■

*For additional information on Rural Development programs and the U.S. Department of Agriculture, contact the Illinois District office at 217/398-5412 ext. 201.*

# MicroBusiness Loan Fund Launched in Grand Rapids

While it has yet to lend its first dollar, Kent Area MicroBusiness Loan Services is already being labeled a success. The program's successful launch is due to the broad range of groups that helped to define the scope and depth of the program and the thorough process used to define the program's goal.

women and minorities — were key points of discussion. The group also felt, however, that loans had to be accompanied by pre-credit business development counseling and post-credit management assistance.

The successful launch of the program is the culmination of 18 months of work by a strong,

■ The organization structure was determined — a non-profit organization, with its own governing board and loan committee, which represented the business community at large and would bring all banks and service providers to a common table.

■ Organizational “membership” was defined — organizations, not individuals, who support the purpose of the program.

■ Funding sources were targeted — community block grant funds were obtained, area banks contributed funds, and local philanthropic and business foundation proposals were written and submitted.

■ Personnel needs were defined — an executive director with a strong business/lending background, coupled with experience in working with difficult-to-serve constituents, was hired.

■ An operational site was selected — one that offered easy access for clients and space for client counseling, to be used by all business service providers. The site also fit within budget constraints, was geographically connected to the business community at large, and afforded opportunity for program growth.

The success of the program will ultimately be determined, of course, by the history of loan repayment. But beyond that, the longer-term success of the program will be equally dependent on several other factors:

■ Successful marketing of the program by its own membership

■ The level of technical service provided

■ The development and implementation of loan policies and procedures

■ Continued collaboration as the program moves from its development process to its operational stage.

Thirty partners have developed this program. They have broken down historical barriers and forged a true community partnership in order to do what is needed: serve the small business owner. The program's founders are confident it's an equation that will add up to making microbusinesses more viable through access to capital. ■

*For information regarding the Kent Area MicroBusiness Loan Services, contact Carol Lopucki, Interim Chair and Director, MI-SBDC at Grand Valley State University. 616/771-6693.*

	17	Area banks
+	9	Business service organizations
+	2	Professional service providers
+	2	Federal regulatory agencies
+	1	Supportive community
=		New access to capital for microbusiness in Grand Rapids, Michigan

The process began with focus groups, orchestrated by the Federal Deposit Insurance Corporation (FDIC) in tandem with the Michigan Small Business Development Center at Grand Valley State University. These focus groups provided an opportunity for a community-wide discussion related to “gaps” in small business lending. Financial institutions, small business owners, and business service organizations all participated in the focus groups. They quickly honed in on the gap commonly found in many communities nationwide... access to capital for microbusinesses.

The group was unanimous in citing the critical need to provide small, startup companies with better access to working capital and financing for inventory and small equipment. Financing for service industries and the need to support some of the fastest-growing sectors of small businesses —

inclusive, 30-member committee. The following factors helped ensure the program's successful launch:

■ The target audience was identified — startup and emerging Kent County area businesses unable to access conventional bank financing due to lack of collateral, lack of business experience, or blemished credit.

■ The Federal Reserve provided a wealth of demographic information about current lending in the Kent County community.

■ Successful existing microloan programs were visited and studied.

■ A local accounting firm and a law firm, along with the FDIC and Federal Reserve, provided external assistance.

## Century Date Change Y2K Action Loan Program Available Through December 31, 2000

Earlier this year, President Clinton signed into law the "Small Business Year 2000 Readiness Act" (Public Law 106.8). In signing the bill, the President stated, "The legislation I am signing today will help ensure the Nation's small businesses have access to the capital they need to be 'Y2K-OK' in the Year 2000." This law requires that the U.S. Small Business Administration (SBA) "...provide for a loan guaranty program to address the Year 2000 computer problems of small business concerns..."

The Small Business Year 2000 Readiness Act provides maximum flexibility in establishing terms and conditions for a special loan program. These loans may be structured in a manner that enhances the ability of the borrower to repay the debt. For example, if appropriate to facilitate repayment, the program allows a one-year moratorium on principal repayments.

Furthermore, the Program provides that any reasonable doubts regarding a loan applicant's ability to repay the debt should be resolved in favor of the applicant.

**Use of Proceeds**  
Loan proceeds can be used only to address the Year 2000 computer problems including:

- The repair and acquisition of information technology systems;
- The purchase and repair of software;
- The purchase of consulting and other third party services, and related expenses; and
- After January 1, 2000, to provide relief from a substantial economic injury incurred as a direct result of the Year 2000 computer problems or as an indirect result caused by any other entity such as a service provider or supplier, if such economic injury is not

compensated for by insurance or otherwise.

Refinancing of debt is permitted on loans approved after October 1, 1998, where loan proceeds were used to address Y2K problems. SBA field offices are encouraged to work with lenders to restructure such loans if it provides a benefit to the borrower. In cases where such loans cannot be restructured, SBA should permit refinancing through the Y2K program when the vast majority of loan proceeds were used to correct Y2K problems and when the borrower will receive a substantial benefit from such financing.

