

Cascade

A newsletter from the Philadelphia Federal Reserve Bank about consumer credit and community reinvestment

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The Main Street Approach: A Tale of Three Towns

A grist mill originally built in 1725 is rehabilitated into luxury apartments and offices. A foundry is renovated and converted into townhouses and apartments. A granite railroad station with a quarry tile roof is restored and will be used for office space.

These projects are in Pottstown, Pa., one of many Main Street towns across the country, where historic buildings are being rehabilitated in an effort to revitalize the downtown area. This approach gives residents a sense of pride and enables small businesses to compete with nearby shopping malls. Other aspects are the encouragement of tasteful storefronts and signs, as well as gala street fairs and festivals designed to increase street traffic and sales.

One restoration often leads other owners on the block to follow suit, and the town soon has a "can do" attitude. The Main Street approach is "riding the historic preservation wave in this country in which people appreciate the value and beauty of historic buildings," said Diana Kerr, Main Street Coordinator in Pennsylvania's Department of Community Affairs (DCA). The Main Street approach, according to Ms. Kerr and Greg Matz, DCA consultant, consists of the following elements: forming an effective organization with a full-time manager and the active involvement of small

business people and other local leaders; promotion of a community's unique aspects as a place for shopping and recreation; attractive design of building facades; and small business retention, expansion, and recruitment.

Bankers play an important role. They often are among the leaders in small towns and, as Main Street organization board members, they bring valuable

organizational and planning skills. Their institutions make grants to the Main Street organizations.

The National Trust for Historic Preservation in Washington, D.C. developed the Main Street idea and started implementing it in 1980. Through the Trust's National Main Street Center, it helps states, larger cities and small towns to implement the approach. Mean-



Chris Witmer, Main Street coordinator in Pottstown (left), and Geoffrey K. Dailey, assistant vice president, Continental Bank, Pottstown, stand in front of the Betty Lee building, a Main Street restoration project in Pottstown. Dailey has been active in the program.



while, some states, including Pennsylvania, have parallel programs to assist their communities. And some towns are implementing the Main Street process on their own. Pennsylvania's DCA currently provides financial and technical assistance to 33 communities. It makes individual area grants totaling \$43,750 over three years for hiring a local coordinator, and may provide an additional \$30,000 to stimulate facade improvements. Some matching fund-raising is required. To qualify, a city, borough, or township with under 50,000 population must have a viable central business district with good potential.

POTTSTOWN

Pottstown, a Main Street town, lies 38 miles northwest of Philadelphia. In a past era, it had steel plants which provided the superstructure for the Golden Gate Bridge and the Empire State Building. In more recent years, Pottstown has witnessed the demise of manufacturing plants and a substantial loss of jobs and was "on the edge—it could have gone either way." This from Geoffrey K. Dailey, an Assistant Vice President of Continental Bank and a person active in the Main Street effort.

"The DCA program increased awareness of what was possible and provided an incentive. About \$50,000 in DCA grants generated \$5 million of renovation directly or indirectly," he said.

Five financial institutions agreed to provide five-year 9% loans for renovations of small business storefronts and facades. They are: Continental; First Federal Savings and Loan; Industrial Valley Bank; National Bank of Boyertown; and Hill Financial Savings Association. Of 19 Main Street projects worth \$5.9 million which have been done or are in process, Continental has been the direct lender or lead bank for \$2.8 million, Dailey added, pointing out that there had not been any defaults or late payments on Continental loans. In order to promote the program, Continental offered more creative and flexible terms than conventional financing. A bank's involvement in Main Street brings benefits such as an increase in loan volume, new business relationships, and an upsurge in the community's economic activity, Dailey commented.



Freedom Valley Bank, the latest addition to Media's banking community, had its grand opening in June. A Mellon Bank branch is shown at right. Ten banks have offices on a three-quarter mile stretch of Media's main street.



First Keystone Federal Savings, shown at its main office in Media, contributed the entire amount of a loan fund for Main Street facade improvements there. From left to right are: Robin Otto, Main Street coordinator; Betty Gibson, manager of mortgage lending at First Keystone; and George A. Albany, III, secondary marketing/real estate owned administrator at First Keystone.

The Industrial Valley Bank is also active, and, like Continental, has a representative on the Main Street program's advisory board. Erwin K. Wenner, Vice President and regional lending officer of IVB, said that he was extremely pleased with the effect the Main Street program has had on downtown restoration and development in Pottstown. He said the program has contributed to a resurgence of pride in the community.

Chris Witmer, Main Street Coordinator, pointed out that "the bottom line is encouraging reinvestment in the towns." Witmer, whose grandparents were Pennsylvania Dutch farmers, said this can be done by starting demonstration projects, giving economic incentives, and encouraging mixed usage. Pottstown is unusual in that the Main Street program involves the town's housing stock, located adjacent to the business district.

MEDIA

A Philadelphia suburb and a county seat, Media has a population of 6,100 which rises to 25,000 on a typical workday. Media has fewer historic buildings than many other communities, but has used to good effect those it has, adding brick, tiles and other Victorian touches, and maintaining a harmony of storefront and street design. The town is finishing a three-year cycle of DCA funding, during which about 30 rehabilitation projects were carried out. Downtown seems to be thriving. In fact, the Main Street program, a "shot in the arm" for Media, vividly demonstrates that a downtown retail area can co-exist successfully with several nearby shopping malls.

The banking community has been very supportive of Media's Main Street program. First Keystone Federal Savings Bank, which has its main office there, contributed \$120,000 for a low-interest loan pool for facade improvement at 8% fixed interest. Robin Otto, the Main Street Coordinator, said that it was unusual for one bank to contribute the entire amount needed for the loans. First Federal did so, she said, because it believed in the Main

Street program in Media and its potential.

