

# Re *community* investment

COMMUNITY AFFAIRS DEPARTMENT

Summer 2000

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**Opportunities and  
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**A**h yes, the regulators. What would we do without them? Actually, we'd probably create them. And what would we do without the Community Affairs function of the banking regulators? Miss opportunities.

We realize that other answers *may* have come to mind in response to these questions—we've thought of a few ourselves. We also realize that the question about Community Affairs is likely to provoke a shrug of the shoulder from some. Who knows—and who cares? With this issue of *Community Reinvestment*, the challenge we have set for ourselves is to let you know—in an interesting way, of course—what we're about and what that has to do with anything you care about. We want you to know how we can offer resources and help open doors of opportunity.

No, money is *not* one of the resources we offer. Bank regulators work to ensure that depository institutions handle money safely and soundly, and that customers and potential customers have fair and impartial access to credit and capital. At the Fed, we also store and process money, and loan it to banks.

We don't offer cash grants, but we do offer something that may be more valuable in the long run—an array of products and services to help individuals, businesses, organizations and communities understand access to money and credit and how to use money and other resources for community and economic development.

We have experience with community economic development, banking and regulatory issues, and we can help bring partners together to solve problems in local communities. Our bottom-line interest is in supporting a free market system that contributes to a strong economy, and in ensuring that all people have access to that system.

### ***Why regulation?***

An argument can be made—and often is—for abolishing regulations and letting people fend for themselves. In fact, the marketplace itself is often viewed as the best judge of how things should be done and what goods and services should be produced. Invariably, however, people and institutions face obstacles in building or using a financial system that fits their needs. It can be difficult and expensive to find the information necessary to make the best decisions about borrowing money or investing capital, and key information may be confidential and not available to everyone. By gathering and analyzing data and making it available to

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***Regulators contribute to the creation of more efficient marketplaces.***

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the public in aggregate form, regulators contribute to the creation of more efficient marketplaces.

Perhaps even more important is the regulators' role in maintaining public confidence in our financial system. Left to themselves, individuals and institutions may not realize how their own actions can affect other market participants and, in turn, public confidence in the market. We've tried "letting the chips fall where they may," but we keep coming back to the conclusion that regulation and some intervention in the financial marketplace is

necessary—whether we like it or not.

After the banking panic and Great Depression of the 1930s, a federal safety net was put in place in an effort to prevent wholesale bank failures in the future. This safety net includes federal insurance on customer deposits through the Federal Deposit Insurance Corporation, and the availability to banks of immediate funds through the Federal Reserve's discount window.

Imposing regulations has never been an easy decision for Congress, but legislators have tried to find a balance between ensuring a stable monetary system and supporting a free enterprise system in which competition and entrepreneurship can thrive. Looking at the volatility of currency and monetary

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***A variety of approaches and perspectives leads to creative solutions to problems.***

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systems in developing nations around the world gives us a hint of the kinds of turmoil that led to the establishment of bank regulatory agencies and a central bank in the United States. In response to events such as the Great Depression, and to practices in earlier centuries such as "wildcat banking," when some banks established locations at remote points to discourage people from demanding gold or silver in exchange for their bank notes, a regulatory system has evolved in which controls are placed on the practices of financial institutions.

Depository institutions are required by law to be chartered to do business, and to meet agreed-upon standards for safety and soundness. They are required to comply with regulations designed to ensure protection of consumer interests and equitable access to credit. Banks can be chartered and supervised nationally by the Office of the Comptroller of the Currency (OCC). They can be chartered by states and be federally supervised by a Federal Reserve Bank, or by the Federal Deposit Insurance Corporation (FDIC) in addition to the state granting their charter. Thrift organizations are chartered and supervised by the Office of Thrift

Supervision (OTS) and by states.

Why have a whole collection of bank regulators? Every few years Congress discusses consolidating the regulators, but in the United States we've generally resisted centralized control for two reasons. First, we don't like the idea of too much power in one place, which is why it took us more than 100 years to establish a permanent central bank, and why our central bank has a dozen Reserve Banks across the country that are in some ways accountable to a Board of Governors in Washington, D.C., and in other ways are independent. Second, from a Federal Reserve perspective, we've seen that a variety of approaches and perspectives leads to creative solutions to problems, and that consumer choices lead to healthy competition. It works for business, and we believe it works for regulation too.

Yes, regulations create a burden as well as a benefit for those regulated. And yes, regulations of any kind always have unintended consequences. However, we believe the drawbacks are worth the security, stability and accessibility provided by regulations. And in Community Affairs, we rather like our position as the "carrot end of the stick." We enjoy finding ways to encourage the kinds of choices in local communities that lead to efficient markets and healthy local economies, which in turn become part of a healthy national economy.

Financial regulation may not be at the top of most people's lists of fascinating topics. However, trust and security and the ability to leverage resources through a sound, equitable financial system—which we can take for granted in the United States because of our regulatory system—establish the foundation that allows us to pursue the other interests we care most about.

### ***Why Community Affairs?***

So, you say, there may be an argument for regulation. But what does this "Community Affairs" function have to do with anything? It's a story that's intertwined with local community issues and efforts to address those issues.

