THE VIEW FROM CHICAGO

The New CRA Policy Statement—An “Open Door” Is Not Enough

As Community Affairs Officer of the Federal Reserve Bank of Chicago, my phone began ringing “off the hook” on March 21, 1989, the day the new CRA Policy Statement was issued. Officially titled “Statement of the Federal Financial Supervisory Agencies Regarding the Community Reinvestment Act,” the Policy Statement is a joint effort of the Federal Reserve Board, the Office of the Comptroller of the Currency, the Federal Home Loan Bank Board (currently Office of Thrift Supervision), and the Federal Deposit Insurance Corporation. The new Policy Statement revises the 1980 CRA Information Statement issued by these agencies and reflects the experience of the agencies in administering CRA since the inception of the Act in 1977. One of the interesting aspects of the new Policy Statement is the expectation of lender involvement with consumer and community organizations in developing and implementing CRA programs. In the past, most lenders thought that merely “being accessible” to community groups was enough; however, an “open door” policy is no longer sufficient.

Was The Policy Statement Needed?

The time had come for the development of a document like the new Policy Statement; there had been a growing demand from lenders for clarification of the many ambiguities inherent in CRA. And as more and more consumers and community organizations learned about CRA and began using its provisions to develop working relationships with their local lenders, they approached regulators for more information on their rights and responsibilities under CRA. Since the passage of CRA in 1977, we have all learned that some of the ambiguities in the act and its

(continued on page 10)
CONFERENCE RECAP: DES MOINES, IOWA

(L to R) Alicia Williams, AVP and Community Affairs Officer, Federal Reserve Bank of Chicago, and William McNarney, Community Investment Director, Federal Home Loan Bank of Des Moines, welcome lenders to “Banking On The Midwest.”

Over 100 lenders attended “Banking On The Midwest—Housing Programs That Work,” co-sponsored by the Federal Reserve Bank of Chicago and the Federal Home Loan Bank of Des Moines on June 8-9, 1989, in Des Moines, Iowa. Attendees learned about the latest techniques in single-family and multi-family lending from key staff from government, federal regulators, lenders and nonprofits who are active in the field of neighborhood lending today. Conference highlights included a review of the new joint federal regulators’ CRA Policy Statement, an FHA update, the latest on Fannie Mae’s low income housing initiatives, and new neighborhood lending initiatives by private mortgage insurers. A number of Iowa lenders also shared their experiences in establishing community lending programs in partnership with local nonprofit groups. Many thanks to our speakers and attendees for making this conference a success.

Our next issue of Profitwise will re-cap our latest conference, “CRA...Meeting the Challenge of a Changing Environment,” which was co-sponsored with the Chicago Federal Home Loan Bank on October 5-6, 1989, in Chicago, Illinois.


Thomas C. Connell, Pres., Federal Home Loan Bank of Des Moines, opens the first day’s session of “Banking On The Midwest—Housing Programs That Work.”
"Avoiding common pitfalls" when setting up neighborhood lending programs was the theme of this panel of lender, nonprofit and secondary market representatives: (L to R) William J. Tierney, Fannie Mae; Jon White, formerly with Neighborhood Housing Services of Des Moines; Loma Woodburn, VP, First Interstate Bank of Des Moines; and Jane Flack, Loan Officer, Valley National Bank, Des Moines, IA.

Sandra Braunstein, Community Affairs Specialist at the Federal Reserve Board of Governors, reviews highlights of the new CRA Policy Statement issued jointly last March by the four federal regulatory agencies.

Explaining how local lenders helped create the Drake Area Guaranteed Loan Program is Jon White, formerly Ex. Dir., Neighborhood Housing Services of Des Moines.

(L to R) Robert Berlan, Programs Manager, H.U.D.; Ray Benko, Senior Investment Officer, Fannie Mae; and panel moderator William J. Tierney, Low and Moderate Income Housing Coordinator, Fannie Mae, discuss the latest techniques in affordable lending for multi-family housing.
A NEIGHBORHOOD STORY

"Why Rent When You Can Own?"
Neighborhood Housing Services of Des Moines and Local Lenders Transform Renters Into Landlords

(Sally Skoff, Community Affairs Specialist with the Federal Reserve Bank of Chicago, recently visited with the Des Moines, Iowa NHS and toured the city's Drake neighborhood located adjacent to Drake University. In the following article, Sally reports on the Drake Area Guaranteed Loan Program.)