Grants totaling about \$10,000 were made by First Keystone, Fidelity Bank, PSFS, Mellon Bank, Provident National Bank, Elmwood Federal Savings Bank, and First Pennsylvania Bank. Financial institutions also sponsored promotions and the Main Street newsletter. The Main Street effort will continue under the umbrella of a municipal business authority which raises funds by taxing wholesale, retail and professional businesses. The tax is based on the volume of gross sales with a maximum cap of \$600 on the mercantile tax.

The town has also been successful in sponsoring six outdoor promotional events each year. These are family-oriented, involve quality merchandise and entertainment, and encourage pride on the part of both residents and visitors. About 40 county restaurants participate in the Festival of Food, which draws 30,000 people on a Sunday afternoon.

Robin Otto said that two critical ingredients in the program's success are the commitment of businesses and

government to work together, and a "can do attitude."

KENNETT SQUARE

A town of 5,000 southwest of Philadelphia with a major mushroom industry and tourist attractions, Kennett Square recently started a Main Street program. Marie McDaniel became the Main Street Coordinator about six months ago.

There are already several notable rehabs in town, and volunteer spirit is strong, she said. The Jaycees restored the face of the town clock. Donations from residents were the basis for establishing a revolving fund which ultimately will finance projects throughout Kennett Square. Businesses have donated time and services worth \$7,500. Over 70 merchants are involved in a merchants' association, and planned promotions include a sidewalk sale, Moonlight Madness, and a Halloween event. In an unusual move, 25 businesses are sharing customer lists with each other. Fidelity Bank has agreed to provide below market rate loans for external improvements, and Fidelity and Meridian Bank have representatives on the Main Street association board.

Name Philadelphian To Fed Consumer Council

The Federal Reserve Board recently named Philadelphian Jane Shull to a three-year term on its Consumer Advisory Council. This 30-member group advises the Board on consumer

financial protection laws and other consumer-related matters.

Ms. Shull is director of the Institute for the Study of Civic Values, a non-

profit organization whose goal is to promote the civic values of community, participation, and justice. The Institute conducts public policy research, sponsors citizen education programs, and provides technical assistance to such groups as block clubs, CDCs, credit unions, and youth and social service agencies. It is located at 1218 Chestnut Street, Philadelphia, PA 19107. (215) 922-8960.



Mary Betts-Moore, (left), director of Technical Assistance and director of the Institute's Neighborhood Development Center discusses a program with Jane Shull, director of the Institute for the Study of Civic Values.

Ms. Shull has been active in helping communities start credit unions, including developing a board, establishing loan policies, and making loans. Her community service positions include: president, Southwest Germantown Association Federal Credit Union; co-chair, Mayor's Neighborhoods Commission; member, Mayor's Economic Roundtable; board member, Southeast Asia Coalition; and president, Philadelphia Jobs in Energy Project.

Partee Retires from NRC; Salutes NHS

(Following are excerpts from an interview in the spring issue of *Stone Soup-The Neighborhood Partnership Report*, published by the Neighborhood Reinvestment Corporation.)

J. Charles Partee recently left the Neighborhood Reinvestment Corporation Board of Directors after eight years of service, three of them as board Chairman. He represented the Federal Reserve System, where he was a Member of the Board of Governors from 1976 until his retirement in early 1986.

Has it been difficult to make the leap from your Federal Reserve Board responsibilities to your work with Neighborhood Reinvestment?

Not really. It's a different level of involvement. But the distribution and the productive use of credit is always of great interest to economists. Now, unlike the general credit markets, the NHS effort is deliberately addressed by lenders on a non-price basis. So long as they can get a reasonable rate of return with reasonable safety, they're prepared to put extra effort into the extension of credit in those neighborhoods. They are supporting a credit allocation system along socially desirable lines.

You have said previously that you credit the success of NHSs to their status as small operations. What are the advantages you see in the small-scale approach?

I believe that if we were to greatly expand our NHS activities on standardized grounds, according to a rigid model, we would find that often they wouldn't succeed. And a record of non-success would quickly be damaging.

What other issues should NHSs and Neighborhood Reinvestment look out for?

The challenge of obtaining adequate operating funds has been a growing problem. The corporation has faced this, and NHSa has faced it. The fund-raising campaigns, and the exposure through the national and local Ad Council campaigns, have been generated as a result of that need. And it looks fairly promising to me, but there's a lot of development work still to be done.

How does the concept of commitment fit into your perception of NHSs and neighborhood revitalization?

NHSs have to be made up of volunteers from the community who are working together toward a common purpose. If you don't have that participation, you're unlikely to have a successful NHS. There's nothing like having a jury of your peers. It's a lot different to offend your neighbor by not performing on a commitment than it is to offend somebody from Washington. And I think this is the secret of success in the NHS effort. It's built on local support, local volunteers, and local aspirations.

Two New Councils Emerge in 1986

Among 1986 initiatives of the Community Affairs and Regulations Assistance Department at the Philadelphia Fed are two of special interest to local bankers.

They involve the formation of two informal councils; one, of Community Affairs Officers; the other, of Consumer Compliance Officers. Both will draw members from Philadelphia area financial institutions. The Community Affairs Council, in fact, is already off and running. It was born in March, when CAOs met at the Philadelphia Fed for the first of several 1986 meetings.

"This council has several purposes," Fred Manning, Assistant Vice President and Community Affairs Officer stated. "It will reinforce the common bond between professionals; provide a location for exchanging ideas and experiences; and let us hear 'out-of-our-orbit' presentations from people with different perspectives."

The kick-off meeting, which was followed by a reception, featured remarks by Philip Price, Jr., Deputy Director of the Urban Affairs Partnership, and Joseph J. James, Deputy Director of Commerce, City of Philadelphia.

The second informal council, composed of individuals with regulatory compliance responsibilities in local depositories, will be launched in July. A major purpose for this council, Manning points out, is "to keep members abreast of current developments, both national and regional, on compliance matters and rule-making possibilities."