Congress passed the Community Reinvestment Act (CRA) in 1977, in response to concerns that financial institutions were not making loans in low-income and minority neighborhoods. The law is short and simple. It says that depository institutions have an obligation to help meet the credit needs of

the communities in which they are chartered, consistent with safe and sound operations. The teeth in the CRA law is the ability of regulators to deny approval for expansions, mergers and acquisitions of financial institutions. Since most of these actions take place through bank holding companies, which are regulated by the Federal Reserve System, CRA enforcement responsibility falls primarily on the Federal Reserve.

In the first few years after CRA was passed, it came as no surprise that there were protests of bank expansions, mergers and acquisitions. Some of those protests were colorful—stories are still told

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***The Federal Reserve  
was looking for ways  
to bring bankers  
and community groups  
together to constructively  
address the issues.***

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about when protestors put fish in safe deposit boxes, strung red tape around a bank's entire block, or picketed a bank president's home. Colorful stories made interesting headlines, but the Federal Reserve was looking for ways to bring bankers and community groups together to constructively address the issues.

In 1979, the Federal Reserve Board of Governors established a Division of Consumer and Community Affairs, and asked each of the 12 Reserve Banks to appoint a Community Reinvestment Act Officer to serve as a contact for community groups and banks on reinvestment and development issues. In 1981, the Board of Governors asked Presidents of the Reserve Banks to designate a Community Affairs Officer, who would provide information to the public about the Community Reinvestment Act and the procedures of the Federal Reserve System regarding protests of applications to merge or acquire banks. These officers were also asked to provide information and to serve as a liaison with others in the community on matters related to civil rights and community reinvestment programs.

Then in 1984, the Federal Reserve System

issued guidelines to clarify these responsibilities, which included coordinating educational efforts in the area of community reinvestment, and providing information about the Community Reinvestment Act and about successful programs for community reinvestment, small business lending and economic development.

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***Community Affairs has evolved into a function with an inclusive focus on community and economic development.***

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Nowadays, banks and community organizations talk with one another regularly. Community organizations still sometimes protest bank mergers and acquisitions, and CRA is still an issue addressed by Community Affairs. However, the kind of mediation needed in earlier years is seldom required, and Community Affairs has evolved into a function with an inclusive focus on community and economic development. We know that access to credit is a critical element of a healthy, prosperous community, and we also know that it is only one of an interrelated set of resources essential to community economic development.

Community Affairs' central purpose is not the double negative of preventing banks from not serving some parts of their communities. It is to provide information, offer education, and encourage the partnerships that can result in banks having more profitable customers, citizens having more choices, and communities having jobs, housing and other necessities and amenities. It is to promote opportunities for access to credit and capital for people of all races, ethnic backgrounds, religions, income levels and genders. We encourage lenders to find ways to expand their customer bases. We help communities identify opportunities and resources for building strong, sustainable economies. And we promote ways for diverse people to participate in local, regional, national and global economies.

Yes, we're tooting our own horn here—and we

think that's okay if it leads to more people using more resources for more community economic development. In this issue of *Community Reinvestment*, we've described products and services of the Kansas City Fed, which are available in the seven states of the Tenth Federal Reserve District and beyond. We've also provided a sampling of the products, services and information available from other Reserve Banks and other bank regulators.

To help readers more quickly identify resources in areas of interest, we've divided the resources listed into categories. However, the boundaries between categories are open, and the programs and materials listed in those categories are only a sample of what's available. The issues and options overlap in all directions, and understanding that is one of the secrets of successful community economic development. These categories, and these resources listed here, are simply a place to begin.

Unless a cost is indicated, publications and materials are available at no charge. If you don't see what you're looking for, please contact us or the Community Affairs staff at any of the bank regulators. We're here as a resource for you, to help open doors of opportunity. ■

***Someone said...***

*"It should never be lost to sight that the Reserve Banks are invested with much of the quality of a public trust. They were created because of the existence of certain common needs and interests, and they should be administered for the common welfare—for the good of all."*

—Annual Report of the  
Federal Reserve Board, 1914

## Community Economic Development Issues and Options

### Community Planning Resources

*What might a community want and need—and need to know? Given that we're all likely to end up somewhere in the direction we're headed, how do we choose that direction?*

#### **Community Planning Workshops —**

This Community Planning Workshop developed by the Federal Reserve Bank of Kansas City guides participants through exploration of key development questions that every community has to answer for itself. The workshop can help define and clarify who needs to be involved in taking what kinds of actions. (816) 881-2687 or <http://www.kc.frb.org/comaffrs/>.

#### **Faith-Based Community Development —**

The increasing role of faith-based organizations in community development and examples of initiatives are described in *Marketwise*, a community development magazine published by the Federal Reserve Bank of Richmond. 1999, Issue Three. (804) 697-8447 or <http://www.Rich.FRB.org/comaffairs/crapubs.html>.

#### **Redevelopment of an Inner-City Brownfield —**

Business owners, the city and financial institutions came together in Dallas, Texas, to develop a site that had been contaminated by industrial waste. In the Federal Reserve Bank of Dallas publication *Banking & Community Perspectives*, First Quarter 2000. (214) 922-5377 or [http://www.dallasfed.org/htm/pubs/perspect/00\\_q\\_1.html#Anchor-11169](http://www.dallasfed.org/htm/pubs/perspect/00_q_1.html#Anchor-11169).