**Guaranty**  
The SBA can provide up to a 90 percent guarantee on Y2K loans of \$100,000 or less and up to 85 percent on Y2K loans of over \$100,000. If the application is processed through SBA Express,

the maximum guarantee is 50 percent. The maximum SBA exposure in dollars for a Y2K loan is \$750,000. If the borrower has an existing SBA guaranteed or direct loan(s), the maximum SBA exposure is \$1,000,000.

**Getting Started**  
Y2K loans are made by authorized SBA lenders and guaranteed by the SBA. Contact your local lender or your local SBA office for information on how to apply for a Y2K loan. ■

*For more information, or any questions or comments regarding this program should be directed to Greg Diercks, at [gregory.diercks@sba.gov](mailto:gregory.diercks@sba.gov)*

*The SBA has offices located throughout the United States. For one nearest you, call the SBA Answer Desk at 800-U-ASK-SBA. For the hearing impaired, the TDD number is 703/344-6640.*

## Native American Lending Study and Action Plan

The Community Development Financial Institutions (CDFI) is conducting a study on lending and investment practices on Indian reservations and other lands held in trust by the United States. Input is being solicited through a series of regional

workshops throughout the United States from tribal leaders, economic and financial planners, bankers, federal agencies, secondary market organizations and state agencies. The participants in these workshops are identifying barriers to lending

and investment on Native American lands; describing the impacts of the barriers; and developing strategies and action plans for eliminating the barriers. The findings will assist the CDFI Fund in developing a report to the President and Congress that

will include policy; statutory and regulatory recommendations designed to increase private investments on Native American lands.

*For information, call the CDFI Fund at 202/622-8662.*

## New Study Shows Brownfields Are A Good Investment!



A recently released study quantifies the public return on investment in brownfields redevelopment and

demonstrates the potential feasibility and opportunity for many communities nationwide.

“For every dollar of public money, there is \$2.48 of private investment in these sites. This is an outstanding return.” Said EPA Administrator Carol Browner. “This study puts the facts on paper. Brownfields are good for the environment, the economy, and children’s future.”

Browner’s comments came during her presentation at the National Association of Local Government Environmental Officials’ Second Annual Conference on Showcase Communities.

There are at least 600,000 brownfields sites – former industrial sites with real or perceived contamination – in the United States, and limited funds available for their redevelopment.

The study is the largest sample ever analyzed and shows the power of successful brownfields redevelopment in disadvantaged communities. Completed by the Council for Urban Economic Development (CUED), the study details survey findings from 107 completed brownfield redevelopment projects across the United States that involved public participation.

Issues examined include costs and funding sources for remediation, brownfield area demographics, type of reuse, and the

number of jobs created. For example, within these 107 sites there were 8,300 construction jobs and 2,200 permanent jobs (to date) created.

The study findings will help to dispel misperceptions about redevelopment of such sites and allow practitioners to establish benchmarks for evaluating future projects.

Key findings include:

- Median cost to the public sector per job created – \$14,003.

- Median amount of private funds leveraged per public dollar spent – \$2.48.

- Remediation funding sources: public funding – 63 percent, private sector – 21 percent, joint public/private funds – 16 percent

- Median remediation cost per acre – \$56,945; cost per square foot – \$4.46

- Overall percentage of remediation to total redevelopment costs for all 107 projects – 8 percent

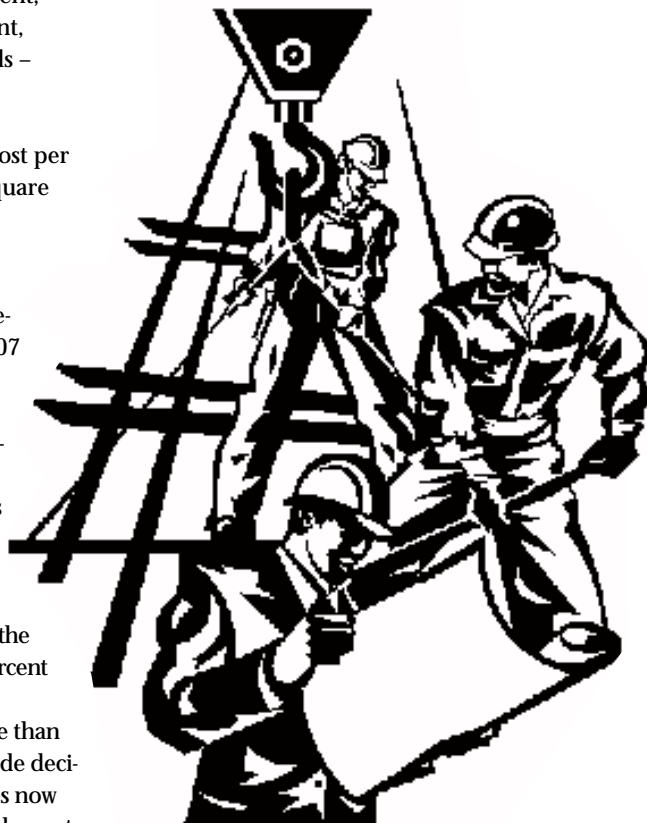
- Demographics for residents within one-mile radius of the brownfields sites – 35 percent minority vs. the national average of 24 percent; 25 percent below poverty level – twice the national average at 12.6 percent

After years with little more than anecdotal evidence to guide decision-making, communities now can look to this study for the costs and results of brownfields reuse.