The story of the Drake Area Guaranteed Loan Program began in 1985 when officials of Drake University, the Drake Neighborhood Association, and Neighborhood Housing Services (NHS) of Des Moines all began expressing serious concern about the high level of absentee ownership and corresponding lack of maintenance, rehab and proper management of the area's multi-family buildings. These multi-family buildings were originally built as large single-family homes between 1906-26, and were subdivided into apartments during the housing shortages following the two world wars.

The university, the neighborhood groups and NHS each had focused on specific problems with these buildings. The university was concerned that the "run-down" appearance of the area would affect enrollment of new students who would live in or near the neighborhood in student housing. The neighborhood association, composed of renters and property owners in the neighborhood, knew that continued absentee-ownership and management of the predominately rental properties in the area would continue to feed the cycle of neighborhood deterioration. The neighborhood association also wanted to investigate whether renter households would be eligible for financing to purchase the buildings in which they lived. They hoped this would solve not only the "absentee landlord" problem, but also the problem of escalating rents. They reasoned it was possible that the out-of-pocket mortgage payment on a "three-plex" would cost less than the monthly rent. NHS, which had targeted the most deteriorated section of the Drake neighborhood in 1982, realized by 1985 that resident involvement and property ownership would be critical to any neighborhood improvement efforts.

The result of the input from the three groups is the Drake Area Guaranteed Loan Program. The program plan includes the key features which all knew were needed, to enhance the chances for program success. The planning group first identified that low downpayments were necessary, as was avoiding private mortgage insurance (PMI). Eligible buyers would be credit-worthy borrowers who were currently renters in the target Drake neighborhood, and a 5% downpayment would be required (the group felt that this would be affordable to potential buyers and also provide the "cash commitment" to ensure their personal commitment). Since it was expected that low- and moderate-income buyers would not be able to make downpayments greater than 5% of the purchase price, it was clear

Building owner Bob Shriver points out "hidden treasures" uncovered during the rehab of his apartment building—(top) leaded glass windows found when tearing out an old wall, and (R) sliding wooden doors revealed after stripping the dining room woodwork.
that some form of guaranty or insurance would be necessary to cover the lenders' exposure for another 15% of purchase price. PMI companies were not seen as a solution, as the cost of PMI would make the mortgage payments unaffordable to the targeted buyers, and also because all the parties involved felt that the target properties would not be able to meet the PMI companies' property underwriting standards. The only logical solution seemed to be that the program become self-insured, with a significant amount of grant or other charitable monies obtained and set aside for that purpose. The second funding-related issue involved identifying local lenders who would be willing to "wrap" the rehab and mortgage loans into first mortgages to ensure that needed rehab would be completed. The third key program component required involving a local nonprofit group to handle construction escrow monitoring, loan servicing, and collections—all labor-intensive activities which would adversely affect the lenders' profit margins should they have to perform these services themselves.

At this point all members of the planning group lent their expertise to locate the funding and loan servicing resources that were needed to make the program a reality. Drake University researched foundations and grant money sources, identified the Northwest Area Foundation as a likely donor, and wrote a proposal for a $300,000 grant to be used as a guaranty fund. To provide support for the grant proposal, Des Moines NHS contacted and obtained written commitments from ten local financial institutions (this "core" lender group would soon be expanded to twelve) for statements of support and participation if the grant were approved. The grant was approved, the lenders were in place, and the planning group agreed that the NHS Loan Committee had developed, over its twelve year history of reviewing, approving and managing some less ambitious loan programs, sufficient expertise to tackle the construction escrow, servicing, and collections responsibilities of the new program. With the three key players in place, the program was ready to go.

Exactly what does the Drake Area Guaranteed Loan Program look like? It is a $1.5 million loan pool, with each of the twelve lenders contributing 1/12th of the pool ($125,000). The pool is self-insured with a $300,000 grant from the Northwest Area Foundation of Saint Paul, Minnesota, which has been invested in 10 certificates of deposit of $30,000, distributed equally among the ten original participating lenders. Each lender owns an equal "participation" in each loan and is guaranteed a return of 8% on the loan pool investment. Loans are offered to local low- and moderate-income renters for the purpose of purchasing and rehabbing a multi-family building in the targeted, 250-structure area which was viewed as the most (continued on page 7)
THE BOOKSTORE

These materials can be useful additions to your CRA library. All are available free of charge by writing to the Federal Reserve Bank of Chicago, Consumer and Community Affairs Section, P.O. Box 834, Chicago, IL 60690-0834, (312) 322-5950.