#### **A Community Development Feast —**

Description of the strategies used in Tupelo, Mississippi, that have led to successful revitalization in a small town without a lot of evident resources, in the Winter 1999 *Bridges* publication of the Federal

Reserve Bank of St. Louis. (314) 444-8317 or <http://www.stls.frb.org/publications/br/1999/d/br1999d3.html>.

### Affordable Housing Resources

*How can affordable housing be developed and maintained? What should be the mix of rental and owner-occupied housing?*

#### **Breaking Ground:**

#### **A Beginner's Guide for Nonprofit Developers —**

A booklet that guides nonprofit organizations through the intricacies of affordable housing development, from the Federal Reserve Bank of Dallas. (214) 922-5377 or <http://www.dallasfed.org/htm/pubs/pdfs/ca/breaking.pdf>.

#### **Doing the Undoable Deal in Housing —**

A workshop from the Federal Reserve Bank of Kansas City that explores ways to finance housing development. (816) 881-2687 or <http://www.kc.frb.org/comaffrs/>.

#### **Looking for the Best Mortgage —**

How to shop for a mortgage, comparing costs and negotiating terms are included in this brochure. Available from the Federal Reserve Bank of St. Louis. (314) 444-8317 or [http://www.bog.frb.fed.us/pubs/mortgage/mortb\\_1.htm](http://www.bog.frb.fed.us/pubs/mortgage/mortb_1.htm).

#### **Ensuring Fairness in Mortgage Lending —**

Issues of predatory lending in home mortgage lending are explored in the Winter 2000 issue of *Profitwise*, published by the Federal Reserve Bank of Chicago. (312) 322-5366 or <http://www.frbchi.org/community/community.html>.

**Mortgage Credit Project —**

Community leaders with a stake in housing have worked together to find ways to streamline the mortgage credit process. This program, which was developed by the Federal Reserve Bank of Cleveland and has been adapted and replicated by others, is revisited in *Community Reinvestment Forum*, published by the Federal Reserve Bank of Cleveland. Volume One, Issue Two. (216) 579-2846 or <http://www.clev.frb.org/CommAffairs/crforum/vol1/vol1-i2.pdf>.

**National Housing Development Corporation —**

This new intermediary organization has been formed to improve the quality of life for lower income families through acquisition and preservation of affordable housing stock. An article describing the issues, the organization, and strategies is in *Community Reinvestment Forum*, from the Federal Reserve Bank of Cleveland, Spring 2000. (Also in spring issues of newsletters from the Federal Reserve Banks of Atlanta, Boston and San Francisco.) (216) 579-2846 or <http://www.clev.frb.org/CommAffairs/crforum/frmsp00/spring00.pdf>.

**Partners Software:****A Public/Private Partnership Model for Home Mortgage Lending —**

This free software was designed for community groups, financial institutions, and government agencies interested in leveraging funds to provide affordable housing loan programs. Also useful for consumers interested in determining how much home they can afford to buy. Developed by the Federal Reserve Bank of Atlanta. [http://www.frbatlanta.org/ban\\_fin/comm\\_affairs/part\\_soft/index.html](http://www.frbatlanta.org/ban_fin/comm_affairs/part_soft/index.html).

**Preserving Multifamily Rental Housing —**

Recommendations on how to preserve multifamily rental buildings are presented in a study by the Federal Reserve Banks of New York and Philadelphia. (212) 720-5215 or <http://www.phil.frb.org/cca/capubs/njrentalhousing.pdf>.


**Business Development Resources**

*What can be done to support entrepreneurship, support existing business and attract new business? Where are the resources that can help businesses succeed?*

**Business Access to Capital and Credit —**

Proceedings from a research conference sponsored by the Federal Reserve System, exploring CRA data on small business lending, access to credit for minority-owned businesses, small business lending relationships, microenterprise lending and credit scoring and securitization of small business loans. Available as a book from the Federal Reserve Bank of Kansas City. (816) 881-2687 or <http://www.bog.frb.fed.us/community.htm>.

**Community Development****Financial Institutions (CDFIs) —**

A report about the growing strength and effectiveness of CDFIs is in the Winter 1999 issue of *Cascade* from the Federal Reserve Bank of Philadelphia. (215) 574-3805 or <http://www.phil.frb.org/cca/capubs/cascade41.pdf>.

**The Credit Process:****A Guide for Small Business Owners —**

A guide for small business owners who are seeking outside financing for the first time, prepared by the Federal Reserve Bank of New York. (212) 720-6133 or <http://www.ny.frb.org/bankinfo/commune/>.

**Doing the Undoable Deal for Business —**

A development finance workshop that can help business owners and others find resources to fill the gap that makes an “undoable” deal work. Developed by the Federal Reserve Bank of Kansas City; also available from the Federal Reserve Bank of Richmond. (816) 881-2687 or <http://www.kc.frb.org/comaffrs/>.

