



Cleveland MCP Revisited!

BY REBECCA LITTMAN

In 1993, the Federal Reserve Bank of Cleveland joined with the Greater Cleveland Roundtable, the Cuyahoga County Department of Development, and the Ohio Civil Rights Commission in an effort to combat discriminatory practices in the home purchase process. The three-year effort, known as the Greater Cleveland Residential Housing and Mortgage Credit Project (Cleveland MCP), was designed to develop strategies to eradicate discriminatory practices through constructive problem solving.

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...any bias that interferes with the ability of individuals to pursue the American dream of home ownership cannot be tolerated.

Project participants included representatives from real estate firms, lending institutions, appraisal companies, credit bureaus, housing advocacy groups, property and mortgage insurance firms, and others involved in the home purchase process. These industry representatives organized into task groups which met regularly to discuss discrimination in each area of the home purchase process. They were guided by only two rules: “No finger pointing” and “no new laws.”

Through open discussion, the task groups generated nearly 30 recommendations and developed continuing education programs for appraisers, real estate agents, and lenders. In addition, the groups created four consumer education brochures and a reference directory for appraisers.

The Cleveland MCP, which formally concluded in April 1997, has received widespread recognition. In November 1997, the program was one of 14 projects designated as “Promising Practices” worthy of imitation by President

Clinton’s Initiative on Race. The MCP has been replicated by Federal Reserve Banks in Boston, New York, Chicago, St. Louis, San Francisco, and Cincinnati.

To determine the long-term value of the Cleveland MCP, earlier this year, the projects steering committee asked participants and others involved in the home purchase process to take part in a survey to gauge their perceptions of the program’s impact on the Greater Cleveland area.

The study indicated that the Cleveland MCPs accomplishments have endured. Six years after its inception, 97 percent of the participants interviewed still consider the program beneficial, and 81 percent reported that the program’s results had met or exceeded their initial expectations. Fifty-five percent reported having personally witnessed an improvement in their industry since the project concluded—

a significant statistic because it shows that not only did the Cleveland MCP influence participants’ attitudes toward discrimination, it also had a positive impact on the way participants and their institutions conduct business.

There were no significant differences between the views of former participants and non-participants about the causes of mortgage discrimination. Both groups pointed to a lack of education among consumers and industry professionals as the most common reason for discrimination. A high rate of job turnover among program

participants (revealed by the survey) may highlight a need for continuing education for industry professionals. As program participants leave the mortgage lending industry, they are often replaced by individuals who have not gone through the MCP program.

The steering committee is currently identifying its next steps. The study has revived interest in the MCP recommendations, and the committee has received several requests to revisit open issues.

The Greater Cleveland Residential Mortgage Credit Project shows what can be accomplished when people come together in good faith and engage in constructive problem solving. The goal is equal access to mortgage credit for all creditworthy individuals: any bias that interferes with the ability of individuals to pursue the American dream of home ownership cannot be tolerated. ■

Littman is a student at Cleveland State University and provided research assistance to Community Affairs on this project.



4TH DISTRICT

profil

Microenterprise is alive and well across

Many organizations offer programs specializing in microenterprise assistance, both as lenders and as technical assistance providers. As the industry has matured, programs have been created to focus on the diverse segments of the microenterprise population. For example, there are lending programs with loans as small as \$5,000 and others that offer loans up to \$25,000. Some programs offer only technical assistance, while others offer both loans and business assistance. Moreover, some programs target specific population groups, such as immigrants, women, or rural residents. This article will provide a brief overview of some of the microenterprise programs operating within the Fourth District.

The Stark County–Canton area in Ohio offers several complementary programs. One program, operated by Pyramid Career Services, extends microloans of up to \$7,500 for the purchase of equipment and other fixed assets, along with an eight-week technical assistance program designed to help participants prepare business plans. Pyramid works with a range of businesses, from manufacturers to artists, providing each client with personalized assistance. In addition, Pyramid offers clients options for ser-



employment, including job development and other employment services, further enhancing clients' ability to develop career paths. Pyramid has also developed plans for a microenterprise incubator, in which administrative support services and affordable business facilities will be made available for up to 10 microenterprises.