■ NEW: CRA Policy Statement, 23 pages, published jointly by the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, the Office of the Comptroller of the Currency, and the Federal Home Loan Bank Board. Provides federally insured financial institutions and the public with guidance regarding the requirements of the CRA and the policies and procedures the agencies will apply during the application process.


■ CRA Performance Category Grid, published by the Federal Reserve Bank of Chicago. A chart explaining the composite rating system by which examiners score banks’ CRA programs in 5 performance categories.

■ Community Development Corporations and the Federal Reserve, 6 pages, published by the Board of Governors of the Federal Reserve System. An explanation of CDCs and how to apply to form a bank holding company CDC in your area.


Available from the following organizations:

■ Fannie Mae’s Low- and Moderate-Income Housing Initiatives, 49 pages, published by the Federal National Mortgage Association. Describes over 15 programs developed by FNMA and local banks around the country for affordable mortgages. For copies, write or call: FNMA, Midwestern Regional Office, One South Wacker Drive, Suite 3100, Chicago, IL 60606-4667, (312) 641-0740.

■ 1987 Community Lending Fact Book, 430 pages, published by the Woodstock Institute, a private non-profit organization involved in research relative to community reinvestment by financial institutions. Designed to be a tool to increase reinvestment in Chicago’s neighborhoods, the Fact Book contains data on the number and type of housing loans made by banks, savings and loan associations, and mortgage bankers within each of Chicago’s 77 community areas. Cost is $100 for for-profit lenders and other businesses. To order, write or call: Woodstock Institute, 53 W. Jackson Blvd., Suite 304, Chicago, IL 60604, (312) 427-8070.


■ NEW: CANDO’s Neighborhood Reinvestment Campaign: Case Studies in Success. Eight case studies from Chicago and across the nation show how to implement each of the seven points in the Neighborhood Reinvestment Campaign being launched by the Chicago Association of Neighborhood Development Organizations (CANDO). Included are case studies on corporate donors, recycling city-owned property, UDAG payback and CD “float,” pension fund-backed loan pools, tax increment financing, and use of targeted and general obligation bonds for small business financing. Available for a nominal fee, write or call Claudia Shane, CANDO, 222 W. Adams St.—Ste. 1398, Chicago, IL 60606, (312) 845-9646.

The following is reprinted with permission from CD Digest, 8555 16th Street, Silver Springs, MD, 20910, copyright 1988.

■ Rural Development Resources Guide. Contains descriptions of 146 programs and services offered by Illinois and federal agencies. Topics include: rural real (continued on next page)
dilapidated section of the Drake neighborhood. Loan interest rates
in general, depending on the buyer’s income and the extent of rehab
needed by the subject property, from 5-10%; as a result, the ac-
tual yield of the loan portfolio is around 9%. Additional funds
earned by the pool over the 8% committed to the lenders goes
into the insurance escrow fund to further securitize the pool. Each
borrower must be able to produce 5% of the purchase price as a
cash downpayment; other closing costs, aside from a $35 applica-
tion fee, are rolled into the pur-
chase/rehab mortgage. Since the
program’s inception in January,
1988, the program has made 19
mortgages to owner-occupants
and reduced absentee
landlordship in the area by 10%. There have been no defaults or
“past dues” exceeding 60 days;
-LS mortgage counselors are
working with a number of bor-
rowers whose payments are reli-
able but irregular to develop a
more steady payment stream
back into the mortgage pool. In

Loree Raker, VP, Hawkeye Bank
& Trust of Des Moines, discusses
recent developments in the target
Drake neighborhood with Jan
Henderson, VP, Valley National
Bank, Des Moines.

case of default or foreclosure,
NHS holds the first lien, writes the
mortgages with rent assignments
in place, and is prepared to han-
dle foreclosure proceedings, inter-
im building management, and
resale, thus relieving the par-
ticipating lenders of the prospect
of “OREO” (“other real estate
owned”) and attendant problems.
Has there been a positive spin-
off as a result of the program? It
appears so. The City of Des
Moines has made a number of in-
vestments in the area—new curbs along the main arterial
street of the target area, neighbor-
hood beautification grants, and
scheduled sidewalk repair and re-
placement in the portion of the
Drake neighborhood adjacent to
the target area. Private investors
have also noticed the positive
developments in the community—
the city just approved a “planned
unit development” zoning designa-
tion and tax abatement for a
privately-financed
motel/diner/apartment complex lo-
cated within the target area. Ac-
cording to staff of the Des Moines
NHS, the city, the private sector,
the nonprofit groups and the resi-
dents are the formula for turning a
neighborhood around. If the
Drake neighborhood experience
is any indication, PROFITWISE
thinks NHS is right!