The sites examined were throughout the United States and ranged in size. The majority of the sites were less than 10 acres (81 sites) and were redeveloped by businesses. Public sector agencies and economic development organizations redeveloped only 20 percent. ■

The report, titled “Brownfields Redevelopment: Performance Evaluation” was prepared by CUED under a cooperative agreement with the U.S. Environmental Protection Agency. It is available from CUED by calling Cynthia Murray at 202/223-4735, sending a fax request to 202/223-4745, e-mailing [cued@urbandevlopment.com](mailto:cued@urbandevlopment.com), or visiting CUED’s Web site at [www.cued.org](http://www.cued.org).

The Council for Urban Economic Development (CUED), founded in 1967, is a leading full-service economic development membership association, serving more than 2,400 economic development professionals. CUED provides information to members who build local economies through tools used to create, attract, and retain jobs. CUED also manages the National Association of Installation Developers (NAID) and the Association of University Related Research Parks (AURRP). NAID brings together public and private sector professionals involved with the redevelopment of closing military bases. AURRP promotes the development of research/science parks and technology incubators in order to enhance technology-based economic development.





## Your Views

# *CRA Agreement is Working for Low-Income People*



*By Dory Rand,  
Attorney at Law  
National Center for Poverty Law*

*Dory Rand is a staff attorney with the Chicago-based National Center on Poverty Law and editor-in-chief of the Center's monthly newsletter. She is a member of the Chicago CRA Coalition steering committee and chair of its Financial Services Task Force. She helped to negotiate and implement recent CRA agreements with various financial institutions. She also helped to forge an innovative financial education collaboration between a financial institution and an employment and training center.*

Banks and community groups can use the Community Reinvestment Act (CRA) to bring low-income people into the financial mainstream by expanding access to financial services and increasing financial literacy education.

Low-income people are less likely than those with moderate or high incomes to have any transactions with traditional financial institutions. Thus, they are more likely to resort to check-cashing outlets. Conducting business through such non-traditional outlets often entails high costs and minimal consumer protection. As governments move toward more electronic transfer

of benefits and more welfare recipients move into the labor force, low-income people increasingly need to be informed about money management and opportunities to use traditional bank checking accounts.

### Alternative Banking Pilot Program

These needs were addressed when the Chicago CRA Coalition negotiated a \$4.1 billion CRA agreement with First Chicago NBD

Chicago- now Bank One- made changes in the qualifications for and cost of opening a basic checking account at its Englewood, North Lawndale and Logan Square branches. If checking account applicants are not eligible under the bank's standard credit-scoring requirements, they may be eligible under more flexible AB criteria. Those with past-due debts or long-term delinquencies in their credit record may still qualify.

sion to a standard account with faster access to funds. The term Alternative Banking is used internally at the bank to monitor the pilot program, but it is not used in advertising or with customers.

The AB program has been very successful in reaching those who have never had a bank account. Since its start in the spring of 1999, the AB program has opened a total of 573 accounts, including 342 checking accounts and 231 savings accounts. As of October 21, 1999, there were 483 active accounts in the AB program, including 280 checking accounts and 203 savings accounts. Over three-quarters of the new accounts were opened for people with no credit history.

Encouraged by the success of the AB program in these branches and the positive reaction of the participating branch managers, Bank One has expanded the AB program in November of this year to two more LMI Chicago branches - one in Ravenswood and one in Rogers Park. Managers at the new pilot branches are eager to offer AB accounts to their customers. According to Bank One, about half of the walk-in customers in these branches are people who have never had a bank account.

The Chicago CRA Coalition and Bank One continue to meet periodically to review the progress of the AB program. ■

*For more information, contact the Chicago CRA Coalition's Financial Services Task Force chair, Dory Rand, at the National Center for Poverty Law 312/263-3830, ext. 228.*

*...program has been very successful in reaching those who have never had a bank account...*

in 1998 pending its merger with Bank One Corporation. The financial services



Instead of requiring \$100 to open an account, the bank requires only \$10. Also, those with no previous credit history, who would have been denied the opportunity to open an account under the bank's usual policies, can now open an account.

The bank adjusted its funds availability policy slightly to protect the bank against additional risk. Customers who maintain an AB account in good standing for 12 months are eligible for conver-

aspects of the First Chicago CRA agreement include an innovative Alternative Banking pilot program in three Chicago low- and moderate-income (LMI) communities to promote financial literacy and expand access to low-cost checking accounts.