In addition to the Pyramid program, Stark County Regional Planning (SCRIP) offers a microloan program for businesses located outside Stark County's HUD-funded entitlement cities (Alliance, Canton, and Massillon). Entrepreneurs in those areas can borrow up to \$10,000 at prime rate. SCRIP's program requires business owners to have feasible business plans and to employ at least five persons, including the entrepreneur. SCRIP utilizes Pyramid's technical assistance program to provide its clients with the training needed to plan a business venture.

Findlay, Ohio, is home to Hancock, Harding, Wyandot and Putnam Community Action Agency (HHWP). HHWP provides a wide range of ser-

vices to its clients, including transportation, Head Start, and housing, along with a microenterprise program. HHWP participates in the Ohio Department of Development's microenterprise program. The program has been running for five years and offers loans of up to \$5,000 and an eight-week training course on business planning.

HHWP has blended the Individual Development Account (IDA) with its microenterprise program, allowing entrepreneurs to save for establishing a business. The IDA program provides aspiring entrepreneurs with a strategy to build equity for working capital when they are ready to start operating a business. The notion behind the IDA program is to provide education in budgeting and financial concepts to individuals who can then save a predetermined amount for purchasing a home, education, or business startup.

Washington, Pennsylvania, is home to the Washington County Council on Economic Development (WCCED), an SBA-approved microlender that has made nearly 100 loans totaling more than \$2.5 million since 1992. In addition to microloans, the agency makes gap loans for larger economic development projects. WCCED lends up to \$25,000 and does not require its microloans to be collateralized. Max Morgan, the agency's executive director, recognized the need for this program over five years ago based on the requests the agency was receiving for loan funds.

WCCED spends a great deal of time with its microentrepreneurs, providing

one-on-one technical assistance and mentoring. Morgan's biggest challenge in making microloans rests in the loan committee's ability to "read" a loan request—that is, to determine if a business plan is truly adequate and the prospective owner has the motivation to implement the plan.

Jewish Family Services (JFS) in Columbus has taken a different approach to microenterprise development. Due to increased immigration from Eastern Europe, JFS realized a need for training in American business skills and etiquette. According to Inna Kinney, immigrants settled in the Columbus area with the goal of becoming self-sufficient through entrepreneurship. But because of vast differences between their native culture and American culture, immigrants were not able to compete successfully in the small business arena. So, JFS developed a 12-week curriculum to teach people how to write a business plan. JFS did not develop a loan program because their targeted immigrant populations were able to obtain funding through friends and family members.

The JFS program has yielded a 60 percent business startup rate since its inception in November 1998. Four 12-week sessions have been conducted, spawning the creation of a dry cleaner, delivery service, day care, and party planner. In addition, JFS has begun to offer its program to TANF (Temporary Assistance for Needy Families) recipients, as microenterprise development is allowable under the welfare-to-work guidelines.



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the Fourth District!

These and many other programs represent the successes of the microenterprise field in the Fourth District. In spite of their successes, though, many issues remain challenging for these program operators. One of the biggest challenges is working with clients to repair damaged credit records.

Another challenge faced by each program is the continued ability to generate funds for operations and for loan pools to become self-sufficient. Because of the nature of microentrepreneurs, program operators tend to be nonprofit charitable organizations; therefore, minimal fees are generated for the services they render. For example, many programs lend funds below market interest rates, thereby making it difficult to earn income from an interest spread or to borrow from a bank for this purpose.

These challenges represent opportunities for banks and other organizations in the community. Banks and local foundations can assist microenterprise programs by providing operating support, donated office space, and below-market loans. Other opportunities can be found in networking between microentrepreneurs and bankers, taking the mystery out of dealing with banks.



IN MY

Opinio

Microenterprise is the answer...for some



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The mandate of recent welfare legislation to move recipients from welfare to work has motivated policy makers and analysts to consider the potential of self-employment, particularly for low-income women heads of household. Microenterprise programs, which provide aspiring entrepreneurs with credit and training, have received much attention in policy-making circles since 1992, when President Clinton pledged \$382 million to support microenterprise programs and community development banks. But before microenterprise can be offered as a solution for welfare recipients, it is important to understand what these programs can and cannot do.

Over the past seven years, I have interviewed many low-income microentrepreneurs and studied the microenterprise agencies that have worked with them. The news from the front is largely positive. I can certainly conclude from my work that microenterprise has a place among the spectrum of economic opportunities available to low-income individuals and households.

