

Community Affairs Officer's note - Fall 1998

Community Affairs Officer's note - Fall 1998

October 1, 1998

AUTHOR



JoAnne Lewellen
Community Affairs Officer

Spanning more than 1,300 miles, the Ninth Federal Reserve District contains communities of all sizes that face a wide array of economic and community development challenges. From straw bale houses to small business incubators, many of these communities have developed successful strategies to address their needs. In *Community Dividend*, we share some of these success stories so you can benefit from the knowledge and diversity of experience in our district.

In this issue, we take a fresh look at housing issues that many of you struggle to address in your communities. Our [cover story on straw bale homes](#) describes how developers used alternative construction technologies to create affordable and energy-efficient housing. While straw bale houses are not the answer for every community, this story offers an interesting look at how developers, community partners, and banks worked together on an innovative project to create housing.

If affordable housing has recently emerged as a critical issue in your community, you may wonder why the solutions are so challenging and complex. Our story on why the [affordable housing](#) crunch persists in many communities should help you better understand some of the issues in your local housing market.

As a special feature, we highlight the recent trip of [Federal Reserve Governor Alice Rivlin](#) to the Twin Cities. Governor Rivlin had the opportunity to visit two south Minneapolis neighborhoods during her trip.

Community development is difficult, but we can all make it easier by sharing and learning from our struggles and successes. We hope that you learn something from this issue of *Community Dividend* that helps you to think in new ways about meeting the challenges in your community.

Straw bale construction provides affordable, efficient housing

Housing developers are experimenting with a variety of alternative building methods, including straw bale construction

October 1, 1998

AUTHORS



Nicole Bennett
Community Affairs Analyst



Stephanie Omersa
Community Affairs Analyst

You probably remember the popular children's story about the three little pigs who built a house made of straw. The fable tells us how the big bad wolf came along and huffed and puffed and blew the house down.

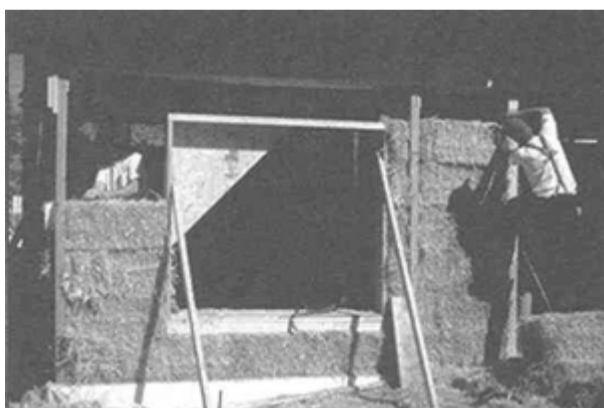
Thank goodness modern straw bale construction techniques have a leg up on whatever method the three little pigs used. Current straw bale construction technology provides quality housing that is not only safe from the big, bad wolf, but also affordable and energy-efficient.

Across the Ninth Federal Reserve District, the shortage of affordable housing is a critical barrier to economic and community development. From urban areas to rural communities, creating affordable and attractive housing is an ongoing challenge that usually requires significant public- or private-sector subsidies.

To reduce dependence on such subsidies and create livable, affordable and energy-efficient homes, developers are experimenting with a variety of alternative building methods, including straw bale construction.

This issue of *Community Dividend* profiles a project in Missoula, Mont., that used alternative construction technologies to build affordable housing. The project was the result of partnerships between not-for-profit developers, builders, banks, and community organizations.

This article discusses the partnerships that made this project possible, as well as the cost-saving construction and design techniques used. Since no project can succeed without funding, we also look at how the project was financed and review some of the valuable lessons learned by the developers.



In Missoula, Mont., the Northside Project used straw bale construction and other energy-efficient techniques to enhance the affordability of two new single family homes. (Photo courtesy of the Center for Resourceful Building Technology, Missoula, Mont.)

The Northside Project

The Northside Project in Missoula used straw bale construction and other energy-efficient techniques to enhance the affordability of two new single-family homes.