### ***I Love Being Self-Employed: Three Stories of Microenterprise Partnerships —***

This video, which features interviews with three small business owners who discuss the challenges and rewards of starting a proprietorship, is designed to be an inspirational and instructional tool for encouraging microenterprise development. The package includes the video, an instructor's guide and participant guides for workshops for \$25. From the Federal Reserve Bank of Cleveland. (216) 579-2846 or [jacqueline.g.king@clev.frb.org](mailto:jacqueline.g.king@clev.frb.org).

### ***Small Business and Microenterprise Development —***

Information about small business and microenterprise lending initiatives across the country, with a directory of Federal Reserve resources, in the Spring/Summer 2000 issue of *Capital Connections*, the Community Affairs newsletter from the Federal Reserve Board in Washington, D.C. (202) 452-3378 or <http://www.bog.frb.fed.us/community.htm>.



## ***Rural Resources***

*Changes in demographics, technology and corporate agribusiness have changed the face of rural America. What does the future hold for rural communities?*

### ***Best Practices in Rural Development —***

Research by the U.S. Department of Agriculture on "Understanding Rural America," descriptions of best practices in rural economic and housing development from across the country, and a directory of professionals in rural development. Compiled by the Office of Thrift Supervision, <http://www.ots.treas.gov/rural-dev.html>.

### ***Beyond Agriculture:***

#### ***New Policies for Rural America —***

Proceedings from a conference in April 2000 exploring policy issues in rural America, sponsored

by the Federal Reserve Bank of Kansas City. Available fall 2000. (816) 881-2687 or <http://www.kc.frb.org/comaffrs/cainfo.htm>.

### ***Equity for Rural America:***

#### ***Community Development Venture Capital —***

How small businesses in isolated locations can get access to venture capital, what's needed to form a venture capital organization, and the role of community leaders and bankers and government officials in the success of community development venture capital funds and the businesses in which they invest. In the Federal Reserve Bank of Kansas City's *Community Reinvestment*, Fall 1999. (816) 881-2687 or <http://www.kc.frb.org/comaffrs/cainfo.htm>.

### ***Equity for Rural America:***

#### ***From Wall Street to Main Street —***

Proceedings of a 1999 conference at which equity capital market experts, financial market participants, and rural leaders assessed ways to improve rural equity capital markets. (816) 881-2687 or <http://www.kc.frb.org/BS&S/PUBLICAT/PDF/equity/equitymain.htm>.

### ***Financing Rural America —***

Economic experts, rural business and financial leaders, and public officials assessed trends in rural financial markets and considered options for improvements at a conference sponsored by the Federal Reserve Bank of Kansas City, with proceedings available. (816) 881-2687 or <http://www.kc.frb.org/publicat/fra/fra97sum.pdf>.

### ***Rural CDCs:***

#### ***Building the Capacity for Success —***

Components for success for rural community development corporations and examples of successful organizations are written about in this article, which also features resources for rural development. In *Community Dividend*, Issue 1 2000, from the Federal Reserve Bank of Minneapolis. (612) 204-5148 or [http://woodrow.mpls.frb.fed.us/pubs/cd/pdf/00\\_cdiv1.pdf](http://woodrow.mpls.frb.fed.us/pubs/cd/pdf/00_cdiv1.pdf).



## Indian Country Resources

Some issues and resources are unique to Indian country.

### **Financial Education —**

A description of programs for financial education, including programs in Indian country, are included in a personal finance article in *Community Dividend*, Issue 2 1999, from the Federal Reserve Bank of Minneapolis. (612) 204-5148 or <http://www.minneapolisfed.org/pubs/cd/9902/perfin.html>.

### **A Guide to Tribal Ownership of Banks —**

This guide is intended to assist federally recognized Indian tribes in exploring entry into the national banking system by establishing or acquiring control of a national bank. From the Office of the Comptroller of the Currency. <http://www.occ.treas.gov/corpbook/tribal/tribalp.pdf>.

### **Lending in Indian Country —**

A six-part video and accompanying materials about legal and cultural issues of lending in Indian country, produced by the Federal Reserve Bank of Minneapolis. Cost is \$135. (612) 204-5148 or <http://www.minneapolisfed.org/banking/develop/liic.html>.

### **The Political Economy of Indian Gaming —**

An exploration of how the tribal-state compacting process impacts the abilities of tribes to achieve their development objectives, and potential challenges for Indian gaming, in the Winter 2000 issue of *Communities and Banking* from the Federal Reserve Bank of Boston. (800) 409-1333 or <http://www.bos.frb.org/comaff/c&b.htm>.

### **Sovereign Lending:**

#### **Bringing Housing to Indian Country —**

Barriers to lending in Indian country and actions developed by task forces of tribal members, bankers and others are described in this article in the May

2000 issue of *Community Investments* from the Federal Reserve Bank of San Francisco. (415) 974-2978 or <http://www.frbsf.org/publications/index.html#candca>.

### **Sovereignty: The Strength of Nations—and of Business —**

An exploration of how Indian tribes and other communities can use sovereignty as a tool for economic development, from the Federal Reserve Bank of Kansas City. (816) 881-2687 or <http://www.kc.frb.org/publicat/commrein/U97toc.htm>.



## Banking and Regulatory Resources

Where does banking and bank regulation fit?