Long-range plans include creating regional councils of these types at various locations in the Third District to supplement the ongoing conferences and workshops of this Department. Manning added: "This way, we focus our energies better, and, equally important, learn from one another."

ARE YOU a financial institution or a community group with an interesting community development program? CASCADE may publish an article about you. Contact: Editor, CASCADE, Federal Reserve Bank of Philadelphia, 10 Independence Mall, Philadelphia, PA 19106.

CDC Training Funded by Two Philadelphia Banks

"Thanks to the banks. They made it possible."

That's Jill Michaels, executive director of the Community Development Coalition, Inc., saluting Provident National Bank and PSFS for funding a financial management training workshop for Philadelphia community development corporations.

To be covered in the workshop are such topics as how to generate forms and reports, and how to maintain adequate accounting records. The workshop, to begin in July, will be held at CDC, Inc., 1217 Sansom Street,

Philadelphia. The program will also include on-site training and monitoring, and is designed especially for staffers who handle daily bookkeeping, and board members who have financial responsibility. For further details, interest individuals should phone Ms. Michaels at (215) 592-7334.

At the Community Development Coalition, Inc. as a summer intern is Patrick Bond, former Philadelphia Fed Community Affairs Representative. He is researching the effects of abandonment on communities, among other projects.

Reading NHS Leads Housing Rehab Project

(Editor's note: With this article, CASCADE continues its series on the activities of the several Neighborhood Housing Services (NHS) affiliates within the Third Federal Reserve District.)

Neighborhood Housing Services of Reading (NHSR) has played a major role in a \$1.25 million rehabilitation project in downtown Reading.

NHSR made home improvement loans to owners of neighboring homes, several home mortgage loans to owners of the rehabilitated homes—and conducted the project's marketing campaign. The project involves previously-abandoned buildings on Schuylkill Avenue. The homes were rehabbed with funds from the federal Community

Development Block Grant program and the Pennsylvania Department of Community Affairs. The City of Reading secured funding for the project and monitored construction.

The project recently won the top design award for residential multiple dwellings in a statewide competition sponsored by the Pennsylvania Historical and Museum Commission's Bureau of Historic Preservation.

Reading is a city of 78,600 which depended at the turn of the century on hosiery and iron mills, cigar factories and breweries. Today, major employers include AT&T, CarTech and Dana Corp. It has experienced a decline in manufacturing, and growth in the professional and service sector.



"Before"—Reading's 400 block of Schuylkill Avenue . . .



"After"—row houses are no longer deserted and dilapidated due to NHS rehab project.

Photos by J. Sheridan Evans and B. Franklin Reber

Reading's median income was reported at \$12,123 in the 1980 census.

Since becoming operational in 1978, NHSR has made 65 home mortgage loans totaling \$781,900 at below-market interest, enabling lower-income families to buy or rehab their homes. Its foreclosure rate on loans has been low—three out of 65 properties.

NHSR also has started to acquire, rehab and sell homes. In addition, NHSR has programs to clean up backyards and neighborhoods, reimburse homeowners for the cost of exterior paint, lend tools, and provide budget counseling.

Bankers play an important part in NHSR's work. "The people appointed by the banks have been very committed," said Deborah Lachina, executive director of NHSR. "They have given a lot of volunteer hours." Among the most active, she said, are: Robert Hoppes, vice president of Meridian Bank, Reading, and treasurer of Reading NHS; and Betty Behm, assistant vice president of Hamilton Bank, Reading, who is on NHSR's board of directors and its finance committee.

Hoppes noted that people who previously were unbankable have obtained loans from NHSR's high-risk loan fund to buy and rehabilitate a property. Calling this one of the "very positive" aspects of its operations, he said that NHSR is "getting people into ownership situations who otherwise wouldn't own—and it's working!"

Perhaps the biggest current problem of this NHS is finding operating funds. It is in the midst of a major fund-raising drive, seeking two-year commitments.

This NHS has published an unusual 35-page document describing the early days in Reading's history, including anecdotes about its early settlers. It is available at nominal cost from: Neighborhood Housing Services of Reading, Inc., 221 West Buttonwood St., Reading, Pa. 19601, (215) 372-8433.

Meanwhile, a survey by the Neighborhood Reinvestment Corporation of loans made by local NHSs around the country found that the default rate on the loans was comparable to that for conventional loans. NHS units

Around the District

LUCIANO PAVAROTTI, world-famous tenor, appeared at Philadelphia's Spectrum, singing Verdi's *Manzoni Requiem*, in a performance benefit for Business Leadership Organized for Catholic Schools and the Opera Company of Philadelphia. Provident National Bank was one of the major sponsors of this April event.

HERE'S A "GOOD NEWS" follow-up to an article on York, Pa., that appeared in a previous issue of *CASCADE*. In that issue, we talked about the Crispus Attucks Association and its work in neighborhood revitalization. Today, the good news from York's Al Hydeman, Economic and Community Development Director, is that The Enterprise Foundation of Columbia, Md., will assist the Crispus Attucks Association with \$250,000 for housing rehabilitation, job training, and other projects. Additional funding of \$250,000 was obtained from the state, city, and business community. Financial institutions which contributed to the matching funds drive were: York Bank & Trust, Commonwealth National, Hamilton Bank, Drivers & Mechanics Bank, Dauphin Deposit Bank, and York Federal Savings & Loan. For additional information, contact Hydeman at (717) 843-8841.

(continued from page 5)

typically lend to people considered "unbankable" by conventional mortgage lenders. NHS loans defaulted at a 3.6% rate; an additional category of delinquent loans would increase the default rate to 6.7%—lower than the 7.3% cumulative default rate for all mortgage loans in the U.S. during the past 10 years. NHSs have made almost 11,000 loans worth nearly \$100 million.