As part of the Alternative Banking (AB) pilot program, First

## Your Views

# *Individual Development Accounts: Building Assets, Wealth, and Opportunity*



By *Connie E. Evans,*  
*President*  
*Women's Self Employment Project*

*Connie E. Evans is president of the Women's Self-Employment Project, Chicago, the largest micro-enterprise program targeting low-income urban women in the country. Evans has more than 20 years experience developing and implementing programs to further economic development, health and social change in low-income communities. Her efforts have been recognized with numerous awards, including the first Presidential Award for Excellence in Microenterprise: Poverty Alleviation, the Sara Lee Foundation Spirit Award, the Amoco Foundation Leader in Economic Development Award, and Chicago Magazine 1996 Chicagoan of the Year. She was recently elected as a Class B director of the Federal Reserve Bank of Chicago. Class B directors represent the public and must be non-bankers. Her three-year term begins on January 1, 2000.*

The accumulation of assets is the gateway to opportunity for the poor. This may sound improbable, but it is one of those crazy ideas whose time has come.

Individual Development Accounts (IDAs) are savings and investment accounts earmarked for high return investments in business development, home ownership, and education. IDAs have been tested in Illinois for the past three years by the Chicago-based Women's Self-Employment Project (WSEP) which is ready to spread both the word and the program to other parts of the state.

IDAs are more than a bank account. WSEP has developed an investment system for low-income individuals that works. Individuals deposit their savings monthly for a period of two years. Their savings trigger a matching amount of money from a WSEP IDA-Partner, like Harris Bank.

**Economic literacy**  
One of the most important elements of becoming economically empowered is to gain an understanding of the economy, how money and finance work, how assets are developed and how individuals can plan and secure assets. Economic literacy is provided by WSEP through training and counseling to develop literacy in these areas. In a few short years, the IDA is big enough for the account holder to invest in a business, homeownership or education.

The idea of an investment system is important in the IDA program. A system means that it takes

various parts for the whole to actually work. Harris Bank is a very important part of WSEP's IDA system. Harris has not only provided administration of the accounts at no cost to IDA holders or to WSEP, but also provides matching funds, and staff time.

The other important partner in the system is the low-income family member – in WSEP's case – a low-income woman. It is her earnings through her business or wage employment that provides the individual savings for the investment account. Most of the women in the program had no regular savings prior to the IDA program. Although the incentive to have their accounts matched at a 2:1 ratio was important, most of the women reported that the discipline of required savings and the economic education were the most helpful aspects of the program.

**Welfare reform**  
The initial IDA program was part of WSEP's welfare reform strategy. All the IDA participants were using self-employment to remove themselves from the welfare roles. WSEP saw the IDA as an asset-building strategy that could not only help women move off welfare but also a strategy to move their families out of poverty. Indeed, the results of the first pilot program have been positive and met WSEP and its partners' expectations.

Seventy percent of the women completed the program saving a total of more than \$57,000. Business and home ownership were the most frequent usage of the IDA (41 percent and 27 percent respectively).

WSEP has made IDAs a core component of its programming, and along with Harris Bank, plans to open 500 IDAs by the only year 2000 for women on welfare and those meeting the Earned Income Tax Credit guidelines.

Both WSEP and Harris Bank see the IDA as a real investment opportunity for working poor families, and some legislators agree. In August 1998, then Governor Edgar signed legislation that established an IDA program for the State of Illinois and appropriated funds to match dollar for dollar, contributions made by participants. WSEP currently administers the State IDA program.

Assets have power  
Researchers, like Michael Sherraden at Washington University, in St. Louis, have documented several attitudinal, social and behavioral effects of asset accumulation including greater future orientation, personal efficacy, family stability, involvement in children's education, respect, and participation in the community and civic affairs. An asset enables, underwrites, and focuses economic activity.

*continued on page 11*

## *Individual Development Accounts: Building Assets, Wealth, and Opportunity*

*continued from page 10*

IDAs are investments and opportunities at their finest. IDAs allowed Zelinda Davis-Kirk to say farewell to welfare, "If it wasn't for the IDA, I would have still been receiving welfare for an additional 12 to 18 months," Ms. Davis said.

Investment is a key theme at WSEP. Providing a vehicle for women to invest in themselves maximizes the investment WSEP makes when it provides a loan to the woman's business. Clara Wilkins, a WSEP entrepreneur, is a good example. As WSEP worked to assist Clara with her business plan and loan application, it was clear that Clara would need additional funds in year three of the WSEP loan. Her profitability was lean, but a \$2,000 cash injection would give her the cushion needed. The IDA was a perfect instrument for Clara. She enrolled and is saving for her business future. When the IDA matures in two years, Clara will have her own funds, real equity to invest in the business.

New grant program  
The groundwork laid by WSEP is not only paying off at the local and state level, but Congress recently passed the "Assets for Independence Act," which authorizes federal spending of up to \$125 million over five years for individual development accounts. In 1999, \$25 million was awarded in competitive grants to eligible institutions. WSEP was the only organization in the State of Illinois to receive one of the awards. The federal program has provided a terrific

opportunity for WSEP to extend its partnerships in the IDA initiative. The Northern Trust Bank and the Illinois Department of Human Services have joined the IDA partnership by providing funds to match the federal government's award of \$315,000. This new grant funding will allow WSEP to open an additional 400 accounts over the next four years.