### **A Banker's Quick Reference Guide to CRA —**

A summary in table form of CRA requirements and regulations, developed by the Federal Reserve Bank of Dallas. (214) 922-5377 or <http://www.dallasfed.org/hm/pubs/pdfs/ca/quickref.pdf>.

### **Community Development Investments —**

This 35-page guide was developed by the Board of Governors of the Federal Reserve System for lenders and community leaders considering community development investment projects. Includes policies and guidelines and description of the approval process. Booklet available from the Federal Reserve Bank of Kansas City. (816) 881-2687 or [connie.p.hill@kc.frb.org](mailto:connie.p.hill@kc.frb.org).

### **Community Development Investments Directory —**

Profiles and contact information for community development corporations and investments by banks and bank holding companies. From the Federal



Reserve System in Washington, D.C., (202) 452-3378 or <http://www.federalreserve.gov/DCCA/Directory/>.

#### ***Community Reinvestment Act —***

This PowerPoint presentation developed by the Kansas City regional office of the Office of the Comptroller of the Currency provides an overview of CRA and a description of bank performance standards. Contact Annette LePique at (816) 556-1832 or [Annette.LePique@occ.treas.gov](mailto:Annette.LePique@occ.treas.gov).

#### ***Credit Scoring: Friend or Foe? —***

Advantages and disadvantages of credit scoring, fair lending issues and who's using credit scoring, in the Spring 1999 issue of *Cascade*, from the Federal Reserve Bank of Philadelphia. (215) 574-6458 or <http://www.phil.frb.org/cca/capubs/cascade39.pdf>.

#### ***Effective Strategies for Community Development Finance —***

This 98-page book highlights effective community development financing practices and illustrates effective partnerships that finance community development activities. Includes strategies to achieve community development finance objectives and strategies for single-family and multifamily mortgage lending, and small business lending. From the Office of the Comptroller of the Currency, (202) 874-4428 or <http://www.occ.treas.gov/cdd/resource.htm#CD>.

#### ***Predatory Lending —***

This article explores predatory lending issues and how the Mortgage Credit Access Partnership program in Chicago has worked to ensure fairness in mortgage lending. In the Winter 1999 issue of *Profitwise*, from the Federal Reserve Bank of Chicago. (312) 322-8232 or <http://www.frbchi.org/pubs-speech/publications/periodicals/profit/welcome.html>.

#### ***School-to-Work —***

A guide for bank involvement in school-to-work programs, with information about qualified investments, types of activities, and sample programs. From the Federal Reserve Bank of New York. (212) 720-8137 or <http://www.ny.frb.org/bankinfo/commune/fedschool.pdf>.

## ***Diversity Resources***

*How can cultural barriers be turned into opportunities? How do we find the opportunities in the challenges of today, and prepare for a future of ever-increasing diversity?*

#### ***Customers and Culture —***

This workshop by the Federal Reserve Bank of Kansas City explores how understanding of cultural issues can help banks and other businesses expand their customer base. (816) 881-2687 or <http://www.kc.frb.org/publicat/commrein/s98toc.htm>.

#### ***Creating Cultural Windows to Banking Opportunities —***

Results of a study in Los Angeles that identifies lessons learned and action steps for banks to consider in working with diverse communities. In the December 1999 issue of *Community Investments* from the Federal Reserve Bank of San Francisco. (415) 974-2978 or <http://www.frbsf.org/candca/conspubs/cra99-3/CINEWSDEC7.pdf>.

#### ***Credit in the 21<sup>st</sup> Century —***

How a small town has created opportunity from the diversity of population brought by a meatpacking plant, described in the Summer 1998 issue of *Community Reinvestment* from the Federal Reserve Bank of Kansas City. (816) 881-2687 or <http://www.kc.frb.org/publicat/commrein/s98toc.htm>.

***A Guide to Business Credit for Women, Minorities, and Small Businesses —***

A brochure that explains how to shop for and obtain credit, how to maintain a good credit rating, how to dispute unfair credit transactions, and how to resolve billing errors. From the Federal Reserve Board of Governors. <http://www.federalreserve.gov/pubs/buscredit/default3.htm>.



***Consumer Resources***

*What information and resources are available for consumers?*

***Access to Credit:***

***Women, Lenders and Small Business Loans —***

This guide for lenders and women owners of small businesses was written by the Federal Reserve Bank of Chicago to help ensure lending practices free of gender bias. Also available as a video. (312) 322-5366 or <http://www.frbchi.org/pubs-speech/publications/booklets/access/ACAUG96.PDF>.

***Check Cashers: Moving from the Fringes to the Financial Mainstream —***

A description of the check cashing industry and the relationship between banks and check cashing businesses. Published by the Federal Reserve Bank of Boston in *Communities and Banking*, Summer 1999. (617) 973-3989 or <http://www.bos.frb.org/comaff/pdf/summer99.pdf>.

***Electronic Funds Transfer —***

An article entitled “Sure Shot Programs for Banking Consumers” from the Federal Reserve Bank of Richmond describes changes, opportunities and challenges for consumers with programs such as electronic funds transfer, and discusses ways for individuals to protect themselves from predatory lenders. In *Marketwise*, 1999 Issue Three. (804) 697-8447 or <http://www.rich.frb.org/comaffairs/pdf/mwise1999-3.pdf>.

