

News & Views

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Interactive Asset-Building Conference a First in Illinois

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Inside this Issue:

From the Editor

*ACCION Chicago:
An Economic Developmental
Powerhouse*

*Independent Evaluator
Assesses Financial Literacy
Program*

*Illinois Launches Investment
and Development Authority*

*Rural Community
Development Conference*

On November 22, 2002, more than 80 bankers, Individual Development Account (IDA) program sponsors, researchers, community groups, state and local policy-makers, and federal banking regulators participated in Asset Building in Illinois: An Interactive Conference – the first-ever statewide conference on asset-building policy.

The Federal Reserve Bank of Chicago and the National Center on Poverty Law (NCPL) sponsored the conference, in cooperation with the Corporation for Enterprise Development (CFED).

Dory Rand, supervising attorney for community investment at Chicago-based NCPL, and coordinator of the statewide Financial Links for Low-Income People (FLLIP) coalition, moderated conference discussions.

Included in the program were presentations from speakers from throughout the United States and interactive brainstorming sessions with conference participants.

Interactive brainstorming sessions

The sessions centered on how to increase access to and use of basic bank accounts, how to increase availability of IDAs and other asset-building opportunities, and how to view proposed public policies through an “asset” lens.

IDAs are special savings accounts in which deposits are matched by public and/or private funds. The accounts are designed to help lower-income families save toward homeownership, small business development, post-secondary education or training, or other savings goals. Typically, nonprofit partners provide financial education and support to IDA savers.

Asset-building recommendations included developing products and incentives for lower-income people to become banked, institutionalizing financial education in public schools (K-12), and creating financial education programs for adults.

Interactive Asset-Building Conference continued from page 1

Additional asset-building recommendations included:

- Research issues on the unbanked and effectiveness of financial education and asset-building programs
- Enact and enforce strong CRA and asset-protection policies
- Expand outreach and partnerships between financial institutions and community groups
- Locate banking centers and ATMs in underserved communities
- Conduct social marketing of IDAs and other asset-building programs
- Increase funding and incentives for and promote financial institution involvement in IDAs
- Adopt tax, welfare and other public policies that facilitate asset development by low-income people
- Develop sustainable asset-building programs and appropriate measures of success
- Increase investment in low-income communities
- Promote small business development, especially for women and minorities

Illinois' asset development report card

Carl Rist, program director with CFED, presented findings from CFED's State Asset Development Report Card. The Report Card considers 68 socioeconomic and policy measures and studies how

assets are accumulated, distributed and protected across the country.

Illinois ranks ninth in asset-building policy and earned an "A" for policies such as IDA and lifeline banking legislation, support for small business development, the state Earned Income Tax Credit, and policies prohibiting insurance redlining and predatory mortgage lending.

Illinois earned a "C" for asset outcomes, ranking 26th nationwide. Twenty percent of Illinois families are asset poor, meaning they are without sufficient net worth to subsist at the federal poverty level for three months without other support. Fifteen percent have zero or negative net worth.

A growing body of research suggests that emerging policy must consider assets – in addition to income – to meaningfully address issues associated with poverty and self-sufficiency.

To view the full report, go to www.cfed.org.

Chicago Fed research on IDA programs

Robin Newberger, a research analyst with the Chicago Fed, discussed research on the role of financial institutions in IDA programs in the Midwest. Newberger's interviews with participating institutions confirmed the appeal of IDAs as a community outreach tool as well as a way to target an underserved market — workers who do not have bank accounts.

See the *December 2002 Chicago Fed Letter* at www.chicagofed.org for a

review of Newberger's research. For more information on IDAs go to www.idanetwork.org.

Basic banking success in Massachusetts

Other presenters included Thomas Kennedy, vice president for community investment at Sovereign Bank in Boston. Kennedy described the success of the Massachusetts Community and Banking Council's Basic Banking for Massachusetts program. More than 150 banks representing over 82 percent of Massachusetts banking centers voluntarily participate in the program.