Picture is not very rosy  
This level of public-private support is coming at a crucial time. Although the country can claim economic growth and prosperity, the picture is not very rosy for the poor or for African-Americans, in particular. A recent publication, *The State of Working America*, released by the Economic Policy Institute in Washington, D.C., presents data that shows that wealth inequality has grown worse in the 1990s. Between 1989 and 1997, the share of wealth held by the top 1 percent of households grew from 37.4 percent of the national total to 39.1 percent. Over the same period, the share of all wealth held by families in the middle fifth of the population fell from 4.8 percent to 4.4 percent. Between 1989 and 1995 (the latest year for which data are available), the share of households with zero or negative wealth (families with negative wealth owe more than they own) increased from 15.5 percent to 18.5 percent of all households. By 1995, almost one-third (31.3 percent) of black households had zero or negative wealth.

This data should not be surprising. We have known that the distribution of wealth is more concentrated at the top than is the distribution of income. It is one of the reasons why WSEP launched the IDA program with the support of the Joyce Foundation in 1996. We have always used the statistic from *Black Wealth/ White Wealth* by Melvin Oliver, now vice president of the Ford Foundation, that

blacks hold \$.08 to every \$1.00 held in assets by whites. More recently we heard one economist say that blacks have gained only 10 percent in assets since the end of slavery.

Whether the latter statistic can be documented or not, it sounds quite inflammatory. I think the inequalities that exist and are documented should be enough to inflame all of us. Whether we are in the community development financial institution arena, or the traditional financial industry, whether we are politicians, or foundation executives and board members, the data is so compelling that we must find and support vehicles for greater asset distribution.

Helping low-income women, as well as welfare recipients, move from welfare recipients to business owners and homeowners through individual development accounts is truly one of those vehicles and a great beginning. We have a long way to go in truly democratizing opportunity. Working and staying poor doesn't really provide families with opportunities. Building assets and creating wealth can. ■

*For more information on IDAs, WSEP's programs and how bank support of IDAs may be an eligible activity for the Bank Enterprise Award program, contact Connie Evans, President of the Women's Self-Employment Project, at 20 North Clark Street, Suite 400, Chicago, IL 60602, phone: 312/606-8255, email: cevans@wsep.com.*

[www.frbchi.org](http://www.frbchi.org)

CHICAGO FED  
on the web



[www.frbchi.org](http://www.frbchi.org)

The Federal Reserve Bank of Chicago's web site offers a wide variety of timely and unique information, including:

- Economic Data and Research
- Banking Data
- Educational Resources
- Publications
- Community and Economic Development Initiatives
- Economic Development News & Views
- Community Reinvestment Act Information
- Consumer & Community Information

## From Our Research Department

### Labor Market conditions in the Seventh District

The Federal Reserve Bank of Chicago serves the Seventh Federal Reserve District, which includes the entire state of Iowa along with large portions of Illinois, Indiana, Michigan, and Wisconsin. At the present time, there are 43 Metropolitan Statistical Areas (MSAs) in the Seventh District. The geographic boundaries of MSAs are defined by the U.S. Office of Management and Budget (OMB) as economic areas encompassing communities that are tightly linked by a flow of commuters, migrants, goods and services, and payments.

Unemployment rates are useful indicators of the labor market conditions in local areas. The unemployment rate is defined as the percentage of adults in the work force who are not currently employed but are actively seeking employment. Importantly, the work force, and hence the unemployment rate, does not include workers who are not actively looking for work. This means that workers who have given up looking for work are not counted as unemployed.

Unemployment rates for Seventh District MSAs are derived from data provided by the United States Department of Labor (USDOL). Using definitions and guidelines established by the USDOL to ensure consistency across state lines, state agencies calculate MSA unemployment rates on the basis of a monthly payroll survey and unemployment insurance records. The rates used here have been

adjusted to account for normal seasonal variations.

Currently, labor markets in the Seventh District are much tighter than the nation as a whole. In sharp contrast to the 1980s, the region's unemployment rate has been running below the national average since

the mid-1990s, the national rate of employment growth caught up to, and has since surpassed, the region's. With few signs of any softening in the Seventh District economy, and relatively unfavorable migration trends, employers can expect little relief from tight labor markets in the near term.

came in under 3.0 percent, while Illinois had the highest rate of the five states, 4.3 percent.