***Financial Literacy —***

The Federal Deposit Insurance Corporation is developing a financial literacy training series targeted to low-income inner-city residents, for initial use in St. Louis, Missouri. Topics include basic banking; credit cards and credit management; saving, spending and budgeting; installment loans; and home buying. Contact Kevin Shields at the Kansas City Regional Office, (816) 234-8000 or at [kshields@fdic.gov](mailto:kshields@fdic.gov).

***Identity Theft: Protect Yourself —***

This video provides consumers with information on how to protect vital financial information and what to do if you suspect your identity is being used by thieves. Released by the Federal Reserve Banks of Boston and San Francisco, \$7.50 each, checks or money orders payable to the Federal Reserve Bank of Boston. Order from the Federal Reserve Bank of Boston, Public & Community Affairs Department, Attention: Identity Fraud Video, PO Box 2076, Boston, MA 02106-2076.

***Individual Development Accounts —***

A 37-page book describing strategies for asset accumulation using Individual Development Accounts (IDAs). Includes benefits, rules, design issues and partnership opportunities. From the Office of Thrift Supervision, <http://www.ots.treas.gov/docs/48057.pdf>.

***Meeting Your Community's Credit Needs: Does Your Bank Measure Up? —***

Information for consumers about the Community Reinvestment Act, including an explanation of what CRA is, standards used to evaluate a bank's performance, and how to make comments about a bank's performance. From the Federal Reserve Bank of Atlanta. (404) 589-7342 or [http://www.frbatlanta.org/publica/brochure/cra\\_bro/doc.html](http://www.frbatlanta.org/publica/brochure/cra_bro/doc.html).

***Purchase Options for Consumers —***

This brochure describes the differences and the pros and cons of using cash, checks, credit cards, debit cards, personal computers and automated transactions. Developed by the Federal Reserve Bank of Chicago. (312) 322-8232.


***Resources for  
Sorting Resources***

*Sometimes the problem is too much information. How can we learn more about available resources—or sort through information to find what we really need?*

***1stSource —***

Using characteristics you select to screen federal programs and identify resources that may fit your needs, this interactive Internet program takes you to one-page summaries of programs. For those that look like a potential fit, it can then link you directly to the agency's program description. 1stSource currently has information about federal programs, and in the next year it will also be available for state and local programs. [www.1stsource.kc.frb.org](http://www.1stsource.kc.frb.org).

***Community Development  
Resource Guide —***

A directory of organizations and resources for affordable housing, small business, community and economic development, compiled in a 72-page booklet by the Office of the Comptroller of the Currency with assistance from KPMG Barefoot Marrinan. (202) 874-4428 or <http://www.occ.treas.gov/cdd/resource.htm#CD>.

***Consumer and Economic Development  
Research and Information Center (CEDRIC) —***

This site was established 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.

It includes a calendar of relevant events and features studies and articles from research on these topics, and other information and materials. CEDRIC is maintained by the Federal Reserve Bank of Chicago. <http://www.frbchi.org/cedric/cedric.html>.

***Community Reinvestment Guide  
to Useful Web Sites —***

A list of banking and regulatory agencies, federal agencies, financial intermediaries, affordable housing, micro credit, small business, fair lending and statistical sites. Contact regional Community Affairs staff at the Office of Thrift Supervision. (202) 906-6000 or <http://www.ots.treas.gov/community.html>.

***Someone said...***

*"The only thing worse than regulation is an unregulated monopoly."*

*Theodore Roosevelt, as quoted by John McCain  
in the New York Times, February 14, 2000*

## Community Affairs: Who Are These People?

**W**e come in all colors, shapes and sizes, and from backgrounds of community organizing, economic development, banking, regulatory enforcement and research. We find our work challenging, interesting, worthwhile and sometimes frustrating. We like working with diverse people, and we like seeing results emerge from the work of partnerships that we've helped create.

If you don't already know the Community Affairs staff for your organization or region, you can locate them through the resource listings in this issue of *Community Reinvestment*. We don't have space to tell you about all of us, but following are thumbnail sketches of just a few Community Affairs staff people.

### **Eloy Villafranca, Federal Deposit Insurance Corporation (FDIC)**

"Working in Community Affairs is exciting because we can actually see the results of what we do," said Eloy Villafranca, Community Affairs Officer for the FDIC Regional Office in Dallas. "My favorite part of the job is seeing a community development project move forward after we've helped bring the right people together to bridge a gap or fill a need. When we've made the connec-

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***"My favorite part of the job is seeing a community development project move forward after we've helped bring the right people together to bridge a gap or fill a need."***

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tions well, we can step back and watch a project take off without our further involvement."

Villafranca was a banker for 15 years, and began working in compliance at the FDIC in 1989. He became the Community Affairs Officer at the Dallas

office in 1991, when the program was formed.

"We have a strong focus on education," said Villafranca. "Right now, we're looking at what we can do to help consumers protect themselves against predatory lending. We're also working on helping people understand the changes in bank regulation resulting from the Gramm-Leach-Bliley Act passed by Congress last year. The FDIC has the largest number of small institutions to supervise, and we customize what we do to assist them in working with their communities.