Direct inquiries on the Drake
Area Guaranteed Loan Program to:

Delores Lientz, Executive Director
Neighborhood Housing Services
of Des Moines, Inc.
1153 24th Street
Des Moines, IA 50311
(515) 277-6647

Bookstore (continued from previous page)
estate, agriculture and agri-
business loan programs; resource
conservation; community develop-
ment; informational resources;
business and economic develop-
ment; and association resources.
Available from the Illinois Depart-
ment of Commerce and Com-
mmunity Affairs, (217) 785-6193.

Business Financing Programs.
The fourth update of this booklet
describes loan, grant and techni-
cal assistance programs for
ancing businesses in Illinois. It
includes program details on
eligibility, allowable use of funds
and typical loan structures. Avail-
able from the Illinois Department
of Commerce and Community Af-
fairs, (217) 785-6193.

Raising the Roof: A Sampler of
Community Partnerships for Affor-
dable Housing. This publication
describes successful housing
strategies tested in 33 com-
nunities across the country. Cost
is $10, plus $2.50 for handling. To
order, write United Way Sales
Service Dept., 701 N. Fairfax St.,
Alexandria, VA 22314-2045, or
call Cindy Cov, (703) 836-7100.
**IN THE NEWS**

**“VELDA SUE” JOINS THE FAMILY OF SECONDARY MARKET PROGRAMS.** You’ve heard of Fannie Mae, Ginnie Mae, Sallie Mae and Freddie Mac. Now meet Velda Sue, a new government-chartered secondary market corporation for small business loans proposed by Rep. LaFalce (D-N.Y.), Chairman of the House Small Business Committee. Fully titled the Venture Enhancement and Loan Development Administration for Smaller Undercapitalized Enterprises, Velda Sue would purchase loans made for small businesses with a net worth of $8 million or less and have annual, after-tax income of $2.5 million or less. Banks would have to be shareholders in Velda Sue before they could sell loans to it; Velda Sue would not begin buying loans until it sold $30 million in stock to participating lenders. After buying loans from banks, Velda Sue would package them as securities and sell them to large investors such as pension funds or insurance companies. Weldon Barton of the Independent Bankers Association of America says, “It (HR 3179) has a reasonably good chance of getting through (Congress) this session. You’re really not dropping a new concept on Congress.” (CD Digest, 8/22/89)

**WISCONSIN BANK IS ONE OF SEVENTEEN SELECTED FOR NATIONWIDE CDC PROGRAM.** First National Bank, Hartford, WI is the first of seventeen banks nationwide to form a CDC in conjunction with the federal Economic Development Corporation’s Bank Community Development Corporation Outreach Program. First National’s for-profit CDC will help fund a small business “incubator” building [Ed. note: an “incubator” building is a manufacturing building which has been subdivided into smaller spaces for new or fledgling manufacturing businesses; the management of incubator buildings frequently provide shared telephone, office, and other services to help the new manufacturers save money until they become more established] in Hartford, a community of 7,800 people near Milwaukee. Half of the participating CDCs will provide small business equity capital; the other half are financing downtown commercial projects or industrial space for new or expanding firms. For more information contact John Sower, Development Finance Corporation, 3050 K Street NW, Suite 330, Wash., D.C. 20007, (202) 342-2973. (CD Digest, 8/22/89)

**BANKS AND S&Ls CONTINUE TO SHUN MINORITY NEIGHBORHOODS.** A new report from the Center for Community Change presents data showing that banks and S&Ls lend much less home mortgage dollars in minority than non-minority neighborhoods, regardless of the income levels of the minority neighborhoods. The report is especially critical of S&Ls which, according to the study’s findings, lend even less to minority neighborhoods than do banks, despite the fact that S&Ls hold the advantage over banks in terms of access to special cash advances from Federal Home Loan Banks for the purpose of making home mortgages. For more information on the report, contact CCC, 1000 Washington Ave. NW, Wash., D.C., 20007 (202) 342-0519. (CD Digest, 8/22/89)