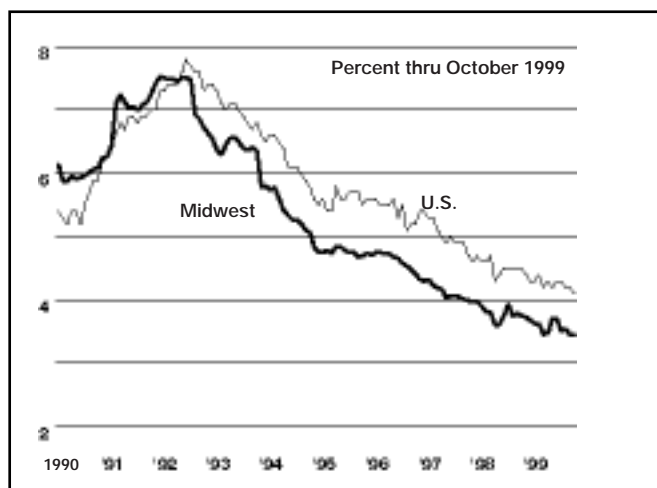
Of the District's 43 metro areas, Madison, Wisconsin had the tightest labor markets, with a remarkably low seasonally adjusted unemployment rate of 1.3 percent. The Flint, Michigan metro area had the highest rate at 5.4 percent. Only the Davenport-Moline-Rock Island, IL-IA MSA displayed a significant increase from last year, due in large part to softness in the area's farm machinery sector.

With labor shortages prevalent through most of the Seventh District, employers continue to struggle to find qualified workers. Conversations with business leaders, as well as indexes such as Manpower Inc.'s hiring plans survey, suggest that demand for workers in the region remains as strong as, if not stronger than, the nation as a whole. Yet, with employment growth in the region lagging that of the nation, it appears that labor shortages are hampering employers' expansion and hiring plans.

General wage pressures remained subdued for the most part, but reports of pay hikes became more frequent in recent months. These wage increases, however, appear to be concentrated in a few occupational categories where worker shortages have persisted for some time. ■

*Richard E. Kaglic*  
*Economist*

### Midwest Unemployment Rate



1992. While good news for the region's workers, whose wages and salaries are growing faster, the very low levels of unemployment are making it difficult for employers to find quality help. Broad-based labor shortages, across both industry and occupational categories, have contributed greatly to the District's slowing employment growth in the last few years. Earlier in this decade, a strong rebound in our manufacturing industries, as well as robustness in construction and services, led to employment growth in the region that outpaced that of the nation. As labor markets in the region tightened more dramatically in