Presenting the study to Congress, William Whiteside, executive director of the Neighborhood Reinvestment Corporation, said: "NHSs' success is directly attributable to their built-in capacity to tailor loan terms and rates according to each borrower's ability to pay; to provide ongoing financial counseling; and to recast loans if necessitated by changes in the borrower's income."

Copies of the report on the NHS Revolving Loan Fund are available for \$2 from: Neighborhood Reinvestment Corporation, 1324 G Street, NW, Suite 800, Washington, DC 20005.



Elaine Black, vice president, Philadelphia Citywide Development Corporation, pauses for a photo with Keith Rolland during a tour of urban projects. The tour was a preview of Philadelphia redevelopment sites which were later visited by the Federal Reserve System's Community Affairs Officers, who attended a June conference at the Philadelphia Fed.

Community Reinvestment Director Comes to Fed

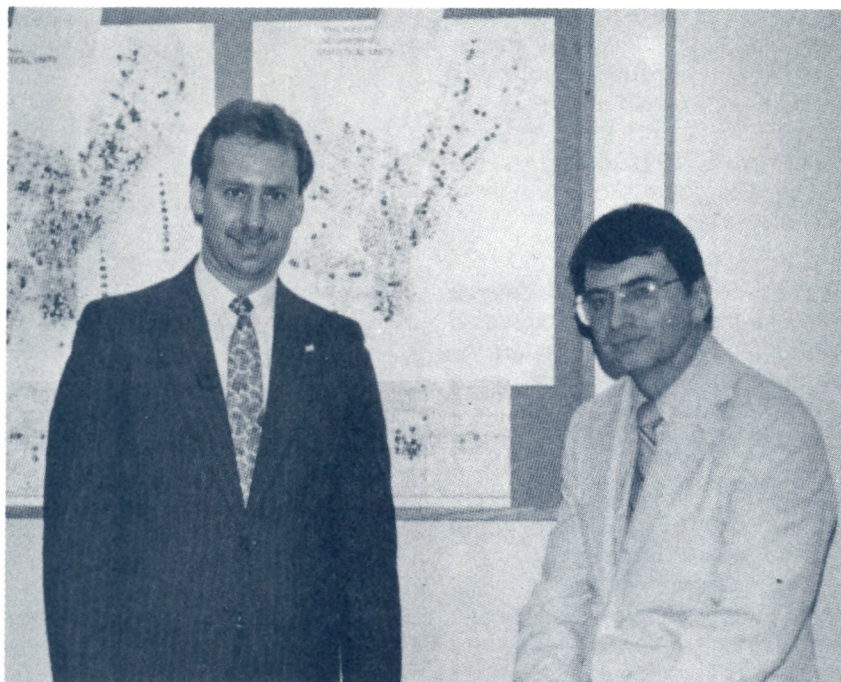
Keith Rolland has recently come on board as Economic Development Analyst in the Community Affairs Department of the Philadelphia Fed. He previously was director of the Community Reinvestment Program at the Interfaith Center for Corporate Responsibility, New York. One of his chief responsibilities at the Fed will be to inform banks about federal, state and local economic development programs, and public and private sector partnerships.

In his Interfaith Center position, Rolland promoted community development investments in several ways. He co-organized an initiative in which the Chase Manhattan Bank, in cooperation with the City of New York, started a \$10 million weatherization loan program. In this continuing program, the loans are going to owners of apartment buildings in low income areas of the city. Helping community development organizations obtain investments from churches and other sources was another major accomplishment. He also started a clearinghouse—a reporting service on community development investing—for 235 church inves-

tor groups, and organized 13 bimonthly news "packets" on community development.

Other positions Rolland held included editing and reporting for *The American Banker* and *The Windsor (Ontario) Star*. He did writing and research on adult education in Colombia, South America, on a scholarship from the InterAmerican Press Association. Rolland was also an account executive with John De Nigris Associates, New York, a financial public relations firm, and a newswire editor with Merrill Lynch, Pierce, Fenner & Smith, New York. He has a bachelor's degree in finance from Fordham University and a master's degree in journalism from Columbia University.

CASCADE now reaches more than 1200 community groups and financial institutions. To put your organization's name on our mailing list, or to order extra copies of this issue, write to: Editor, *CASCADE*, Community Affairs Department, The Federal Reserve Bank of Philadelphia, 10 Independence Mall, Philadelphia, PA 19106.



Kevin McAllister, Vice President and Area Manager of Equibank, meets with Don Kelly, (right) at the Philadelphia Fed. McAllister visited as part of an ongoing series of outreach luncheons, and is pictured in front of maps of financial institutions' branch offices in Philadelphia.

Chicago Banker Joins Fed's CA Staff

Don Kelly recently moved east from Chicago to join the Community Affairs department of the Philadelphia Fed. He was Assistant Vice President and Manager of Community Relations at Talman Home Federal Savings and Loan Association, Chicago.

As Senior Community Affairs Specialist at the Fed he will interact with chief executive and community affairs officers of Third District financial institutions and develop community profiles as well as training and educational materials affecting development finance.

During his seven years with Talman, Kelly managed community activities of 56 branch office managers, and was responsible for community development programs and CRA compliance. Some of his major Chicago accomplishments were the design and implementation of a training program for branch office managers that established Talman as a good corporate citizen in over 50 communities — a program that brought increased savings deposits along with it. He created a residential rehabilitation loan

program which is now originating over \$6 million of rehab loans annually. Kelly was also president of the Greater Southwest Development Corporation, an organization that was cited by the Neighborhood Reinvestment Corporation as a national model for neighborhood revitalization.

Another recent Chicago experience for Kelly was his work as head of a consulting project for the Woodstock Institute, a non-profit community planning resource. His project sought to help a Chicago bank improve its community lending performance. He also analyzed a mortgage bond program to recommend ways to increase its accessibility by the minority community.