Launched in 1994, the program's purpose is to expand access to bank products and services to people with low to moderate incomes. Participating banks offer accounts with low minimum deposits and maximum monthly charges (\$25/\$3 for checking; \$10/\$1 for savings)

and cash government checks for free. The Council has forged strong partnerships with the state's Division of Banks and Department of Transitional Services, and conducts financial education programs with community groups.

A full report on the conference proceedings and recommendations will be shared with participants early in 2003, and used in ongoing efforts to promote asset-building policies in Illinois. ■

For additional information on IDAs, NCPL and FLLIP, see www.povertylaw.org. or call 312/263-3830. For additional information on Federal Reserve Bank of Chicago programs and resources see the Web site www.chicagofed.org or call Harry Pestine, community affairs program director, Consumer and Community Affairs Division at 312/322-8232.

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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:

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From the Editor

After eight years of facilitating meaningful community revitalization through information sharing, **Economic Development News & Views** is joining **Profitwise** to become a combined publication that will build on the strengths of each.

The new publication, **Profitwise News and Views**, will expand our coverage and bring economic development, community development, public policy and consumer issues under one banner. We will continue our mission to provide timely, accurate and useful information to our various audiences — lenders, communities and governments.

When we inaugurated **News & Views**, we believed that the newsletter would contribute to the ongoing economic development of our communities.

- We recognized that for sustained economic development to take place, all segments of our business communities must enjoy fair and equal access to credit.
- We further recognized that underserved markets represented an untapped resource for strengthening our economy and stabilizing our communities.
- We committed to fostering open and unbiased credit markets throughout our District and encouraging financial institutions to invest in underserved areas.

To meet these and other challenges, we provided timely information about successful initiatives, emerging issues and effective programs aimed at fostering the establishment and growth of businesses at the community level.

We provided news and insights on public/private partnerships that target economic development.

We used the newsletter to encourage dialogue on economic development issues by inviting public and private sector organizations to share their views. And, we encouraged the formation and support of numerous community development financial institutions throughout the District.



Through **Economic Development News & Views**, we have succeeded in bringing together investors with potential users and providers of credit in a cooperative environment, to help revitalize our underserved communities.

As this publication comes to a close, let me send my sincere thanks to each of you who has ever made a suggestion, shared your views or assisted with the various articles. Individually and collectively, you have made a difference – thank you.

Now, in 2003, we look forward to broadening our dialogue through our expanded publication. Once again, we welcome any comments or suggestions that you may have.



Harry Pestine, Editor
Economic Development News & Views,

Federal Reserve Bank of Chicago

Finance

ACCION Chicago: an Economic Development Powerhouse



ACCION Chicago (ACCION) has become a catalyst for economic development in low- and moderate-income communities in Illinois.

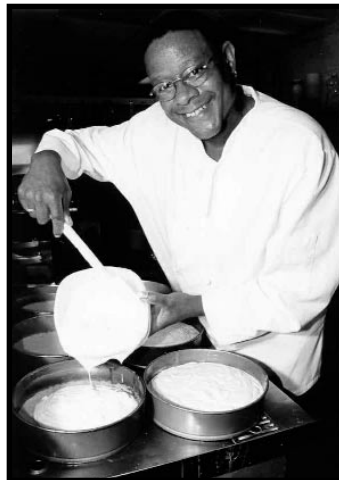


During its first eight years, ACCION has provided over 1,000 micro-entrepreneurs with more than \$8.2 million in capital. It has grown from a small loan fund that served predominantly Hispanic neighborhoods of Chicago to serving the entire state of Illinois. ACCION's primary mission is to provide micro-entrepreneurs with capital in the form of micro-loans that range from \$500 to \$35,000.

ACCION's clients are small business owners that do not have access to traditional sources of capital. More than 76 percent are working in the service sector conducting businesses that are in contracting or related to a trade. Some clients are small restaurant owners, photographers or neighborhood grocery store owners.