"Another satisfying aspect of this work," Villafranca said, "is the willingness of Community Affairs people at the different regulatory agencies to work together. We look for ways to leverage our resources to make things happen. We don't say 'No.' We say 'How can we do this together?'"

### **Annette LePique, Office of the Comptroller of the Currency (OCC)**

Annette LePique studied social work when she first went to college. "I wanted to make people's lives better," she said, "but when I realized there was no wealth-building and no creation of equity in most social programs, I switched to community development work."

LePique, who is Community Reinvestment and Development Specialist for the Midwestern region of the OCC, was a home ownership consultant for the Neighborhood Reinvestment Corporation for three years, and then closed out loan transactions for the Resolution Trust Corporation for several years.

"It felt like a natural step to come to the OCC, after working for so many years with community groups," LePique said. "Sometimes I miss the individual projects, but I like working at a different policy level. As financial regulators, we're not so much doers as enablers—we help other people do what they want to do. I like having models for success that we can show people, and I like being able to help bankers make connections with community economic development. We help them find ways to work with all of their constituency and their depositors.

"If I could change something," said LePique, "we'd have more money, more staff and more time. Then I'd be able to work more on projects with banks and community groups in our district."

### **Aaron Satterthwaite, Office of Thrift Supervision (OTS)**

“Community Affairs is a rewarding field,” said Aaron Satterthwaite, Community Affairs Liaison at the OTS regional office in Dallas. “You don’t get immediate results, and that can be frustrating. But when things click, it’s really satisfying.”

Satterthwaite began working for the Federal Home Loan Bank Board in 1976, which was a predecessor of the Office of Thrift Supervision. He has been in Community Affairs since 1994. His favorite part of the job is encouraging individuals and groups to try nontraditional ways to accomplish their goals. “To create opportunities for both business and consumers, people sometimes need to move out of their comfort levels,” he said.

“What I would like to change,” said Satterthwaite, “is attitudes. Too often, there’s a negative image connected with ‘affordable housing’ or ‘CRA

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***“To create opportunities for both business and consumers, people sometimes need to move out of their comfort levels.”***

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lending.’ What we’re really talking about, though, is creating market niches that involve everybody.

“An emerging issue for OTS is subprime and predatory lending,” Satterthwaite said. “We’re involved in consumer education, helping people become more aware of how they can be taken advantage of by predatory lenders. We’re also holding small business lending seminars, and have ongoing activities in Indian country.”

### **Larry Meeker, Federal Reserve Bank of Kansas City**

“I like being involved in the positive side of the regulatory process,” said Larry Meeker, Vice President of Community and Consumer Affairs for the Federal Reserve Bank of Kansas City. “What we do supports both regulatory compliance and good business.

“The variety of what we do and the pace of change in the field of community economic development make this work exciting,” said Meeker. “Through both experience and research, our understanding of people and communities is growing by leaps and bounds. For example, right now we’re

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***“What we do supports both regulatory compliance and good business.”***

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sponsoring a series of rural conferences and roundtables that will result in better understanding of rural issues and of the options for addressing them.

“If we had no constraints,” Meeker said, “this wouldn’t be as much fun. I believe we think more creatively and do things better when we have constraints. However, if we had more resources, I would like to see us do more research. Sometimes we make assumptions without any real backing, and I’d like to challenge some of those assumptions. I always like lively discussion and creative conflict!

“In a capitalist society like ours—which I strongly support—we emphasize individualism,” said Meeker. “Individualism, however, does not negate the value of collective action. Communities thrive when they work together, and many community economic development projects, almost by definition, require partnerships of resource and public support. With our information, and because of our neutrality, we regulators can be catalysts for helping people in communities work together.

“I think Community Affairs is the best job in the regulatory business!” said Meeker. ■

## AfterWord

**W**hat is provided in this issue of *Community Reinvestment* is a sampling of the kinds of products and services available from Community Affairs at the different bank regulatory agencies. We've listed more resources from the Federal Reserve than from other agencies, partly because that's what we know most about. Also, the Fed has supported a Community Affairs function for more years than the other agencies, and the decentralized nature of the function has produced a wide variety of products and services.

All of the regulators participate in interagency projects, sponsoring workshops and conferences, developing materials, doing research, learning from one another, and looking for the best ways we can find to serve our constituencies. We sometimes focus on different priorities, and have different approaches to addressing the issues. And along with our cooperative efforts, we are also friendly competitors, sometimes vying for recognition for offering an outstanding product or service. Underlying that competition, however, is a solid, shared

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***We can help frame  
the issues ... we can share  
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local community.***

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commitment to helping banks understand how to expand their business to sometimes-nontraditional customers, helping customers understand how banking services can help them realize their goals, and encouraging sustainable community economic development.

Some of us work more on specific projects than others, and some of us are more "activist" than others. We can only speak for the Fed, but we think others would agree that while we may occasionally partner with specific organizations or become

involved in individual projects, one of our strengths is in our neutrality. We support both banks and community organizations, and encourage them to work with one another. We have an interest in developing businesses, affordable housing, infrastructure and amenities that create healthy local communities. However, that interest does not usually translate into our direct involvement or support for individual development projects.