Prior to joining Talman, he was a community organizer, active in the anti-redlining campaigns of the early 1970s. He also spent two years with the Peace Corps in Guatemala as a Community Development Specialist. Kelly has a bachelor's degree from St. John's University, New York, and a master's degree in urban planning from the University of Illinois.

New Inner-city Mall Encourages Optimism

"Our neighborhood is beginning to bounce back." That's the forecast from Rev. Thomas Ritter, chairman, Community Development Corporation of Philadelphia, discussing Strawberry Square Mall.

The 62,000 square foot shopping complex, in an economically troubled area of North Philadelphia, is now totally leased, and includes the O & O Supermarket, where the majority of owner/operators are minorities.

The Community Affairs department of the Philadelphia Fed helped Equibank identify an opportunity to serve the neighborhood. Equibank has signed a ground lease, and is building a branch to open late this year.

"After years of depression, we now have a successful working relationship between banks, insurance firms, the government, and indigenous residents," Ritter added. Financing for the \$3.3 million project came from PSFS, the Philadelphia National Bank, the Urban Development Authority, the Philadelphia Industrial Development Corporation, and Local Initiatives Support Corporation (LISC).

Kelly's Korner Renewal To Aid Retail Area

Long ago, the aging department store was a trolley barn. Today, the store—Kelly's Korner Discount Department Store—is undergoing a vast expansion.

The store is being expanded to double its size, with a second floor, a supermarket, and an improved parking lot. The renewal will preserve 30 jobs and create 130 new ones. The project marks the first commercial development in the Kensington-Fishtown area of Philadelphia in over ten years, and was funded by a loan of \$300,000 from the Royal Bank of Pennsylvania, Narberth. The bank is also handling all financing disbursements for the revitalization. Among other funding was a \$975,000 Urban Development Action Grant and a \$250,000 loan from the Philadelphia Industrial Development Corporation.

Interview

(CASCADE interviews Tom Patterson, Vice President, Public Responsibility Department, Philadelphia National Bank. He is currently Chairman of the Board of the Philadelphia Citywide Development Corporation. Don Kelly, of the Community Affairs Department, Philadelphia Fed, interviewed Patterson.)

How does a large profit-oriented institution like PNB structure itself to relate at the neighborhood level?

We see community relations as a way of developing networks with community leaders and organizations, and with appropriate government leaders. I'm talking about folks who have public resources that could be used in neighborhoods—such as Joe James at the city's Department of Commerce. Also, we are heavily involved in low and moderate income housing financing. And recently we created an urban lending department which does not report to, but has a dotted line relationship with, this department.

Through our small business loan department, we spend a lot of time in neighborhood economic development. The Assistant Vice President in charge of this department reports to me. We're talking about the small end of the scale. It's the kind of business you would find in an older neighborhood, the commercial corridor, or owned by an elderly person looking to retire or turn it over to new management. You have to be careful that those businesses don't slide out of neighborhoods.

Does the urban lending department operate flexibly on deals that come through this network, or does it have a formalized policy that's somewhat unusual for a bank?

For traditional neighborhood housing financing, such as the Philadelphia Mortgage Plan and the Philadelphia Rehabilitation Plan, the urban lending department has developed loan policies, and that was the original intent. We wanted to develop ways to lend in older neighborhoods; ways the banks would be comfortable with. In so doing, we almost institutionalized lending criteria. An example of this type of adaptive lending is using welfare income in evaluating a loan applica-

tion. Years ago, we didn't use welfare for income, but that is now an institutionalized and acceptable source of income. Also, we have additional new policies such as those dealing with types of multi-unit property, and we hope to incorporate some concepts like cooperative housing.

You've referred to the Philadelphia Mortgage Plan and the Philadelphia Rehabilitation Plan as programs you had some role in, and that were gratifying successes for you. Are there others?

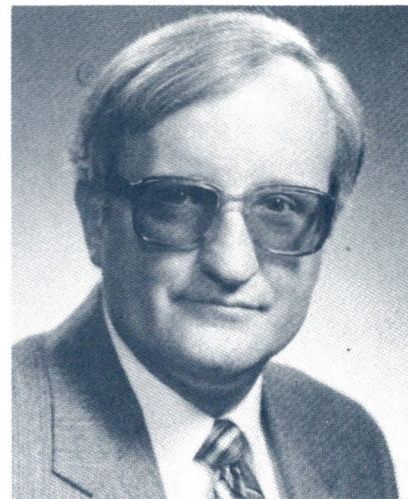
One exciting project is our mentor relationship with a neighborhood credit union. In older neighborhoods where there is disinvestment you find that banks, quite logically, have been either downsizing or removing their branches simply because the branches are no longer economically viable. So we thought the neighborhood credit union an honest attempt to deliver financial services at reasonable cost.

But the neighborhood credit union has a struggle, since it often doesn't have access to resources. We suggested to the Institute for the Study of Civic Values, an organization which champions credit unions and provides technical assistance to them, that maybe there was a mentor role for us to play. In cooperation with the Institute, we picked the Southwest Germantown Federal Credit Union as one we would work with.

What is our goal here? Well, if just one bank develops a mentor relationship, it's not much. But if the credit union is able to grow and provide services the neighborhood deserves, maybe other banks and credit unions will develop a partnership, or mentor relationship. We have announced our commitment, and have been encouraged that First Pennsylvania Banking & Trust Company has bought into the program in West Philadelphia.

Under the Community Reinvestment Act, social responsibility takes on a very specific character, requiring a financial institution to be sensitive to the needs of modest income neighborhoods. In what condition are you finding the neighborhoods today?