Clients typically come from lower-income households. The median household income is \$30,000 for a three-person household. The median asset level of clients' businesses is \$14,000. Eighty-three percent of ACCION clients are minorities (51 percent Hispanic and 32 percent African-American).

After one loan, most clients show a 150 percent increase in business profits. After two loans, the clients' net income increases by an average of 33 percent.



Leo Oden's catering company specializes in desserts. His signature cheesecakes are sold in over 70 grocery stores, hotels, and restaurants.

Awards for leadership

Because of its work in the area of low- to moderate-income community economic development, ACCION has received a number of awards for exemplary leadership skills and economic development assistance for women and minority-owned businesses.

These awards include:

- Deutsche Bank Award for Outstanding Lending in the field of micro-enterprise
- BP Leader Award
- Chicago Area Gay and Lesbian Chamber of Commerce President's Award
- Woodstock Institute Community Reinvestment Award
- Presidential Award for Excellence in Micro-enterprise Development

ACCION also received \$1.1 million in grants and loans from other community awards.

Success factors

ACCION's success in micro-enterprise lending comes from the various collaborations and partnerships it has developed. Key factors that fuel its economic development engine are the expertise, funding and other support of its partners.

Through the cooperation and coordination of these partnerships, ACCION is able to access capital and act as an intermediary to finance micro-entrepreneurs that do not have access to traditional sources.

A key factor in ACCION's growth is the partnership with ACCION International. This partner brings more than 40 years of operations in the United States, Latin America and Africa. ACCION International, a micro-enterprise development leader in

Latin America, launched ACCION Chicago in 1994.

Financial institutions are major providers of capital for support of ACCION's programs. These partnerships are key to the success of the loan fund and the micro-entrepreneurs. ACCION's partners provide grants, loans and lines of credit. It has partnerships with Citibank, Fifth Third Bank, Bank One, MB Financial, Northern Trust Company, Allstate Financial, First Bank of the Americas, LaSalle Bank, National City Bank, Cosmopolitan Bank, Harris Bank, Chicago Community Bank, Community Savings Bank, Bank Financial, and Republic Bank of Chicago. The banking institutions use financial products and contributions to meet financial needs of the communities and manage community reinvestment risk.



Eva Wolk, owner of a hip gift shop, received funding from ACCION Chicago and was named 2001 Illinois SBA Entrepreneur of the Year.

Community development foundations also provide ACCION with necessary capital to carry out its mission.

Continued on page 5

ACCION Chicago *continued from page 4*

ACCION has obtained grants and loans from the Coleman Foundation, MacArthur Foundation, Local Initiatives Support Corporation, Wieboldt Foundation, BP Foundation, Deutsche Bank, Woods Fund of Chicago, and Allstate Financial.

ACCION is one of the few U.S. Small Business Administration micro-lenders in the state of Illinois. Additionally, it has been designated a certified Community Development Financial Institution (CDFI) by a unit of the U.S. Department of Treasury, and received funding from the U.S. Department of Treasury's CDFI Fund.

Current initiatives

As a result of ACCION's past and present partnerships, the organization has the capacity to promote and develop programs that produce results.

Current partnerships include:

- Allstate Financial's fund for a mass transit advertising campaign in the Chicagoland area
- The Coleman Foundation loan fund, for financing business startups.
- Bank One Company loan fund for expanding service to African-American communities in Chicago's South and West Sides

- Local Initiatives Support Corporation's loan capital fund for the New Communities Initiative
- The Greater Humboldt Park Micro-loan Program, with loan capital provided by a consortium of six banks.
- The Small Business Administration fund, to finance small businesses in 11 additional Illinois counties, with a goal to expand into all 102 counties in the near future.

Micro-lending has room to expand

According to a study completed by Shorebank Advisory Service, there are an estimated 534,000 micro-entrepreneurs in the City of Chicago in need of capital to start or expand their businesses. To meet this demand for services, ACCION's programs must continue to expand. This expansion can be realized with the continued support of financial institutions, foundations, government entities and other investors and supporters. ■

For additional information, contact Arrerik Stewart, social investment coordinator, ACCION Chicago, 773/376-9004 ext. 119.