**NYC WILL WITHDRAW DEPOSITS IF BANKS CLOSE IN POOR NEIGHBORHOODS.** “Financial clout” will be used to encourage banks to maintain branches and make investments in New York’s low-income neighborhoods, Mayor Koch says. “The city has $250 million in more than 30 New York banks,” says Koch. “We will withdraw our money from any bank that closes a disproportionately high number of branches in poor areas, and award contracts to those that invest in those areas. In other words, we will be using our economic muscle to strengthen neighborhoods that need help the most.”

The policy is intended to prevent the future closing of banks in poor neighborhoods, says Anthony Shorris, New York City’s Finance Commissioner. He further states, “These areas have suffered from an inequitable distribution of banking services.” For example, in the High Bridge section of the South Bronx, there are only two bank branches, or 1.7 per 100,000 of population, while the Riverdale section of the Bronx had nine branches, or 9.5 per 100,000. “Since 1985, banks have closed 55 branches in the city, and have opened very few new branches,” Shorris relates. There has been only one new opening in the Bronx, and only four in Brooklyn.

Under the city’s new policy if more than 75% of the branches a bank closes in any year are in low-income areas, the city will withdraw its funds from that bank. If more than 25% of a bank’s branch closings are in low-income areas, the city will review whether to withdraw its funds. New York will encourage banks to open at least 25% of their new branches in poor neighborhoods under the
new policy. In awarding banking contracts, city agencies will be required to consider a bank’s efforts to maintain branches and increase investments in low-income areas.

The city’s effort drew criticism from State Senator Leichter, a Manhattan Democrat on the Senate’s banking committee, who described it as “too little and too late. Most banks are opening new branches designed to serve only the affluent.” Leichter had issued a report last January indicating that most N.Y. neighborhoods have virtually no commercial bank branches left.

Bank officials had no comment. (Reprinted in its entirety from CD Digest, 8/22/89)

IRB AND LOW INCOME HOUSING TAX CREDIT RESCUE UNDERWAY. Before Congress recessed last week, the Ways & Means Committee tentatively approved 2-year extensions of expiring provisions which, among others, grant tax-exempt status to small-issue manufacturing bonds and tax credits for low-income housing. This is good news to lenders who purchase tax-exempt industrial revenue bonds that qualify under the “small issue” provisions, purchase mortgage revenue bonds for below-market rate mortgages for first-time homebuyers, or make debt or equity investments in low-income housing tax credit projects under their CRA programs. (CD Digest, 8/8/89)

S&L RESCUE LEGISLATION INCLUDES COMMUNITY DEVELOPMENT AND CRA INCENTIVES. Under the new Financial Institutions Reform, Recovery and Enforcement Act (FIRREA), “qualified thrift lenders” (QTLs) must hold 70% of portfolio assets in housing-related investments, with 55% in “core” housing assets (home mortgages, residential construction loans and mortgage-backed securities). Up to 2% may be in loans secured by real property in areas receiving concentrated assistance from community development block grant funds or other programs authorized under Title I of the Housing and Community Development Act. S&Ls that fail to qualify as QTLs cannot open new branches and also lose access to funds advanced by district Federal Home Loan Banks for lending. The bill also retains House provisions requiring disclosure of both bank and S&L ratings in complying with CRA, and earmarking increasing percentages of FHLBs’ earnings for loans to first-time buyers. (CD Digest, 8/8/89)

NINE DETROIT LENDERS TEAM WITH CITY. Nine Detroit lenders and city government contributed $4 million each to a loan pool administered through the new Detroit Neighborhood Reinvestment Corp. Single-family owner-occupants with annual incomes below $39,900 can borrow up to $40,000, at interest rates subsidized with city community development block grant funds. For more information, call Thomacina Brown, (313) 224-2565. (CD Digest, 7/25/89)

BALTIMORE LENDERS FUND BALTIMORE COMMUNITY DEVELOPMENT FINANCING CORP. Local lenders are contributing $27 million at below-market rates, with an additional $10 million coming from city government. The loan pool will fund four programs for acquisition and rehab of vacant housing, home mortgages for low income residents, special community development projects, and nonprofit groups’ development of multi-family and commercial properties. For more information, call Bill Toohey, (301) 396-4563. (CD Digest, 7/25/89)

(All of the above news items summarized and printed with permission from CD Digest, 8555 16th Street, Silver Springs, MD, 20910, copyright 1989.)