I hate to say it, but we're finding dilapidated structures needing huge



Tom Patterson

amounts of resources to rehabilitate. There are few job opportunities. Many neighborhoods are dirty, not because the people are dirty, but because there are fewer public resources. The "mom and pop" stores that were once so successful are devastated. There are problems of crime, drugs, and personal safety. Although all of these conditions are bad, there are nevertheless people who just refuse to give up.

Which needs are within the reach of banks to help address?

Because we know financing, we can figure out what does and does not make sense. Taking part in neighborhood development is a logical role for us, and a role we should play in partnership with the neighborhoods, and the public and private sectors, because it's a tremendous problem. Support of neighborhood economic development activities can be done either through small business loans or through technical assistance to neighborhood entrepreneurs. Working as volunteers with local development associations is another type of support. Most important is to give neighborhood leaders the financial and technical support to enable them to be true leaders.

We've identified the needs. What about neighborhood strengths?

Philadelphia is a city of neighborhood organizations, with very strong leaders behind these organizations. I'm particularly sensitive to the grassroots leadership such as a James Young at

the Neighborhood Action Bureau in the Germantown/Lehigh area. James has been out on the streets pounding away since the late '60s. Without his presence, that area's reinvestment would just not be possible. In fact, we have a multitude of able leaders. Mamie Nichols, of Point Breeze Federation, is another. Certainly Philadelphia is a better place because of her.

We should encourage the growing sophistication among community leadership about how to bring together private and public resources. This is coupled with our realization that the federal government will no longer provide the public monies it once did in the golden days of model cities.

What about the state-of-the-art community banking?

Through my work at Philadelphia Citywide Development Corporation, I have met bankers with the imagination to tailor traditional thinking—to restructure it so that economic development can occur in a way that is beneficial to the neighborhoods, and not a disaster to the banks. However, I think the industry as a whole, with some exceptions, has not recognized that there is an obligation and a need in this area. I'm impressed with the role you folks at the Fed are playing. You are a catalyst, a convener—pulling together groups of bank officials to expose them to needs, and showing them what others in the industry are doing.

How important are partnerships between community organizations, the public sector and the private financial industry?

That partnership is vital. It's like trying to milk a cow on a three-legged stool and one of the legs falls off. Without the partnership, you don't really know what the true needs are, or how to properly develop and design the program. Also, you need that relationship to implement and deliver the service. If you don't have a resource that's needed and trusted by the neighborhood, it won't be used.

How important is the public sector?

The public sector is vital because it has that big resource produced by our tax dollars—the public subsidies for low or moderate income housing.

In dealing with real estate devastation you cannot rehabilitate some of these properties at a cost that low or middle income people can afford. You've got to have public monies. We're talking about needs that would rival those we had in Europe after the Second World War.

Does PNB see community development banking as give-away banking, as a specialized aspect of profit-making, or as a hybrid where you'll be happy to break even?

It is never thought of as give-away banking. It is looked at as an investment, much like research and design; an investment in the future. And you do your best to tailor your service as quickly as possible, so the benefit to the neighborhood does not cost you enormous amounts of money. But you don't look at it as being something that you've got to immediately have the normal return on assets on, because short term investment never gives you that kind of return. In the medium and long term, it is exactly as you described it: a specialized aspect of profit-making banking.

What advice would you give to community groups that are having difficulty getting the cooperation of a particular financial institution?

Let's assume that the community group has made an attempt to approach a financial institution; has sought out the appropriate person; and has either gained attention but with an unsatisfactory result, or has been rebuffed. The next step would be to contact a friendly banker, if the group knows one—somebody with whom they can have a candid discussion to see if that banker knows an appropriate person at the other institution, and would be willing to provide an introduction. If this doesn't work, the organization should solicit the support of the Community Affairs Department at the Philadelphia Fed, or the Urban Affairs Partnership. Both have been working hard to solve neighborhood problems.

If this approach fails, the next step in escalation would be to write to the chief executive officer of the financial institution. The letter should point out that the group is a viable organization, representing a constituency with legitimate concerns to discuss, and hoping

for mutual cooperation. The chairman may not respond personally, but he will designate people who will do that.

As a last resort, a Community Reinvestment Act challenge is a very effective way to get the attention of a local bank. There are some examples of that around the Philadelphia area. Nothing will interest a banker more than seeing folks who are genuinely concerned about their neighborhoods sit down and talk about their needs in a rational way.

What should community groups avoid doing?

Avoid making assumptions that the bank knows what their needs are and is automatically interested in answering those needs. A group should assume that the banker needs some education. This education initially should not be in the form of threats, but should take the form of data presentation.

What advice would you give a bank that was trying to overcome hostility?

The bank should acknowledge that the organization has a right to exist, and not stonewall it. If the group requests a meeting or support, a walk around the neighborhood with the leadership to see what strengths and weaknesses exist would be worthwhile. However, if this isn't possible, the bank ought to invite representatives to come in and talk about the issues. This is a good step because it says, "Hey, I respect you. You have a right to your opinions. Let's talk about them, and see what the issues really are."

Need a Speaker?

Staff members of the Philadelphia Federal Reserve Bank may be available on request to talk to various audiences. They will discuss the Federal Reserve's interest and involvement in community and consumer banking, and in regulatory compliance issues.

Speakers and their topics are: Fred Manning, Community Affairs; Jim Dygert, Consumer Banking; and Phil Farley, Regulatory Compliance. Inquiries should be sent to the particular speaker desired, at the following address:

Philadelphia Federal Reserve Bank
10 Independence Mall
Philadelphia, PA 19106

Philadelphia Fed's Regulations Hotline Serves Many Callers

The expression, "The phone is ringing off the hook," certainly applies to the Regulations Assistance unit at the Philadelphia Fed.

So far this year, the Regulations Hotline has rung on an average of 213 times a month. Each call means a question for Manager Phil Farley or Senior Analyst Barry Cutler, who together have a total of 22 years experience in providing regulations compliance assistance.