Women's Opportunity and Resource Development (WORD), a non-profit affordable housing and economic development organization that targets low-income, single-income, and female-headed households, was the primary developer and project manager for the homes. WORD sought to demonstrate that straw bale construction can provide attractive and affordable homes that use energy-efficient design and construction techniques, meet building code standards, fit into historic neighborhoods, encourage home ownership by low- and single-income families, and can be financed through conventional means.

Ren Essene, housing director at WORD, said she hopes that "...when developers and others see how reasonable straw bale building is, they will raise the standard for housing production, resulting in quality, comfortable, affordable homes with reduced toxicity and lower environmental costs."

The Center for Resourceful Building Technology (CRBT), located in Missoula, provided technical assistance for the Northside Project. CRBT's mission is "to serve as both catalyst and facilitator in encouraging building technologies that realize a sustainable and efficient use of resources."

CRBT staff consulted with WORD regarding energy-efficient materials and technologies that could be incorporated into the design and construction of the homes, and provided information about suppliers of alternative building materials.

The first-floor walls of these two-story houses contain a combined total of 509 straw bales as insulation between a post and beam frame. The bale walls were finished with low-maintenance cement and fiber-cement stucco panels. Traditional fiberglass batts insulate the wood framed second-story of each home, and blown-in fiberglass insulates the roof.

These homes have traditional designs befitting the historic Northside neighborhood. Each includes 1,170 square feet of space with two bedrooms, one and a half baths, laundry facilities, a kitchen with a work island, and a combined living and dining area. The designs include window seats and built-in bookshelves, custom features typically not cost-effective for an affordable housing project. Since straw bale design creates wide wall expanses and deep windowsills that lend themselves to these amenities, value is added at no additional cost.

Other features of the homes include low windows that provide lots of light and vaulted ceilings on the second floor. These homes were built with natural gas space heaters on the main floor capable of heating the entire home, even in a Montana winter.

Despite several unanticipated factors, final construction costs came in on budget at approximately \$63-65 per square foot. WORD and CRBT estimated that affordable houses in the Missoula market cost an average of \$70 or more per square foot. According to Tracy Mumma of CRBT, "The use of straw bale construction did not make the project affordable, but instead added value to the homes without adding cost."

Adding value while maintaining affordability

In Missoula, designers and builders strove to balance construction costs with the goal of building low-maintenance homes that provide long-term affordability.

The houses were built with shallow frost-protected foundations, rather than basements, to save excavation costs. This method is substantially less expensive than slab-on-grade construction and has proven effective in northern climates.

The energy-efficient design and construction of the houses will also contribute to their long-term affordability.

Exterior materials, such as vinyl window frames, cement stucco walls, and front porches built from a recycled plastic and sawdust composite contribute to low maintenance costs and long-term affordability.

Finally, the houses are located close to downtown business districts, accessible to public transportation, and within established neighborhoods that minimized the costs of infrastructure development and will keep living costs, including the cost of transportation, low for the homeowner.

Lessons learned

As is usually true of demonstration projects, the participants learned a number of valuable lessons.

WORD and CRBT would improve a few design elements to further enhance the affordability of future homes. These changes would include stacking the two bathrooms to decrease plumbing costs, using a lower-pitched roof to reduce costs for roofing materials and labor, and increasing the flexibility of the living space to meet the changing needs of a growing family.

Plenty of complications arise when using alternative building methods for the first time without adding too many untried, unique features that can add substantial expense and delay project completion. Instead of trying every new method on one project, the developer can always make improvements on subsequent projects but will not have that opportunity if all of the available money and

resources are exhausted on the first house.

Labor is another crucial issue.

The developers emphasized the value of dependable labor as one of the most important lessons learned during construction of these homes.

A more detailed discussion of labor and job-training issues impacting these projects can be found in the sidebar "[Labor lessons learned in straw bale projects.](#)"

Conclusion

The most noteworthy lesson illustrated by the project is that alternative construction methods can help reduce both construction and ongoing housing costs.

When asked if it was worth the extra effort to build the Northside homes using straw bale construction, Mumma of CRBT responded with a confident "yes." Mumma said the ongoing partnership between CRBT and WORD has led to other affordable construction projects in Missoula, not necessarily using straw bale construction but incorporating other affordable and energy-efficient aspects of the Northside Project.