In Community Affairs at the Kansas City Fed, we assume that people learn most easily when they are actively involved in making choices and dealing

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***One of our strengths  
is in our neutrality.***

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with the consequences of those choices. We believe laughter is one of the components of a good learning environment. We tend to create participatory learning environments, with our information being supplemented by the exchange of ideas and the exploration of alternatives.

Our knowledge and experience with community economic development, banking and small business contribute to that environment, but solutions to community economic development issues have to be chosen and implemented by people in a local community. We can help frame the issues with the questions we ask and the structure we create for a workshop or conference. We can share our knowledge about what has or hasn't worked well in other communities, but we cannot make decisions about what needs to be done in a local community.

We answer questions and provide information. We provide leadership by bringing potential partners together and initiating conversations about key issues. We ask questions that spur other questions and lead to decisions and action by people who have a clear understanding of their implications. We serve as a catalyst. Sometimes, we've been told, the people of Community Affairs provide inspiration.

In other words, we open doors to opportunity. ■

## Contact Information: Community Affairs Functions and Related Resources

**T**he boundaries of the geographic regions served by Community Affairs functions differ for each of the regulatory agencies. Rather than printing maps or trying to provide information about how to get in touch with specific agencies, we've provided information below about where to find more information at each of the regulatory agencies. We've also included information about how to contact the Federal Financial Institutions Examination Council, which has information about Home Mortgage Disclosure Act disclosures and Community Reinvestment Act ratings and other interagency information.

### ***Federal Deposit Insurance Corporation (FDIC) —***

The FDIC's mission is to maintain the stability of and public confidence in the nation's financial system. To achieve this goal, the FDIC has insured deposits and promoted safe and sound banking practices since 1933. It insures deposits up to \$100,000 in virtually all U.S. banks and savings associations. If an institution fails, it arranges a resolution that is the least costly to the insurance fund and, when possible, the least disruptive for customers. It promotes the safety and soundness of insured depository institutions and the U.S. financial system by identifying, monitoring and addressing risks to the deposit insurance fund. The FDIC also is the primary federal regulator of about 6,000 state-chartered "nonmember" banks (commercial and savings banks that are not members of the Federal Reserve System). <http://www.fdic.gov/consumers/community/index.html>.

### ***Federal Reserve System —***

The Federal Reserve, which is the central bank of the United States, was founded by Congress in 1913 to provide the nation with a safer, more flexible, and more stable monetary and financial system. Today the Federal Reserve's duties fall into four general areas: (1) conducting the nation's monetary policy; (2) supervising and regulating banking institutions and protecting the credit rights of consumers;

(3) maintaining the stability of the financial system; and (4) providing certain financial services to the U.S. government, the public, financial institutions, and foreign official institutions.

<http://www.federalreserve.gov/community.htm>.

### ***Office of the Comptroller of the Currency (OCC) —***

The OCC charters, regulates, and supervises all national banks. It also supervises the federal branches and agencies of foreign banks. Headquartered in Washington, D.C., the OCC has six district offices plus an office in London to supervise the international activities of national banks. The OCC was established in 1863 as a bureau of the U.S. Department of the Treasury. The OCC's objectives are to ensure the safety and soundness of the national banking system, to foster competition by allowing banks to offer new products and services, to improve the efficiency and effectiveness of OCC supervision, including reducing regulatory burden, and to ensure fair and equal access to financial services for all Americans. The OCC's operations are funded primarily by assessments on national banks. The OCC also receives revenue from its investment income, primarily from U.S. Treasury securities.

<http://www.occ.treas.gov/cdd/commfoc.htm>.

### ***Someone said...***

*"Where all think alike,  
no one thinks very much."*

*Walter Lippman*

**Office of Thrift Supervision (OTS) —**

The OTS is the primary regulator of all federal and many state-chartered thrift institutions, which include savings banks and savings and loan associations. The OTS was established as a bureau of the Department of the Treasury on in 1989. It has five regional offices located in Jersey City, Atlanta, Chicago, Dallas, and San Francisco. Its expenses are funded entirely through assessments and fees levied on the institutions it regulates.

<http://www.ots.treas.gov/community.html>.

**Federal Financial Institutions Examination Council (FFIEC) —**

This interagency body is empowered to prescribe uniform principles, standards, and report forms for the examination of financial institutions by the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, the National Credit Union Administration, the Office of the Comptroller of the Currency, and the Office of Thrift Supervision and to make recommendations to promote uniformity in the supervision of financial institutions. <http://www.ffiec.gov/>.

**Someone said...**

*“At the most fundamental level, the goal of the Federal Reserve Bank of Cleveland’s community affairs activities is the same as that of its monetary policy, payments system, and bank regulation activities: to help provide a fair and efficient market environment where people can prosper through their own efforts.”*

*Jerry L. Jordan,  
President and Chief Executive Officer  
of the Federal Reserve Bank of Cleveland*

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Larry G. Meeker, Vice President  
Consumer and Community Affairs

John A. Wood  
Assistant Vice President and  
Community Affairs Officer

Sharon M. Blevins  
Editor and  
Community Affairs Coordinator

Kenneth R. Spong, Banking Studies and Structure  
Consultation on Regulatory Issues

Beth S. Welsh, Graphic Design and Typesetting