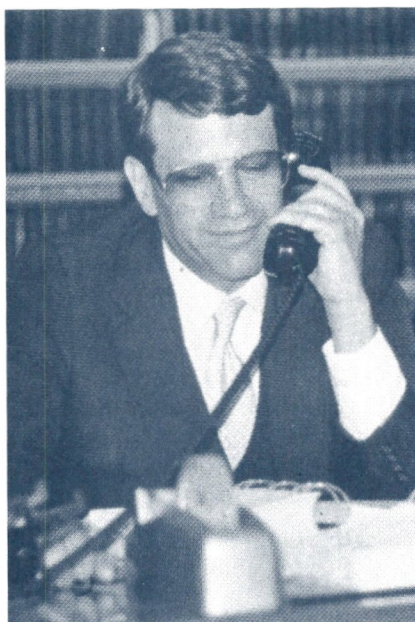
Callers are most often financial institution compliance officers. The function serves the compliance personnel of 315 depositories in the Third District. Regulators and bank attorneys are among other callers. Questions arise because the provisions of credit regulations are often difficult to understand. "After all, regulations are written by lawyers in language that inevitably becomes technical," Farley pointed out. "So we try to make the meaning of the regulation clearer."

About 80% of callers ask about consumer credit, Farley explained. Two of the most commonly asked questions are, "What is the formula for computing an annual percentage rate under Truth in Lending?" and "When does the Right of Rescission apply?"

Regulations regarding Truth in Lending and Interest on Deposits have been of special concern due to recent real estate activities, the large number of refinancings due to reductions in interest rates, and the elimination of all time deposit ceiling rates, Farley added.

He emphasized that the department's goal is to promote voluntary compliance by banks with federal banking laws: "We start with the premise that the creditor *wants* to comply."

There's more to the unit than phone calls. There is outreach. In April, for the first time, Farley circulated a summary of some typical questions received and answers given on regulations to members of the compliance community. Both Farley and Cutler are available for talks, workshops,



Barry Cutler

and training sessions with compliance officers. To date, their 1986 schedule has included talks on the reinforcement and clarification of the regulatory provisions to the Atlantic states regional conference of the Consumer Bankers Association, the American Institute of Banking, and the Independent Bankers Association.

According to Fred Manning, Community Affairs Officer at the Philadelphia Fed, "Phil and Barry not only bring great credit to themselves and to the Fed by their in-depth knowledge of complicated regulatory requirements, they perform an important service for bankers and the public by facilitating the compliance responsibility. Best of all, they achieve this goal in a friendly and instructive way. It is little wonder that they have legions of admirers in the industry and among consumer credit protection groups."

CASCADE readers are reminded that Phil Farley and Barry Cutler may be available for speaking engagements and compliance workshops, and that their Hotline is open for call during business hours, Monday through Friday. For either service, phone (215) 574-6458.

Philadelphia Fed Hosts System Conference

Staff members of the Board of Governors, along with Community Affairs Officers from the nation's 12 Federal Reserve District Banks, attended a June 25-27 Community Affairs conference here. The Philadelphia Fed is the first Reserve Bank to host this annual meeting, usually held in Washington, D.C.

The Community Affairs function at the Federal Reserve Banks was established several years ago as a consequence of the Community Reinvestment Act. This activity has been growing rapidly in System visibility, momentum and importance in recent years, a fact now reflected in the annual conference's setting.

Community Affairs personnel at the District Banks are involved in ascertaining community economic needs; in promoting constructive dialogues with financial institutions, local governments, development agencies, and neighborhood groups about these needs; and in intermediating knowledge about effective strategies and partnership programs relating to them. Assistant Vice President Fred Manning is this Bank's Community Affairs Officer.

Celebrate Model Financing Plan

The largest multi-family housing project ever developed in Philadelphia by a non-profit organization was saluted at a May ground-breaking ceremony attended by the Mayor, business leaders, and an audience of 150 persons.

A million-dollar low-income housing development in North Philadelphia is now under rehabilitation, representing what the National Temple Non-Profit Corporation (NTNP) calls a "model financing partnership." In addition to NTNP, the partnership includes the City of Philadelphia, CIGNA Insurance, and Mellon Bank. This financing will allow National Temple to leverage City funds to begin another low-income housing project in August.

For details, contact Marie Nahikian at NTNP, (215) 787-2790.

PRP, Inc. Spurs Housing Complex Plan

Housing financing has begun at Jefferson Manor, an inner-city apartment/townhouse complex in North Philadelphia near the main campus of Temple University.

The complex is owned by Jefferson Manor Development Corporation (JMDC), an association of Jefferson Manor tenants. The new purchase plan involves 120 apartments and 106 townhouses. Initially, the Philadelphia Housing Development Corporation provided a low interest loan of \$1,094,000 that allowed tenants to buy the apartments, and subsequently has offered a \$700,000 rehabilitation loan.

PSFS provided a \$2.5 million swing loan to JMDC to buy the complex, and JMDC will hold the mortgage for the cooperatively owned apartments.

The townhouse purchase program is progressing rapidly, assisted by the Philadelphia Rehabilitation Plan, Inc., whose staff is offering counseling and financial packaging to prospective buyers. At press time, financing for about half of the townhouses is nearing settlement. Individual home mortgages for the townhouses are being made available by Philadelphia Federal Credit Union, Frankford Trust, First Pennsylvania Bank, Fidelity Bank and PSFS. For more information, contact James Wilcox, executive director, PRP, Inc., at (215) 561-1173.

Name Manning to Coalition Committee

The Neighborhood Enterprise Committee of the Greater Philadelphia Economic Development Coalition has a new member. He's Fred Manning, Assistant Vice President and Community Affairs Officer of the Philadelphia Fed.