ILLINOIS LINKED DEPOSITS REHAB 1200 RENTAL UNITS. In June, Illinois State Treasurer Jerry Cosentino announced an $18 million “linked deposit” to four Chicago financial institutions—St. Paul Federal, Continental Bank, First National Bank and Seaway National Bank—to finance the rehab of 1200 units of low-to moderate-income rental housing. Under the Illinois’ “linked deposit” program, state funds can be deposited with Illinois financial institutions at favorable interest rates provided that the monies are then lent for pre-approved community development projects, such as low cost housing or to local manufacturers for job creation. For more information on Illinois’ linked deposit statute, call Dave Cleverdon, (312) 814-3571.

TWO MILWAUKEE LENDERS JOIN TO START CDC. In April the Federal Reserve Bank of Chicago approved the joint application by Merchants & Manufacturers Bancorporation (parent of Lincoln State Bank) and Lincoln Savings Bank (formerly Lincoln Savings and Loan), to establish a nonprofit CDC (community development corporation) to be called Lincoln Neighborhood (continued on page 11)
implementing regulations are unavoidable; the very nature of CRA deals with credit needs that vary from locale to locale and requires that lenders make “reasonable” and “best efforts” to assess and meet local credit needs. It is clear to everyone familiar with CRA—especially to lenders and regulators—that neither the law nor the regulation are “clear-cut.” However, in the world of CRA, sometimes being too “clear-cut” borders on advocating rigid or uncreative solutions to local credit needs, or even credit allocation, which is something the authors of the Act neither intended nor, I would venture to say, would find desirable.

Consumers, CRA, and the Policy Statement

The new CRA Policy Statement clarifies what is expected of all the parties—lender, holding company, regulator, and consumer—who have roles to play in the CRA compliance process. With over 10 years’ CRA experience, few should be surprised that I include consumers as one of the parties involved with lenders’ CRA compliance programs. There are discussions of the role of consumers and community organizations throughout the text of the Policy Statement, including: “...Ongoing discussion between a financial institution and members of the institution’s community is the best way to determine a community’s needs... Where the record shows disparity in lending that does not appear to be attributable to safety and soundness considerations or to factors beyond an institution’s control, the reviewing Agency will inquire into the institution’s efforts to ascertain the community’s needs, to communicate with all areas of its community... Community organizations and other members of the public are strongly encouraged to bring comments regarding an institution’s CRA performance to the attention of the institution and the appropriate supervisory agency at the earliest possible time...[and] the Agencies expect that financial institutions will investigate promptly all complaints and place a high priority on correcting any deficiencies.”

For too long too many lenders waited for community groups to come to them, rather than assuming a proactive role and initiating contact with community representatives. The unfortunate result of this “open door” policy, by which lenders welcomed anyone who walked in the door, but neglected to go through the door themselves and bring consumers in, was that consumers indeed began coming through the door on their own, but with application protests in their hands.

What To Do

How do I recommend that lenders develop effective relationships with local consumers and community groups? First, lenders should approach outreach efforts with a positive attitude. Lenders are sometimes hesitant to initiate community contacts; however, it is important to realize that, in all probability, every lending institution will sooner or later become involved with community groups, whether due to a protest of an application, the urgings of the primary regulator, or through some local controversy. If a lender initiates these contacts early on, without first waiting for a “problem” to arise, members of the community will appreciate the fact that the lender did not wait for a problem before making the contact; and will be pleased that the lender is interested in their views about serving the local community with credit products.

Second, lenders should project to community representatives the philosophy that CRA is good business. However, lenders should keep in mind that many community groups already recognize that CRA is loan-oriented, and therefore expect that an effective CRA program will result in many good loans in the community that may otherwise have been overlooked.

And third, lenders should send out the message to local community organizations that they respect both the work the community groups are trying to do and the tremendous information resource which they represent to community lenders. Most community groups deal with crime, housing, city services, building court, social service agencies, and many other local issues on a daily basis. Lenders would be hard pressed to find as complete a source of information on their local communities as local community organizations—and all this information is free.