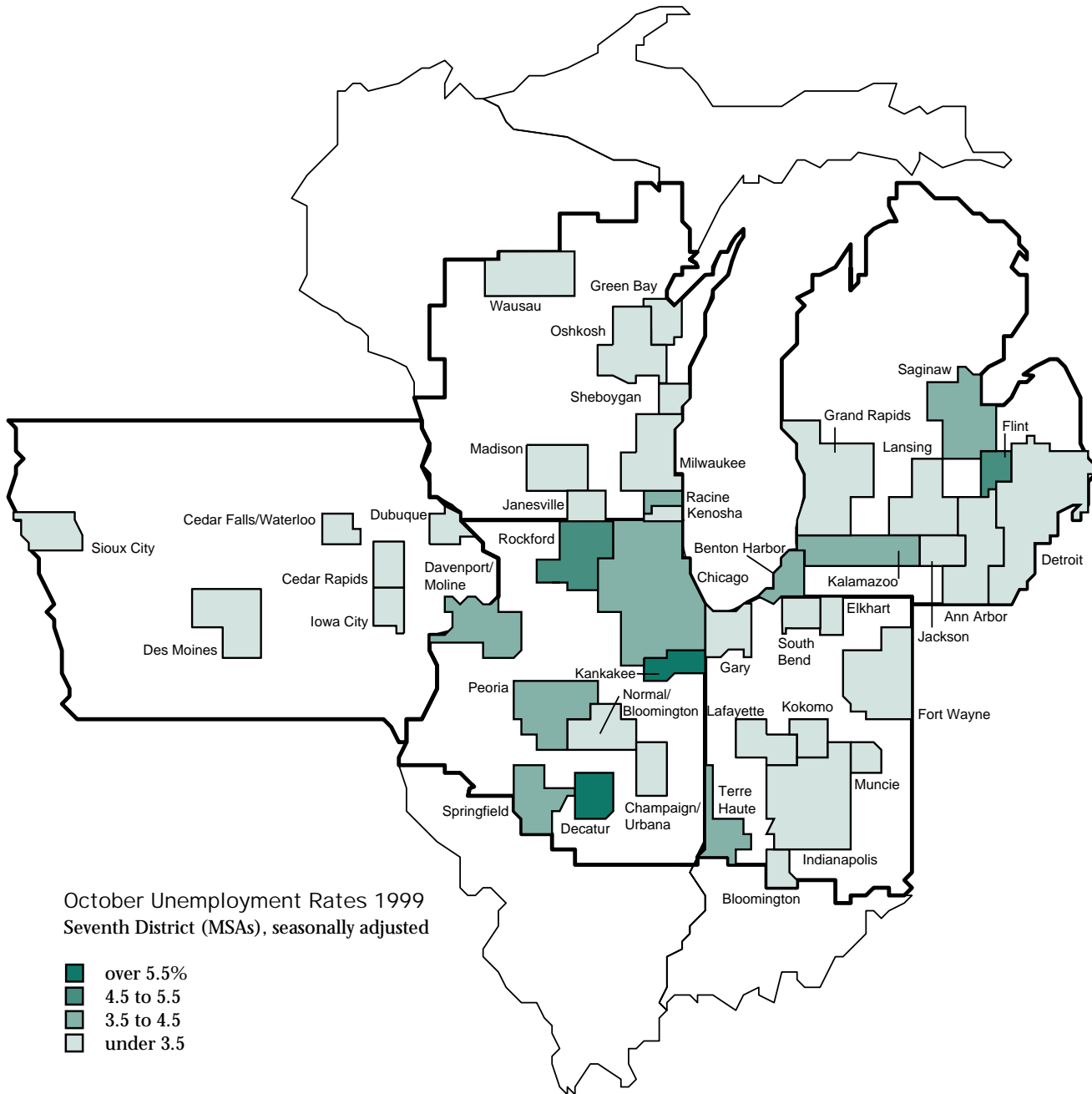
### Labor Market Highlights

Labor markets in the Seventh Federal Reserve District tightened further in the fall and remain well below the national average. The seasonally adjusted unemployment rate in October was 3.5 percent, up slightly from September's 3.4 percent and last October's 3.8 percent. By contrast, the national rate of unemployment was 4.1 percent in October.

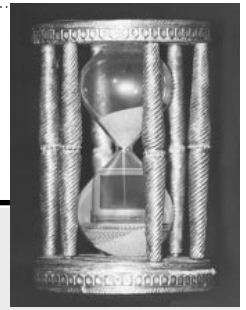
Iowa and Indiana were neck and neck in the race for the lowest unemployment rate of District states, at 2.2 percent and 2.7 percent, respectively. Wisconsin also

# Seventh District Labor Markets

Unemployment conditions for October 1999



NOTE: All rates are subject to revision.



# Small Business and the Year 2000

How is it impacting your firm, business suppliers and other business partners?

The inability of many computer systems to process dates beyond December 31, 1999, commonly known as the Year 2000 problem, seems like a bad joke.

However, the Year 2000 problem is a huge issue, locally, nationally, and even globally, and it poses unique challenges for the small business owner. The problem exists because dates are encoded in a YYMMDD six-digit format rather than a YYYYMMDD eight-digit format. Unfortunately, the six-digit date field doesn't differentiate between the 20th and 21st century. That could cause significant problems in computer systems that process date-sensitive information and calculations.

To assist small businesses in understanding the myriad aspects of the problem, the Fed recently released *Small Business and the Year 2000*. The pamphlet—available through the San Francisco Fed's web site at [http://](http://www.frbsf.org/fiservices/cdc)

[www.frbsf.org/fiservices/cdc](http://www.frbsf.org/fiservices/cdc) and in hard copy from the Federal Reserve Bank of Chicago – defines the Year 2000 problem and discusses steps small business owners can take to begin addressing the problem.

The pamphlet provides additional information on maintaining small business information systems in a Year 2000 compliant manner, contingency planning, and useful reference materials is also provided. A five-phase framework (see chart below) is suggested to manage small businesses' Year 2000 approach. If you need to increase your knowledge about the Year 2000 problem, you'll want to get your hands on this informative publication soon. After all, the Year 2000 will come whether you're ready or not. ■

*For more information, contact the SBA at (800) U-ASK-SBA. For the SBA's Y2K fax-back service, call 877/ RU-Y2K-OK, or visit the SBA's Y2K Web site at [www.sba.gov/y2k/](http://www.sba.gov/y2k/).*

## Other sources of help

There are many helpful sources you can turn to in making your business ready for the century date change. There are thousands of web sites dedicated to the year 2000 problem. Many sites have links to sources of free software, planning tools, discussion groups, and so forth. Below is a short list of some useful web sites:

<http://www.year2000.com>

*Peter de Jager's web site—a good source of links to other sites*

<http://www.compinfo.co.uk/y2k/manufpos.htm>

*links to computer manufacturers' home pages where you can find Year 2000 compliance information*

<http://www.software.ibm.com/year2000/>

*IBM's Year 2000 page*

<http://www.microsoft.com>

*Microsoft's Year 2000 page*

<http://www.gmt-2000.com/main.htm>

*Greenwich Mean Time's home page with evaluations of PC testers and BIOS chips useful for PC evaluation*

<http://pw2.netcom.com/~helliott/00.htm>

*the so-called "mother of all Y2K link sites" contains many links to other sites*

<http://www.jks.co.uk/y2ki/confer/notices/dtisme01.htm>

*link to report entitled "Helping the Small Business Tackle Year 2000"*

<http://www.sba.gov/y2k/>

*The Small Business Administration web site*

<http://www.year2000.unt.edu/WCS>

*Society for Information Management*

<http://www.isquare.com/y2k.htm>

*The Small Business Advisor web site*

*If you are a financial institution and you have a regulatory or supervisory question about Year 2000 compliance, contact Ray Bacon, director, Special Exams, Federal Reserve Bank of Chicago, 312/322-5916.*

*If you are a small business person and have questions about the publication *Small Business and the Year 2000*, as well as steps the Federal Reserve System is taking to address Year 2000 concerns in financial institutions, contact the Consumer and Community Affairs Division of the Federal Reserve Bank of Chicago, 312/322-8232.*