This committee is a vehicle for exchanging ideas among lenders, government agencies, foundations, and community development corporations. Successful projects completed by the Coalition include the selection and hiring of five economic development specialists to work in five neighborhoods. The chairman of the Coalition is Walter D'Alessio and John P. Claypool is executive director.

Theveny To Handle Consumer Affairs



Grace Theveny instructs a consumer at National Consumers Week fair.

Grace Theveny is a new staff member in the Community Affairs and Regulations Assistance department of the Philadelphia Fed.

One of her recent responsibilities was to manage the Fed's booth at the annual National Consumers Week fair at Philadelphia's Gallery shopping mall. Here she provided the public with Fed publications on consumer credit protection and other information to help them make wise financial decisions.

Her new title at the Fed is Consumer Affairs Representative, and her major responsibility is the handling of consumer telephone inquiries. This includes advising consumers on their credit rights; explaining such laws as the Equal Credit Opportunity Act; assisting them in learning how to establish credit; and referring them to additional sources for advice.

Ms. Theveny has had wide experience in working with and educating the public. She was formerly Economic Education Coordinator with the Fed's Public Services department, where she planned and participated in economic education seminars for teachers, and edited a newsletter for 3500 educators.

In 1985, she was named the Bank's Loaned Executive with the United Way of Southeastern Pennsylvania, where she coordinated the fund-raising campaign in area businesses and hospitals. Previously, she spent seven years with the Bank's auditing department and was internal auditor there when she was selected as a work scholarship recipient by the Bank, taking time off to complete an undergraduate degree in business administration at Holy Family College, Philadelphia.

Public/Private Plan Offers Low-cost Loans

The City of Philadelphia's Redevelopment Authority has homeowner programs for Bottom Line Mortgages and Action Loans "designed to create homeownership opportunities for lower-income City residents through low-cost loan programs," according to Robert G. Hazen, Executive Director of the Redevelopment Authority.

"The fact that area banks are participating in these programs fosters a healthy partnership between the public and private sectors in the city, and cannot serve but to enhance the success of these programs," he added.

Persons buying a house for \$65,000 or less in Philadelphia, with an annual income of \$35,000 or less, may qualify for a Bottom Line Mortgage (10.1% interest; 5% down.) Among the financial institutions offering these mortgages

are: First Pennsylvania Bank, Frankford Trust Company, Mellon Bank East, Meridian Mortgage Corporation, Philadelphia National Bank, and Liberty Federal Savings & Loan Association.

Action Loans are below market rate home improvement loans, for such purposes as weatherization, additions, modernizations, painting, siding, plumbing, and heating. Eligible properties include one to four family units, owner occupied. Persons who wish details should phone the Philadelphia Redevelopment Authority, (215) 854-6518.

The following local banks are participating in the Action Loan Program: Mellon Bank; Philadelphia National Bank; PSFS; Provident National Bank; Continental Bank; and Fidelity Bank.

UEFP Represents Public/Private Partnership Publications

The Urban Education Foundation of Philadelphia (UEFP) is coming alive with educational activities—and it all began with a partnership of the public and private sectors.

First, the Provident Mutual Insurance Company gave away their 22-acre headquarters at 4601 Market Street, Philadelphia. It was deeded to the non-profit UEPF in 1983. Then there was a \$5 million grant from the federal government, through the Department of Education and the Economic Development Administration. This was of particular importance because UEPF is anchored by two major institutions, Lincoln University and Cheyney University, and serves as the urban campus for these historically-black universities.

The latest news is that UEPF has a new chairman of its board of directors. He is H.H. Holloway, Senior Vice President and General Counsel, Philadelphia Federal Reserve Bank.

"In addition to providing universities with adjuncts to their main campuses, we will have an 'educational condominium' this fall when the YMCA opens its academy for grades five through eight. We also operate programs in basic skills, such as computer repair, food services, and security guard training," Holloway commented.

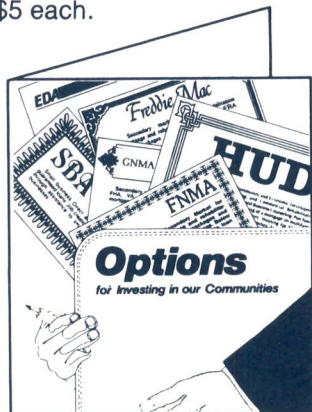
"Inner-city education is terribly important. Research shows that, citywide, 15% of our youngsters leave high school with no plans for college, military service, or jobs. In West Philadelphia, where UEPF is located, the percentage, 29%, is even more distressing. However, as we move forward with the selection of a new executive director, we draw closer to our goals of helping unemployed and under-employed residents," he added. For more information on UEPF, contact the office of the director, (215) 476-4021.



The guide assists compliance officers and internal audit personnel in assuring compliance with consumer-related federal banking regulations and statutes. It outlines the purpose and coverage of each regulation, and describes the Federal Reserve System's enforcement guidelines and compliance examination procedures. Financial institutions can obtain one free copy upon request; additional copies are \$5 each.



This guide provides a topical reference to the Federal Reserve Board regulations and to selected federal legislation affecting banks in commercial transactions. It is intended for use by bank officers or lending authorities with compliance responsibilities. Financial institutions can obtain one free copy upon request; additional copies are \$5 each.



Options is a directory of government and private partnerships in community revitalization, covering housing, small business and economic development. It describes federal, state and city initiatives in Pennsylvania, Delaware, and southern New Jersey. Financial institutions and non-profit organizations can obtain one free copy upon request; additional copies are \$10 each.



The newsletter, CASCADE, gives bankers and the public information on developments in consumer banking and community reinvestment. It is distributed free of charge upon request.

To order any of these publications, contact: Betty Carol Floyd, Department of Community Affairs and Regulations Assistance, Federal Reserve Bank of

Philadelphia, 10 Independence Mall, Philadelphia, PA 19106. (215) 574-6458.