Independent Evaluator Assesses Financial Literacy Program

How effective are financial literacy programs and do they change participant behavior? This is one question the coalition known as Financial Links for Low-Income People (FLLIP) wanted to address.

So the coalition asked Professor Steven G. Anderson and researchers at the University of Illinois at Urbana-Champaign to evaluate two of its programs: the *Your Money & Your Life* Financial Education Program (FEP) and the Individual Development Account (IDA) program.

The first phase of the two-year evaluation revealed that the participants gave the FLLIP curriculum and instructors high marks, according to a new report.

The report documents that FLLIP's *Your Money & Your Life* participants have significant financial knowledge deficiencies upon starting the program and that graduates demonstrate significant gains, with the largest gains occurring in knowledge about public and work-related benefits.

The second year of the evaluation will measure the effectiveness of FLLIP's efforts to help participants make long-term changes in their financial behavior. It also will evaluate efforts to increase recruitment and retention.

FLLIP's financial education program and its evaluation are unique:

- FLLIP includes training sites that combine IDAs with finan-

cial education, as well as sites that solely provide financial education. All participants receive training in the same core curriculum, which allows for comparison of the sites.

- The *Your Money & Your Life* curriculum, developed by University of Illinois Extension and the FLLIP coalition, stresses the active engagement of participants in learning activities. It is written at a fifth-grade level and in a manner that takes into account the often-limited education of program participants.
- FLLIP employs a decentralized strategy of program development and training delivery. Instructors in FLLIP's non-profit partner organizations

receive four days of curriculum training as well as guidance on how to administer the evaluation.

FLLIP launched the two-year pilot program in partnership with the Illinois Department of Human Services. The National Center on Poverty Law, a non-profit organization based in Chicago, coordinates the coalition and administers the pilot program. ■

*(See **Economic Development News & Views** Fall 2001).*

For more information on FLLIP or for a complete list of FLLIP's funders, supporters and nonprofit partner agencies, visit www.povertylaw.org or call 312/263-3830.

Illinois Launches Investment and Development Authority

Illinois is the fourth state in the nation to embrace an innovative community development program in which government partners with private sector financial institutions to provide affordable financing options to low-income communities and the businesses or non-profit organizations that serve them. Only Pennsylvania, Texas and South Carolina have adopted similar programs.

Under the Illinois Investment and Development Authority, which Governor Ryan signed into law in January 2003, community development financial institutions (CDFIs) will work with private sector lenders who will target financial services to underserved markets.

CDFIs include community development banks, credit unions, nonprofit loan funds, small business and mortgage lenders. Their products include micro-loans, as low as \$500, to start small businesses; multi-million dollar real estate loans to build affordable housing; and programs designed to provide alternatives to pay-day lenders.

"The Illinois Investment and Development Authority is a boon to the banking community in Illinois," said Robin Coffey, vice president, Metro Banking Division, Harris Trust and Savings Bank. "CDFIs act as a bridge to traditional financial institutions and often work in partnership

with us on specific transactions. CDFIs are developing new customers for traditional lenders."

Marva Williams, senior vice president, Woodstock Institute, said, "As bridges to mainstream financial institutions, CDFIs are exclusively focused on high-need communities and are uniquely positioned to stimulate new market activities."

The signing of the bill is the result of a grass-roots effort spear-headed by the Illinois CDFI Coalition, which was founded by the Illinois Facilities Fund (IFF) in an effort to expand the work of CDFIs in Illinois.

"The Illinois CDFI industry – bankers, nonprofit lenders, community development investors and the communities they serve – worked hard with our state's political leaders on both sides of the aisle," said Elizabeth Evans, director of public policy and communications at the IFF, a statewide, private nonprofit lender and consultant.