Essene at WORD summed up the challenges that face affordable housing developers. "As non-profit developers, we need to think holistically about how to address all aspects of affordable housing construction," she said. "What kinds of sites are we selecting? What kind of labor are we using? What is the long-term affordability of the project? What is the long-term benefit to the community?" Through projects such as these, those questions are receiving thoughtful answers.

For more information

For more information on the two Missoula homes, please contact Ren Essene of WORD at (406) 543-3550 or Tracy Mumma of CRBT at (406) 549-7678 or access the CRBT website at www.crbt.org.

Explaining the shortage of affordable housing

Community Dividend explores why affordable housing shortages persist in so many communities.

October 1, 1998

AUTHOR



Stephanie Omersa
Community Affairs Analyst

"Our community cannot grow without more affordable housing, but inexpensive housing is almost impossible to build."

"Why do builders continue to construct expensive houses and ignore the needs of so many working families?"

"Some people commute 80 miles round trip to their jobs because they cannot find housing in our community."

"What strategies can our community use to get more people into affordable and decent housing?"

Sound familiar? Chances are, if you are a community development practitioner in the Ninth Federal Reserve District, you have heard or uttered comments and questions just like these about your community.

According to community leaders from across the district, the affordable housing crunch is particularly severe in communities that are experiencing job growth without a comparable increase in the supply of housing. We wanted to know why affordable housing shortages persist in many communities.

The purpose of this article is to explore the difference between "market demand for housing" and "housing need" and to try to explain why housing needs are not being met. The article offers an explanation of the effects of increased purchasing power and decreased input costs on the price and quantity of housing units.

While we cannot tell you specifically how to address the affordable housing shortage in your community, we hope to provide you with a better understanding of your local housing market.



While there appears to be a significant need for more affordable housing in many communities in the Ninth District, builders continue to prefer larger, more expensive homes. We wanted to know why.

Market demand versus housing need

The first step in understanding affordable housing issues in your community is to understand the difference between market demand for housing and housing need.

Each individual or household in a community selects housing based on a variety of factors, such as style, size, lifestyle choices and location. Price also plays a critical role in housing selection. Each household has budget constraints, which determine how much the household can afford to pay. Based on both individual preferences and budget constraints, each household has a demand for housing.

In a given community, the market demand for housing is the sum of each individual household's demand for housing.

The concept of housing need is different.

It is based on community or societal standards rather than on the level of demand in a competitive market. Standards used to measure housing need may vary slightly, but they generally include minimum guidelines for physical adequacy and affordability.

For example, a household with housing need may be defined as one spending more than 30 percent of its income on housing or living in an overcrowded or physically substandard unit. Comparing the number of households that do not meet these standards to the number of affordable and physically adequate units available provides a measure of a community's housing need.

A simple example should help to clarify the difference between these two concepts.

A family in Billings wants to purchase a three-bedroom house on the outskirts of town for no more than \$100,000. The family finds a house that has the amenities they want for \$90,000. In this case, the family's demand for housing is met and they have no housing need.

A couple in Sioux Falls wants a two-bedroom apartment close to downtown for \$500 per month. Unable to find anything less expensive, the couple settles on a unit with the amenities they want for \$600 per month. In this case, the couple demands an apartment with certain amenities at a price that is not available in the market. By paying more for housing than they can afford, they are classified as having housing need.

What does it mean when you hear your community needs 50 more units of affordable housing? Chances are, it means you have 50 households like the Sioux Falls couple that demand housing at a price not available in the market. These households generally choose one of three options:

- Share housing with other households (frequently resulting in overcrowding);
- Find low-amenity (often physically substandard) housing to fit their budget constraints; or
- Pay more for housing than they can afford. In each case, they are classified as having housing need.

Increasing purchasing power

It appears that an increasing number of households are demanding units at prices that are not available in the market. Why?

In many cases the answer is simple: budget constraints. While many potential buyers want to purchase new homes, their wages are often too low to afford even the lowest-cost housing. In other words, these households demand housing at a price that is not profitable for builders. Community development practitioners often refer to this as the "wage gap."