In conclusion, remember that CRA places a responsibility on lenders to assume a proactive posture in meeting their CRA responsibilities. I urge lenders to continue to keep their doors open, but also to remember to walk through those doors to reach out to this important resource for developing an effective CRA program.

Alicia Williams, Assistant Vice President, is the Community Affairs Officer for the Federal Reserve Bank of Chicago. Her “View” appears in each issue of Profitwise.
Charles Riesen­berg, AVP, First Bank Systems Community Development Corporation, tells how his CDC used the Low Income Housing Tax Credit to make a project work.

Debbie J. Johnson, Vice President, General Electric Mortgage Insurance Companies, offers a private mortgage insurer’s perspective on neighborhood lending.

Patricia Lefler, AVP, discusses Comerica Bank—Detroit’s partnership with Fannie Mae to produce mortgages for moderate-income homebuyers.

“FHA—The Answer to ‘Affordable PMI’?” is discussed by Ronald C. Weston, Dir., Office of Regional Housing, H.U.D.

**In the News**

(continued from page 9)

Redevelopment Corporation in Milwaukee, Wisconsin. The CDC had been in the planning stages for 2 years; plans are for the CDC to act as a catalyst for neighborhood redevelopment by renovating one business or home at a time and to generate similar efforts by surrounding property owners. For more information, contact Conrad C. Kaminski, (414) 671-6510.

- **COMERICA BANK—DETROIT CO-SPONSORS DETROIT SMALL BUSINESS DEVELOPMENT CENTER.** Entrepreneurs and business owners in Detroit and southeast Michigan can receive a variety of services from the Small Business Development Center, including confidential consultations with experienced professionals, publications, workshops, and assistance with marketing, developing business plans, financing, advertising, record keeping and accounting, and business problem solving. The center is a joint venture between Comerica Bank—Detroit and the Wayne State University School of Business Administration, under cooperative agreement with the U.S. Small Business Administration. For more information, call Laura Masetti, (313) 222-6104.

- **THE NORTHERN TRUST BANK/LAKE FOREST INTRODUCES FIRST TIME HOMEBUYERS CLUB.** Taking the “Christmas Club” concept one step further, a Chicago-area bank, The Northern Trust/Lake Forest, retained the Woodstock Insitute, a Chicago-based nonprofit concerned with community reinvestment issues, to design its First Time Homebuyers Club. A combination “club savings account” and preapproved mortgage commitment, the plan helps first time buyers of moderate cost housing in the upper-income Chicago suburb of Lake Forest to save for a downpayment, provides homeownership budget counseling, and pre-approves either an adjustable or fixed rate 30-year mortgage, waiving application fees and points. Due to the program’s success The Northern Trust Company, located in downtown Chicago, has recently implemented a similar program for its local community. For more information, call the Woodstock Institute, (312) 427-8070.
CRA CALENDAR

Contact: Terri Johnsen (816) 881-2849.

11/15 McAlester, OK:
11/16 Tahlequah, OK:
11/21 Woodward, OK:
"Expanding Private Sector Participation in Public Sector Programs". Sponsors: Federal Reserve Bank of Kansas City and the Oklahoma Department of Commerce.
Contact: Terri Johnsen (816) 881-2849.

11/15-16 Boston, MA: "Tax Credit for the 90s/Low-Income Housing and the S&L Legislation." Sponsor: IPED.
Contact: (202) 331-9230.

Contact: (202) 223-4735.

Contact: (202) 331-9230.

12/5 Oklahoma City, OK:
12/6 McAlester, OK:
12/7 Tahlequah, OK:
"Loan Officer Training Sessions". Sponsor: Federal Reserve Bank of Kansas City.
Contact: Terri Johnsen (816) 881-2849.

1/1/90 NEW HMDA REPORTING: Per CSC No. 89-128, the following revisions are have been proposed to carry out amendments to the Home Mortgage Disclosure Act (HMDA) that were approved by Congress earlier this year: expand HMDA coverage to include mortgage lenders NOT affiliated with depository institutions or holding companies; require disclosure of data on loan applications and their disposition; require disclosure of race, sex and income of borrowers and applicants; require disclosure of the class of purchaser of loans that are sold; and permit institutions to report the reasons for their loan decisions.

Institutions must collect the new data beginning 1/1/90; this data must be reported in early 1991. Reports for calendar year 1989, which are due on 3/31/90, are not affected by the revisions.