See "Century Date Change ...Loan Program..." on page 7

### Are You Y2K OK?

<i>Suggested Readiness Steps</i>	
Phase	Approach
1 Awareness	Educating and involving all levels of your organization in solving the problem
2 Inventory	Creating your checklist toward Year 2000 readiness
3 Assessment and Planning	Examining how severe and widespread the problem is in your business and what needs to be fixed
4 Correction and Testing	Implementing the readiness strategy you have chosen and testing the fix
5 Implementation	Moving your repaired or replacement system into your production environment

## Around the District

Michigan

The Detroit Entrepreneurial Institute has been designated a Women's Business Center by the U.S. Small Business Administration. The Institute will receive \$638,000 to expand services. Among other things, it will use the money to develop a website for women interested in starting or expanding a business. Proceeds also will be used to sponsor a procurement or trade fair conference, provide economic-literacy workshops, and provide access to industry consultants.

The Institute becomes one of 80 centers nationally that provide training, counseling and mentor-

ing to women who are entrepreneurs or potential entrepreneurs. The centers direct much of their training and counseling toward disadvantaged women. Offerings include 11-week training programs, business counseling, a computer center, reference library, graphic-design services and a loan fund. ■

*For additional information, call the Institute at 313/961-8426.*

Illinois

The Illinois Development Finance Authority (IDFA) recently announced that it will issue new bonds and invest venture capital through its Illinois

Venture Investment Fund (IVIF) for a combined amount of \$346,950,000. The bonds and venture capital, approved at a recent IDFA directors meeting, will fund a total of nine private and public projects across the state of Illinois.

Bobby Wilkerson, former IDFA director, said, "We are very happy to report that IDFA continues to provide financial support for the economic and social future of Illinois and its communities. This financing round is broad based and will help cultural institutions remain strong, improve access to healthcare, make homes more affordable, improve Illinois

manufacturing and construction, and, most importantly, create an estimated 168 new jobs." ■

*With four offices statewide, the Illinois Development Finance Authority is a self-supporting, quasi-governmental agency that stimulates economic development throughout Illinois by providing affordable financing to businesses, not-for-profit organizations and local governments, at no cost to the taxpayer. For additional information regarding the Illinois Development Finance Authority programs contact Dianne Zaubi, 312/496-1135.*

## Business Access to Capital and Credit Symposium

The Community Affairs Office of the Federal Reserve System recently sponsored a research conference, *Business Access to Capital and Credit*, in Washington, D.C. Distinguished economists and scholars presented and discussed 16 papers on topics such as the effects of financial indus-

try consolidation on lending, credit scoring and securization for small business loans; access to credit for minority-owned businesses; and microlending. The conference was designed to stimulate additional research. The papers presented are "working papers," preliminary studies that

are potentially subject to revision. Alan Greenspan, Chairman, Board of Governors of the Federal Reserve System, presented the keynote address and a luncheon address was given by Edward M. Gramlich, Member, Board of Governors of the Federal Reserve System. ■

*For additional information contact the Consumer & Community Affairs division of the Federal Reserve Bank of Chicago at 312/322-8232. The full text of the Business Access to Capital and Credit proceedings is available at the Federal Reserve System website at [www.bog.frb.fed.us](http://www.bog.frb.fed.us).*

### Fed Releases a New Video on Women-Owned Businesses

The Federal Reserve is now offering a videotape designed to heighten awareness among lenders about the business opportunities available to them in lending to businesses owned by women.

The new videotape, *To Their Credit: Women-Owned Businesses*, relays the credit-seeking experiences of new successful women business owners.

Through testimonies and discussions with lenders and women's business organizations, the video stresses how women commercial borrowers should build a relationship with a lender. The video further emphasizes the need for women to prepare a comprehensive business plan.

In addition, lenders are shown the staying power and profitability that this fast-growing segment of the economy can afford their financial institutions.

*The videotape is available through FVS Media for a nominal fee. To place an order, call 800/555-5471.*

### CDFI Program → NOFA → Application → \$\$ Awards

A Notice of Funds Availability for the 2000 CDFI Program – the Core and Intermediary Components – was published in the Federal Register on November 1, 1999. The application deadline for the Core Component will be January 20, 2000 and the deadline for the Intermediary Component will be January 18, 2000.

A Notice of Funds Availability for the Technical Assistance Component will be published in the Federal Register on

January 4, 2000. The application deadline will be March 28, 2000.

*For copies of the various notices and applications or a schedule of training workshops, contact the Community Development Financial Institution Fund at 202/622-8662. For additional assistance, you may also contact the Consumer and Community Affairs Division of the Federal Reserve Bank of Chicago at 312/322-8232*

Volume 5 Number 3  
December, 1999

*Economic Development  
News & Views* is published  
three times a year by the  
Federal Reserve Bank of  
Chicago, Consumer and  
Community Affairs Division.  
Please address all  
correspondence to:

Consumer and Community  
Affairs Division  
Federal Reserve Bank  
of Chicago  
230 S. LaSalle Street  
Chicago, IL 60604-1413