The wage gap can be addressed by increasing the purchasing power of individual households. Raising wages, providing monthly payment subsidies or implementing other strategies to increase the amount of individual household income available to pay housing costs will increase purchasing power.

Let's look at how to reduce the wage gap for the Sioux Falls couple. One spouse works full-time for \$10 per hour while the other attends college full-time. If the working spouse found a better job paying \$13 per hour, the couple could afford at least \$600 in rent. The change in the couple's budget constraint increases their demand for housing to a level that is supplied in the market. In this case, the couple's demand for housing is met and they no longer have housing need.

To raise the level of purchasing power in a community, localities can create higher-wage jobs through business expansion or attraction. Assuming that consumers' preferences are to increase spending on housing, increasing purchasing power raises the market demand for housing.

Market supply of housing

The next piece in the affordable housing puzzle is to understand what determines the market supply of housing units.

Developers and builders construct housing that allows them to maximize profits, given the costs associated with building, such as zoning regulations, labor, materials, and so on. Based on the price of land and other inputs, builders have a minimum cost for which a new house (or apartment) can be constructed.

While many builders will construct homes in a range of prices, most have a base price for their lowest-cost starter homes. Builders don't offer homes below this price because it isn't profitable. If builders in your community construct expensive houses, it is either because they do not understand the market (and will soon be out of business) or there is market demand in the community for high-cost, high-amenity housing.

Builders will construct lower-cost housing with fewer amenities if there is market demand and the projects are profitable. Consequently, blaming builders for constructing "high-end" housing is not a useful way to approach an affordable housing shortage. Instead, a better idea is to find ways to reduce the cost of housing and make this market attractive for builders.

Increasing the lower-cost housing supply

One way to increase the quantity of lower-cost housing is to decrease the cost of inputs for home construction.

A variety of factors, including zoning regulations and costs of land and materials, affect the final cost of a new home. Like any other product, changing the costs of the inputs affects the price of the final product.

Strategies to reduce the cost of new home construction include:

- Decreasing land, infrastructure costs;
- Building smaller homes;
- Reducing regulatory costs; and
- Using alternative construction methods and materials.

In a competitive market, reducing the costs associated with new-home construction, while maintaining profitability for the builder, results in an increased quantity of less-expensive homes.

As an example, let's assume that the Billings family would be happy with a smaller lot than is required by zoning regulations.

The developer can decrease the cost per house by \$10,000 by reducing lot sizes in the subdivision and building more houses. The family decides to invest the lot savings into a family room and still pays \$90,000 for the home. A family friend, who could only afford to pay \$80,000, can now afford a house in the subdivision, too.

The builder still makes a profit, but additional households can now enter the market.

Why do such shortages persist?

If increasing purchasing power and reducing construction costs will get more people into housing they can afford, why can't communities address their affordable housing shortages?

On the demand side, many strategies to increase purchasing power are unworkable or too expensive. Firms are unable to raise wages in a competitive market, and subsidies to homeowners require substantial, long-term resource commitments. On the supply side, communities may resist adopting regulatory changes that allow for alternative construction techniques and smaller lot sizes.

It's important to acknowledge that creating higher-wage jobs or reducing construction costs will still not allow all households to purchase housing that is both affordable and physically adequate.

Many workers cannot obtain higher-wage jobs, and strategies like reducing lot sizes can only result in a certain amount of cost savings. In some cases, public and private subsidies are needed to construct homes for households that demand housing at prices that are simply too low to be provided in a competitive market. While existing housing is sometimes more affordable, well-maintained and inexpensive houses are in short supply in many places.

If these towns continue to attract lower-wage jobs and workers, the supply of these houses will quickly be exhausted and housing need will continue to grow.

Alice Rivlin gets a first-hand look at two Twin Cities neighborhoods

Federal Reserve Governor Alice Rivlin visited two south Minneapolis communities on September 25.

October 1, 1998

AUTHOR



Margaret Tyndall

Community Affairs Manager

The attention of Federal Reserve governors is clearly focused on macroeconomic issues and monetary policy. However, by visiting the cities and rural areas of the country, governors gain a greater understanding of the economy in all its aspects and are better able to put their work in context.