However, it is important to understand how microenterprise programs can enable low-income heads of households to become economically self-sufficient. Many low-income household heads pursue self-employment as a way to make ends meet; however, the

poor women who comprise the majority of this population often lack access to key self-employment resources such as credit and training—these are precisely the resources that microenterprise programs provide. While these kinds of programs intuitively make sense as a way to help low-income household heads cope with the changing contexts within which they must organize their lives, it is important to recognize that for most, income from self-employment only contributes to the family's income package; it does not support the family alone.

Those who do engage in self-employment tend to have solid support networks, prior experience in their line of business, and a strong desire to exit public assistance. In most cases, the income generated from self-employment has been a necessary, but not sufficient, ingredient for making the transition from public assistance. Those who choose not to pursue self-employment often lack these resources or have better options (such as another job or a spouse with income).

People become poor for a variety of reasons, and people pursue self-employment for an equally wide range of reasons. My research shows that a minority of participants in microenterprise programs are what I call "true entrepreneurs"—people who want to be self-employed no matter what.



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These are the people who always argue with their bosses, who think they've built a better mousetrap. The majority of participants pursue self-employment because they believe it is their best available option. Usually, they have either lost a job, had an unexpected life event such as the death of a spouse or chronic illness in the family, or they are simply very attached to the place they live despite its economic distress.

Running a small business is difficult for anyone, entailing a lot of long hours and devotion. Despite the positive outcomes that microenterprise training and ownership can bring, more often than not, welfare-to-work entrepreneurs continue to be what I call "income packagers"—individuals and families who piece together several different incomes to make ends meet. They may still receive food stamps, for instance, and will couple that with self-employment income, an evening job at the Quick Stop, and some babysitting to pay the bills. What is key to remember, however, is that those microenterprise earnings are an essential part of their income package. Therefore, it is important to support this strategy even if it does not lift most families out of poverty by itself.

My recent work also shows that participation in microenterprise programs is important even if a

participant does not go on to start a business. Those who choose not to pursue self-employment can obtain the skills and self-confidence to follow other paths, such as mainstream employment, to achieve self-sufficiency. Writing a business plan, for example, calls for research skills, writing skills, and the ability to work with numbers in order to forecast costs and sales.

The events discussed earlier—loss of job, abandonment by spouse—that can lead a person toward microenterprise programs can also lead them to be discouraged or to drop out of the economy. Many participants described the classroom sessions as weekly boosts. Whether they ultimately started businesses or not, the classes helped them to believe in themselves and provided them with a forum to examine their options and to brainstorm with others in similar situations about what to do next.

Another benefit of the training for those who did not start businesses is economic literacy. Several participants noted that by going through the exercise of budgeting a business, they acquired the tools to help them do a better job of household budgeting, an especially important job for those living on limited incomes.

Although it is widely agreed that only a small portion of public-assistance recipients are good candidates for self-employment, the microenterprise development strategy must be preserved as an option for those it can help. We, as a society, tend to look for one or two big solutions to our persistent poverty problem; however, people enter into poverty for so many different reasons, and it is more realistic to me to look for and support a range of smaller solutions. Microenterprise development is one of these small but important solutions.

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of interest

Community Development Resources

www.chi.frb.org/cedric

Consumer and Economic Development Research and Information Center (CEDRIC). The principal mission of CEDRIC is to foster research related to consumer and economic development issues. This site is a great place to begin a search on community and economic development events and data resources. Additionally, it is a repository for abstracts and full text of articles, reports, working papers, and other studies generated by Federal Reserve researchers and analysts as well as academicians, government agencies, and other nonprofit organizations. The Federal Reserve Bank of Chicago developed the CEDRIC site.

www.statelocal.gov

This Web site was developed to give state and local government officials and employees access to federal information in easy-to-understand language.

www.welfareinfo.org/individu.htm

Here you can find general information on Individual Development Accounts, a policy tool that enables low-income families to build assets and achieve economic well-being, and a listing of other resources for IDAs.

www.cfed.org

The Corporation for Enterprise Development's Web site lists a wide array of information on various community development topics.

www.liscnet.org and

www.ruralisc.org

Local Initiatives Support Corporation (LISC) and Rural Local Initiatives Support Corporation (Rural LISC).