The legislation is a new tool to stimulate the economy and attract private investment in economically distressed communities. By working with private sector partners, Illinois will be able to target its limited resources and leverage a small amount of public money with a significant amount of private money working in low-income and other underserved communities.

The Illinois CDFI program is designed as a companion to a Federal Treasury Department program – the CDFI Fund – which has received active support from the Illinois Congressional delegation. "We applaud the Illinois Legislature and the Governor for recognizing that the creation of this agency will serve to stimulate economic activity in distressed areas throughout Illinois," said Trinita Logue, president of the IFF.

In conjunction with their loan programs, CDFIs frequently

provide technical assistance to their borrowers and to the community at large for little or no fees. Ranging from business counseling and strategic planning to real estate development and personal financial management, technical assistance provides financial education for businesses and communities that often lack access to resources.

"Technical assistance is a key component to CDFI lending; it is the unique aspect of CDFI lending that helps borrowers meet their goals and achieve financial success," said Sadiyah Hill, director of public policy, Women's Self-Employment Project.

"I know this will benefit many communities across the state of Illinois who are looking for financial assistance to meet community needs," said Illinois State Senator Todd Sieben. "The Federal CDFI program is already a proven success in the Chicago metro area and the State CDFI program will provide the same opportunities for success to communities throughout Illinois." ■

For additional information, contact Elizabeth Evans, director of public policy and communications at the Illinois Facilities Fund, 312/629-0060 or 217/525-7701.



Rural Community Development Conference

Economic challenges facing rural Illinois, and other economic development issues, will be addressed at the 14th annual Rural Community Economic Development Conference at the Holiday Inn City Centre in Peoria on March 11-12, 2003.

“Rural Community Economic Development: Investing in the Future” is sponsored by the Illinois Institute for Rural Affairs (IIRA) at Western Illinois University, in conjunction with Rural Partners, the Governor’s Rural Affairs Council, the Federal Reserve Bank of Chicago and others.

“The conference focuses mainly on issues facing smaller communities in rural areas but will be of value to larger cities as well,” says Norman Walzer, IIRA director and conference organizer. “The speakers are nationally recognized and will give participants a wealth of useful information on many development issues.”

Speakers include:

Matthew Chase of the National Association of Development Organizations will discuss “What is Happening to Rural in Washington.”

Andrew Cohill – who designed and managed the technology program in Blacksburg, Va., generally recognized as one of the most technologically advanced cities in the U.S – will speak on innovative approaches to technology that can increase the quality of life in communities.

Michael Gallis, a leading authority on how cities can collaborate to access the global marketplace, will present new ways for rural communities to participate in global economic development.

The conference will include sessions to help participants organize their efforts to raise funds for local economic development, attract and motivate a volunteer work force to carry out

development initiatives and find new ways to work with site-selection companies. These programs will help make participants more effective in their local economic development efforts.

Several small cities with programs to promote population growth or attract specific types of businesses will be showcased. There also will be sessions on innovative uses of tax increment financing and other economic development tools.

For more information or to register by the March 4, 2003 deadline, contact the IIRA by phone at 800/526-9943, by e-mail at IIRA@wiu.edu, or in writing at IIRA, Stipes Hall 518, 1 University Circle, Macomb, IL 61455-1390. You may also download the complete program from www.IIRA.org.

www.chicagofed.org

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on the web



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- Publications
- Community and Economic Development Initiatives
- Economic Development News & Views
- Community Reinvestment Act Information
- Consumer & Community Information

Sustainable Community Development: What Works, What Doesn't and Why

The Community Affairs Offices of the Federal Reserve System are jointly sponsoring their biennial research conference, Sustainable Community Development: What Works What Doesn't and Why. The conference will bring together a diverse audience from academia, financial institutions, community organizations, foundations and government to learn about research in the community development arena.

March 27-28, 2003 • Capitol Hilton Hotel • Washington, D.C.

For more information about the conference, contact:

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