Federal Reserve Governor Alice Rivlin visited two South Minneapolis communities on September 25.

Governor Rivlin was accompanied on the tour by Federal Reserve Bank of Minneapolis President Gary Stern, as well as members of the Federal Reserve Bank of Minneapolis Community Affairs staff.

The group first toured the Seward neighborhood. David Fey, executive director of Seward Redesign, a neighborhood nonprofit developer, led the tour.

Governor Rivlin visited housing, commercial and retail projects in the area, some of which have been completed for years and others still in development.

Throughout the tour, Fey discussed the collaborative process used by Seward Redesign and the necessity of building the capacity of neighborhood revitalization organizations.

He noted that Seward Redesign, which has been active in the area for almost 30 years, began with affordable housing development and did not tackle commercial and retail development until it had significant neighborhood-based development experience.

Next, Governor Rivlin visited another South Minneapolis neighborhood.

During this visit, which was organized by Southside Neighborhood Housing Services, she learned about the collaboration of local housing designers, builders, nonprofit organizations, corporations and financial institutions that resulted in affordable-housing efforts in the area.

This is the second time this year that we have had the opportunity to provide a Federal Reserve governor first-hand information about aspects of community development in the Ninth District. Governor Laurence Meyer toured two Minnesota Indian reservations last May. His visit was [profiled](#) in the last edition of *Community Dividend*.

We in Community Affairs are pleased to provide Federal Reserve governors the opportunity to see for themselves what is happening in the cities, towns and neighborhoods of the Ninth District.

We look forward to hosting more tours in the future.

Labor lessons learned in straw bale projects

Straw bale projects provide training and construction experience to local, unskilled workers interested in the construction trades.

October 1, 1998

Women's Opportunity and Resource Development (WORD) recognizes that building affordable, energy-efficient housing is only one component of creating strong communities.

To help create economic opportunities, the project provided training and construction experience to local, unskilled workers interested in the construction trades. The organization remains committed to offering these opportunities to unskilled and disadvantaged people, but has learned some valuable lessons about implementing a job-training program.

Ren Essene of WORD said the Missoula project experienced unanticipated costs resulting from work-readiness issues created by the use of unpaid, unskilled labor. After a two-week preparatory course offered by WORD, two women on public assistance joined the construction crew for hands-on training. Unfortunately, they were unable to finish their work on the construction project for personal reasons. WORD then had to pay the contractor to finish the job.

In the future, WORD would like to provide improved financial incentives and living wages for all on-site trainees to ensure ongoing participation.

WORD also emphasized the benefits of having a caseworker available to provide general employment and life management support to unskilled workers or those coming off public assistance. According to Essene, the availability of a caseworker is essential to the success of on-site training because it allows the contractor to focus exclusively on construction issues.

Partnerships are the key to obtaining financing for building projects

Straw bale construction projects in Minnesota and Montana obtained financing through partnerships with local banks and other community organizations.

October 1, 1998

Low-cost, alternative building methods contribute little to affordable housing if local financial institutions will not provide construction and long-term mortgage financing for the home.

Through partnerships with local banks and other community organizations, the Missoula Northside Project received construction financing and was able to offer mortgage financing to homebuyers at attractive rates.

Norwest Bank Montana provided both the construction and permanent financing for the homes through the Community Home Ownership Program (CHOP). WORD and CRBT worked closely with the lending officers at Norwest to answer questions about straw bale construction and to increase the comfort level of the bankers financing this innovative project.

"Norwest felt comfortable with the materials and the experience level of WORD and the builder based on past experience," said Richard Melone, vice president of Norwest.

Melone pointed out the contractor's extensive experience with straw bale construction, which was a factor in reinforcing Norwest Bank's confidence in the project.

Additional funding assistance was provided through the North Missoula Housing Partnership (NMHP) and the city of Missoula. NMHP is a coalition of local residents, community groups, neighborhood businesses and government officials. Coalition members contributed funds to a mortgage pool that offered purchasers of the straw bale homes down payment assistance and second mortgages at a below market interest rate.

