

Frederick

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INTRODUCTORY REMARKS

COMMUNITY DEVELOPMENT SEMINAR

DENVER, COLORADO

FEBRUARY 17, 1988

Good morning and welcome. I am pleased you could join me for this seminar on "Community Development Corporations - Emerging Options for Community Change".

I would first like to recognize the two organizations that joined us in sponsoring this program: The Piton Foundation and The Denver Partnership. *Deana Boulter* The Piton Foundation has been instrumental in community change for over a decade. Its president, Sam Gary, has recognized the role that a private organization can play in community development and revitalization and has embraced the challenge to work for constructive change. The Piton Foundation has cooperated with the Ford Foundation and the Rockefeller Foundation, and has itself funded a variety of programs throughout the Denver metropolitan area and across the nation. It has proved to be an effective force for community change.

The Denver Partnership has also proved to be a catalyst for change in the Denver community. Organized to promote Downtown Denver, it also seeks to enrich civic life. It helps keep Downtown a vital retail, cultural and business center. My thanks to both organizations for joining us in sponsoring this program.

Many people are surprised to learn of the Federal Reserve's interest in community development. At first blush, community development may appear inconsistent with the Federal Reserve's roles as ^{Nations} ~~America's~~ central bank, as monetary policy maker and as banking regulator. Let me assure you it is not. As the nation's central bank, our principal concern is a strong and stable economy which fosters growth and prosperity in all sectors and regions of our nation. As an organization, we have Federal Reserve Banks in 12 separate regions of the country ^{and are able to} ~~so we can~~ monitor financial and economic developments first hand. We understand the importance of individuals and communities, cities, and regions in contributing to a strong national economy. Our interest in community development, however, reaches far beyond questions of economic policy. Our interest is also closely related to our regulatory responsibilities and to our concerns as a corporate citizen in this city and region. Let me speak briefly to these concerns in a bit more detail.

The Federal Reserve's regulatory responsibility for community reinvestment is tied to the Community Reinvestment Act which Congress passed in 1977. The Act requires us "to encourage financial institutions to help meet the credit needs of the local communities in which they are chartered consistent with the safe and sound operation of such institution(s)."

This Act and the subsequent regulations differ significantly from most other banking regulations. Most regulations define the "shall not", this particular one asks for the "shall". Other

regulation.

regulations require, for example, that banks shall not fail to disclose credit terms or extend more favorable loan terms to insiders. The Community Reinvestment Act, however, seeks a proactive role for both lenders and regulators. It calls for lenders to geographically define the communities they serve, to determine the credit needs within those communities and then to help meet those credit needs. Further, it requires regulators to "encourage" lenders to do so.

Community development corporations -- the focus of this seminar -- are but one vehicle that lenders can use to address their community's credit needs. These needs can be met through the traditional borrower-lender relationship, or through ownership. As is not the case for most commercial ventures, banks and bank holding companies can have an ownership position in community development corporations. We at the Federal Reserve approve such investments for bank holding companies, the Comptroller of the Currency does so for national banks and the Federal Home Loan Bank Board approves such investments for savings and loans.

As for our responsibilities as corporate citizens, we, like you, have an obligation to the communities where we live and work. Since the Federal Reserve is a quasi-public organization, we cannot participate in the community in the same ways and to the same degree as you. However, the Federal Reserve contributes both time and money to Neighborhood Housing Service (NHS) activities. Members of the Board of Governors as well as Reserve

Bank management and staff serve on NHS boards and act as advisors on NHS projects. Our employees contribute generously to other community efforts such as the United Way.

I am not here today to endorse any specific projects or activities. I am here to ask you to join me in learning more about community development corporations and the role they can play in community revitalization. I think you will find opportunities which can contribute both to your profits and to your community.

Thank you.