www.handsnet.org

This Web site provides training resources for nonprofit organizations.

www.fms.treas.gov/eta

The Treasury Department's Web site contains information on the Electronic Transfer Account (ETA). This account is available to federal benefit recipients for electronic government transfers.

www.cedworks.com

Centre for Community Enterprise

www.cdfi.org

The Coalition of Community Development Financial Institutions

www.enterprisefoundation.org

The Enterprise Foundation is a national, nonprofit housing and community development organization.

www.federalreserve.gov/community.htm

Proceedings of the Federal Reserve System Conference, "Business Access to Capital and Credit," is now available online. Topics include the Community Reinvestment Act (CRA), data on small business lending, minority-owned business credit, microenterprise lending, credit scoring, and speeches by Federal Reserve Bank Chairman Alan Greenspan and Federal Reserve System Governor Edward Gramlich.

Consumer Resources

www.whitehouse.gov/WH/EOP/OMB/html/bulletins/metro.pdf

Metropolitan Statistical Area (MSA) Listing provides lists of MSAs, CMSAs, and multistate MSAs. No statistical data is supplied.

www.ffiec.gov/default.htm

Federal Financial Institutions Examination Council
This Web site is great for geocoding, CRA information and ratings, and Y2K issues.

www.bog.frb.fed.us/

Federal Reserve Bank Board of Governors (BOG)
Look under "Community Reinvestment" for ratings and selected performance evaluations.

www.occ.treas.gov/

Office of the Comptroller of the Currency (OCC)

www.ots.treas.gov/

Office of Thrift Supervision (OTS)

www.fdic.gov/

Federal Deposit Insurance Company (FDIC)

www.ftc.gov/

Federal Trade Commission (FTC)

www.hud.gov/

U.S. Department of Housing and Urban Development (HUD)

www.sba.gov/

U.S. Small Business Administration

www.census.gov/

U.S. Census Bureau

www.access.gpo.gov/su_docs/aces/aces140.html

National Archives and Records Administration database for the 1995, 1996, 1997, 1998, and 1999 **Federal Register**

www.etak.com/

ETAK, Inc. is a single source for positionally accurate street map data, software tools for mapping and geocoding, navigation technology, consumer productions, and real-time traffic information. May be used as a backup geocoding to Fastrax and the FFIEC's software.

www.odod.ohio.gov/osr/profiles/default.htm

Ohio County Profiles
Demographic information, including major employers (click on the particular county).

www.consumer.gov/

U.S. Consumer Gateway
Your link to consumer information such as home lending issues

www.pueblo.gsa.gov/crh/respref.htm

Consumer's Resource Handbook

www.compliancecdesk.com

www.bankinfo.com/Regs-aag/regglance.html

www.bankinfo.com/quicklinks.html
Compliance Issues, Regulation Reference and Regulatory Issues

www.cramarketplace.com

Community Reinvestment Act and Fair Lending News Service

events

SEPTEMBER

- 17 Dayton Regional Neighborhood Network Conference**
 Topic "Creating Reinvestment Alliances with Banks"
 Speaker Karen Mocker, Senior Advisor, Community Affairs
 Federal Reserve Bank of Cleveland – Cincinnati office
 Location Crowne Plaza, Dayton, Ohio
 Time 10:30 a.m.
- 23 Economic Development Financing Conference**
 Co-sponsors Ohio Department of Development
 U.S. Small Business Administration
 Columbus Countywide Development Corporation
 Location Fawcett Center, Columbus, Ohio
- 24 Conference on Small Business**
 Sponsor Office of Congresswoman Stephanie Tubbs Jones
 Panel Speaker Ruth Clevenger, Community Affairs Officer
 Federal Reserve Bank of Cleveland
 Topic "How to Work with Your Banker"
 Location Cleveland State University Convocation Center
 Cleveland, Ohio
 Time 9:30 a.m.
 Luncheon
 Speaker The Honorable Governor Edward M. Gramlich,
 Board of Governors of the Federal Reserve System
 Contact Richard Bolden
 (202) 225-7032
- 24 Making Cities Work**
 Co-sponsor Pittsburgh History and Landmarks Foundation
 Topic "Statewide Study on the Cost of Sprawl"
 Speakers Don Elliott and Michael Samuels
 Location Federal Reserve Bank of Cleveland – Pittsburgh office
 Time 11:45 a.m. – 1:30 p.m.
 Contact Althea Worthy
 (412) 261-7943
- 28 National Conference on Community Development Investments**
 Sponsors Federal Reserve Banks of Richmond, Chicago,
 Dallas, and San Francisco
 Location Federal Reserve Bank of Chicago
 Time 8:30 a.m. – 4:00 p.m.
 Contact Community Affairs Department of the Federal
 Reserve Bank of Chicago
 (312) 322-5322