A city/county program was used to buy down points to reduce the interest rate on the primary mortgage, making the monthly payments more affordable to the homebuyers. The straw bale homes, affordable to families at 60 percent of median income, were purchased at a price of \$86,500 and required a modest down payment of only \$2,800.

This purchase price does not include land. WORD maintained ownership of the land through a tax-exempt community land trust. (Please contact WORD if you'd like more information about the land trust.)

Unfortunately, WORD could not offer a first mortgage guaranteed by the Federal Housing Administration (FHA) because of the use of unconventional building materials. However, according to Tracy Mumma of CRBT, FHA is now working on developing standards to provide loans for houses built with straw bale construction.

Federal Reserve Bank of Minneapolis/**Community Affairs**

COMMUNITY DIVIDEND

Fall 1998

Resources

For free copies of recent issues of *Community Dividend*, community development articles or newsletters from other Federal Reserve Banks, contact Community Affairs at the Federal Reserve Bank of Minneapolis at (612) 204-5074.

Community Dividend

Summer 1998 features: U.S. banks offered historic opportunity in Indian Country; Tribal sovereign immunity: An obstacle for non-Indians doing business in Indian Country?; Model code addresses economic development in Indian Country; Federal Reserve Governor Meyer visits Ninth District Indian reservations.

Spring 1998 features: HUD 184 loan program helps Native Americans achieve homeownership; Implementing NAHASDA: How the rule was written; The role of banking debt in community development.

Fall/Winter 1997 features: Small town addresses big housing shortage; Assistant Secretary Retsinas' speech highlights housing conference; Bank CDCs: Building partnerships for community development.

Summer 1997 features: Recycling resources; Success of the Community Reinvestment Fund; Spotlight on Anoka/Sherburne County Capital Fund

Housing issues

State of the Nation's Housing 1998 is an annual report on housing market trends produced by the Joint Center for Housing Studies. For ordering information contact the Joint Center at (617) 495-7908 or you can download a free copy of the report at www.gsd.harvard.edu/jcenter/sonh1998.

Out on Bale (un)Ltd. is a general resource, education, and information center with written material and videos available on straw bale construction. Please call (520) 624-1673.

House of Straw: Straw Bale Construction Comes of Age, published by the U.S. Department of Energy, chronicles a straw bale construction demonstration project on the Navajo

Lists of CRA ratings and future CRA evaluations

Below are Internet addresses through which you can obtain CRA ratings and schedules for upcoming CRA evaluations.

Federal Reserve Board
<http://www.federalreserve.gov>

Federal Deposit Insurance Corporation

reservation. Construction techniques discussed in this publication focus on building resource-efficient and energy-conserving homes, without sacrificing affordability or quality. Call (800) 363-3732 for more information or visit the DOE website at www.eren.doe.gov/EE/strawhouse.

<http://www.fdic.gov>

**Office of the Comptroller
of the Currency**

<http://www.occ.treas.gov>

Picking Up the Pieces: A Guide to Restoring Rural Housing and Communities After a Disaster provides information on a variety of disaster recovery resources. For ordering information, contact the Housing Assistance Council at (202) 842-8600 or visit the HAC web site at www.ruralhome.org.

Office of Thrift Supervision

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

Community and economic development

The Community Reinvestment Act and Community Development Financial Institutions: Qualified Investments, Community Development Lending, and Lessons from the New CRA Performance Evaluation advises CDFIs on how they can use CRA to attract more resources from banks and thrifts, thereby building scale and increasing their impact in communities they serve. For ordering information, contact the Woodstock Institute at (312) 427-8070 or visit the web site at www.nonprofit.net/woodstock.

Helping People in Your Community Understand Basic Financial Services is a guide for community educators for use with a variety of audiences who currently do not have accounts with financial institutions or who need basic information about how to use accounts. To obtain copies, fax a request to U.S. Department of Treasury Financial Management Services Product Promotion Division at (202) 874-7321 or download a copy from the Treasury website at www.treas.gov.

To Their Credit: Women-Owned Businesses, a video developed by the Federal Reserve Banks of Chicago, Boston, and San Francisco, features successful women business owners describing their experiences in obtaining bank credit. You can order the video through FVS Media for a nominal fee by calling (800) 555-5471. A related publication, **Access to Credit: A Guide for Lenders and Women Owners of Small Businesses**, can be obtained by contacting the Federal Reserve Bank of Chicago's Public Affairs Office at (312) 322-5111.

Web Site

The 1998 Community Development Investments Directory:
www.federalreserve.gov/dcca/directory/

Housing-related resources

National Association of Housing and Redevelopment Officials is located on the Internet at www.nahro.org

Federal National Mortgage Association (Fannie Mae) at www.fanniemae.com

Federal Home Loan Mortgage Corporation (Freddie Mac) at www.freddiemac.com

Department of Housing and Urban Development at www.hud.gov

Program note

The Community Adjustment and Investment Program (CAIP), a partnership between the federal government and the North American Development Bank, helps communities that have suffered

significant job losses as a result of the North American Free Trade Agreement.

CAIP assists community economic adjustment by increasing the availability and flow of business credit. In communities that are eligible, borrowers meeting the CAIP criteria under the Small Business Administration's 7(a) loan guaranty program or the U.S. Department of Agriculture's Business and Industry loan guarantee program may be eligible for certain credit enhancements.

Areas eligible for the program in the ninth district include Gogebic, Houghton, and Ontonagon counties in Michigan, Rusk County in Wisconsin and part of Sawyer County in Wisconsin.

For more information on the program you can contact the NADBank at (562) 908-2100 or visit their website at www.nadbank-caip.org.

| [What's New](#) | [Search](#) | [Home](#) | [Resources for Financial Institutions](#) | [Publications](#) |
| [Community Affairs & Development](#) | [Community Dividend](#) |

How much do you know about the Minneapolis Fed?

A short quiz about the operations of the Federal Reserve Bank of Minneapolis.

October 1, 1998



The Federal Reserve Bank of Minneapolis

This quiz was created for the Bring a Child to Work Day sponsored by the Banking Supervision Department of the Federal Reserve Bank of Minneapolis. While these questions were designed for the kids, we thought our Community Dividend readers might enjoy learning a little more about the operations of the Reserve Bank.

1. How many employees work at the Federal Reserve Bank of Minneapolis?

- A. 150
- B. 480
- C. 1,200

2. Who is the President of the Federal Reserve Bank of Minneapolis?

- A. Alan Greenspan
- B. Gary Stern
- C. Bill Clinton

3. What year were the Federal Reserve System and its Banks established?

- A. 1895
- B. 1913
- C. 1976

4. How many Federal Reserve Bank districts are there in the United States?

- A. 4
- B. 12
- C. 50

5. Which district is represented by the Federal Reserve Bank of Minneapolis?

- A. 5th District
- B. 9th District
- C. 12th District

6. How many branches does the Federal Reserve Bank of Minneapolis have?

- A. 1
- B. 2
- C. 5

7. Where is the branch of the Federal Reserve Bank of Minneapolis located?

- A. Fargo, North Dakota
- B. Helena, Montana
- C. Duluth, Minnesota

8. How much did the new Federal Reserve Bank of Minneapolis building cost?

- A. \$50,000
- B. \$700,000
- C. \$100 million

9. How much currency (cash) does the Federal Reserve Bank of Minneapolis handle each day?

- A. \$850,000
- B. \$47.5 million
- C. \$6.2 trillion

10. How many checks does the Bank process each day?

- A. 45,000
- B. 300,000
- C. 2.8 million

11. How much unfit (old or worn) currency or cash does the Bank destroy each day?

- A. \$450,000
- B. \$2.8 million
- C. \$5.4 million

FedQuiz Answer Key

- 1. C) 1,200
- 2. B) Gary Stern
- 3. B) 1913
- 4. B) 12
- 5. B) 9th District
- 6. A) 1
- 7. B) Helena, Montana
- 8. C) \$100 million
- 9. B) \$47.5 million
- 10. C) 2.8 million
- 11. C) \$5.4 million