OCTOBER

- 14 Making Cities Work**
 Co-sponsor Pittsburgh History and Landmarks Foundation
 Topic "What Makes Downtown Work"
 Speaker Stanton Eckstut
 Location Federal Reserve Bank of Cleveland – Pittsburgh office
 Time 11:45 a.m. – 1:30 p.m.
 Contact Althea Worthy
 (412) 261-7943

NOVEMBER

- 3 Fourth District Dialogues**
 Co-sponsor Buckeye Hills Regional Development
 Topic "Regional Development Planning"
 Location Marietta, Ohio
 Contact Karen Mocker
 (513) 455-4281
- 5 Making Cities Work**
 Co-sponsor Cleveland Restoration Society
 Topic "Preservation for Profit"
 Speaker Donovan D. Rypkema
 Location Federal Reserve Bank of Cleveland
 Luncheon 12:00 noon – 1:30 p.m.
 CDC Workshop 1:45 p.m. – 4:00 p.m.
 Contact Stacey Conner
 (216) 579-2146
- 18 & 19 Ohio CDC Association Annual Conference**
 Co-sponsor Federal Reserve Bank of Cleveland – Cincinnati office
 Topic "People Building Communities"
 Speakers Karen Mocker, Senior Advisor, Community Affairs
 "Advanced Revolving Loan Fund Management"
 Jacqueline King, Senior Advisor, Community Affairs
 "Creating Reinvestment Alliances"
 Location Westin Hotel, Cincinnati, Ohio
 Contact Ohio CDC Association
 (614) 461-6392

Checklist for Customers

2000

From the smallest to the largest, federally insured financial institutions have been working hard to make sure their computer systems will operate smoothly in the Year 2000 (Y2K). In addition, federal and state regulators are closely monitoring the progress of the institutions they supervise to make sure Y2K issues are being addressed. Despite the best efforts of the industry and the regulators, no one can guarantee that everything will work perfectly. That's why financial institution customers may want to consider taking steps in anticipation of the date change. You can refer to the following checklist to prepare yourself for Y2K.

Educate yourself about Y2K

Find out what your financial institution is doing to address consumer concerns. If you have questions, speak with a representative who knows about the institution's Y2K program.

Keep copies of financial records

As always, keep good records of your financial transactions, especially for the last few months of 1999 and until you get several statements in 2000.

Pay attention to your finances

As always, balance your checkbook regularly. When you receive a transaction receipt from your institution, check it for accuracy and save it to compare against your statement. It's also smart to review your credit report to make sure it doesn't contain inaccurate information.

Make prudent preparations

Remember all your payment options (checks, credit cards, debit cards, ATMs, and tellers) in the event that one doesn't work as planned. The Federal Reserve has plans to ensure that there will be sufficient cash available for consumers. If you withdraw money, make reasonable decisions based on solid information; don't put yourself at risk of being robbed or losing valuable interest payments.

Guard against Y2K scams

Be skeptical if someone asks for your account information or tries to sell you a product, service, or investment that's supposedly "Y2K safe." Protect your personal information, including your bank account, credit card, and Social Security numbers.

Review your deposit insurance coverage

The federal government's protection of insured deposits will not be affected by Y2K. If you have more than \$100,000 in an insured bank, thrift, or credit union, you may want to make sure you understand the insurance rules. Check with your financial institution or call the Federal Deposit Insurance Corporation at 800-934-FDIC (for banks and savings institutions) or the National Credit Union Administration at 703-518-6330 (for credit unions).

● Federal Deposit Insurance Corporation ● Board of Governors of the Federal Reserve System ● National Credit Union Administration ● Office of the Comptroller of the Currency ● Office of Thrift Supervision

The Y2K Checklist for Customers may be downloaded from the FDIC's Web site at www.fdic.gov/about/y2k/