

Chinatown Development Corporation Fights Squeeze on All Sides

In Philadelphia's Chinatown the squeeze is on.

Chinese populated their Center City neighborhood, only a few blocks from City Hall, when no one else wanted it. Today the area, whose core is only four blocks square, is in great demand. With developers moving in from all sides, the 2,000 residents, 50 restaurants, and 25 businesses are pinched and frustrated by disappearing breathing space, heavy traffic growls, and spiraling real estate costs. Another reason for the Big Squeeze: Chinatown's population has quadrupled since 1960, and more is less. Less space for residential housing and businesses. Less space for the traffic that brings in essential tourism.

The Vine Street Expressway saws through Chinatown's northern border. On the southern edge stands a new Greyhound bus terminal, and the Gallery shopping mall. Four blocks to the west is the site for the proposed Convention Center, while Independence Mall and a commuter railroad tunnel limit eastern expansion.

But a lively organization, the Philadelphia Chinatown Development Corporation, is continuing its 21-year record as an advocate. Its executive director, Cecilia Moy Yep, says "Chinese persistence is no match for development

(continued on page 10)



Cecilia Moy Yep checks construction at Gim San Plaza.

Historic Preservation Means Funds for Older Neighborhoods Via ICFV

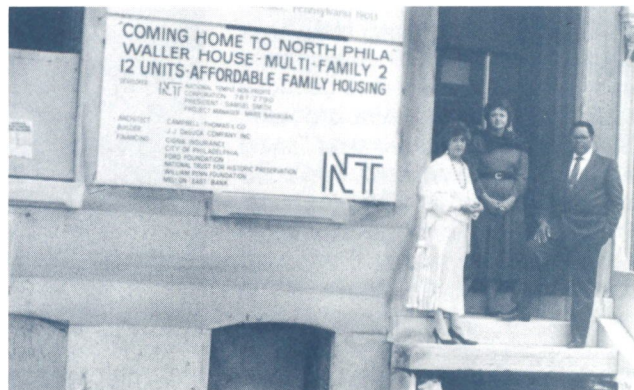
"Historic preservation" was an unwelcome term a decade ago, particularly in inner-city neighborhoods, where it had come to mean "gentrification." Often, rehab projects escalated real estate and insurance costs, and drove rents above affordable levels.

However, since 1981, the Inner-City Ventures Fund (ICVF), a program of the National Trust for Historic Preservation, has joined community groups and other investors to assist projects that benefit low- and moderate-income residents of older neighborhoods.

A current project in Philadelphia's Broad Street Mansion District, Waller House, will provide 12 housing units for low-income families, and is being developed by National Temple Non-Profit Corporation. ICFV, with an \$80,000 grant/loan, joined CIGNA Insurance, Mellon Bank (East), the City of Philadelphia, and the William Penn and Ford Foundations in the financing package, which also included \$570,000 from FANNIE MAE (Federal National Mortgage Association), the nation's largest investor in home mortgages.

In 1987, Harrisburg Community and Economic Affairs, Inc., received a \$45,000 grant/loan from ICFV to develop

(continued on page 5)



Two Victorian houses will become a 12-unit apartment building for low-income residents. Pictured are, left to right, Marie Nahikian, Director of Housing and Economic Development, National Temple Non-Profit Corporation; Linda Ellsworth, Director, Mid-Atlantic Region, National Trust for Historic Preservation and ICFV; and Samuel Smith, President, National Temple Non-Profit Corporation.

Here's a Quiz on Historic Preservation

Which state has the most private investments in historic preservation?

Pennsylvania.

Which major organization acquires and markets historic properties?

The Preservation Fund of Pennsylvania, Inc., the only statewide, private, non-profit organization dedicated to the preservation of historically significant properties. It was incorporated in 1982 with seed money from the state legislature, and is supported by membership fees, corporate contributions, and a contract from the Pennsylvania Historical and Museum Commission.

How does the Fund work?

Endangered properties are acquired and resold to buyers willing to restore and maintain them. Protective covenants are placed on the properties to make this happen.

The theme of this issue is *historic preservation* as it relates to economic development. Also, we write about Chinatown, where the Philadelphia Chinatown Development Corporation is concerned with *cultural preservation*.

Is the Fund involved in low-income housing?

Yes. In Philadelphia's Parkside neighborhood, for example, the Fund joined with two local preservation groups and a developer to secure five 19th century houses, which were vacant shells, and convert them to low-income housing. The location: a National Register Historic District near Fairmont Park. The houses will become 36 apartments at a total investment of about \$1.8 million with construction to begin in the spring.

How does the Fund develop a preservation network?

Through its quarterly newsletter and conferences. The 10th annual conference, to be held April 29 in Downingtown, Pa., is open to the public. The theme is "Places and Spaces," dealing with rural preservation.

Why rural? Why not urban?

"It's easy to focus on the urban dweller," said Grace Gary, Executive Director, "but the low-income rural resident has housing concerns, too. There are major housing problems from development pressures, and sub-standard housing. We want to consider both urban and rural preservation, and we urge planners to

look at existing warehouses, factories, schools and farmhouses for adaptive uses.

What can the Fund do for banks interested in investing in historical preservation?

"The Fund is a place for a local bank with a community need to come for non-profit assistance. We can help banks get foundation money. Bankers are usually the most powerful force for change in the community, and also have the greatest stake in its economic health. We have found throughout Pennsylvania and the United States that preservation and economic development can go hand-in-hand. We are constantly creating these new partnerships," Ms. Gary said. Many bankers are involved in preservation. An example is John C. Tuten, former Chairman of the Board of Hamilton Bank, Lancaster, who is on the Preservation Fund's Board of Directors.

How can I join the Fund, get its newsletter, attend conferences at a discount, and use its database of information?

Write to The Preservation Fund of Pennsylvania, 2470 Kissel Hill Rd., Lancaster, PA 17601, or phone (717) 569-2243.

New Jersey Arrests Deterioration with Free Paint Program

Residents of Bridgeton, N.J. have painted more than 200 19th century houses in Victorian shades because of a state-wide free paint program. "Color is bustin' out all over," said Raymond H. Maier, Bridgeton's Director of Community Development, who manages the program. Now in its sixth year the program will continue in 1988, with \$45,000 in paint to be given away.

Why free paint? Funds came from the New Jersey Department of Community Affairs, Bureau of Housing and Community Development, Neighborhood Preservation Program (NPP). The state is boosting preservation to arrest deterioration in neighborhoods, and to stabilize them,



Historic preservation in Bridgeton, N.J. means bright colors for houses.

according to Gloria Frederick, Acting NPP Administrator. For details write to her at the Department of Community Affairs, Bureau of Housing and Community Development, NPP, Front and Broad Streets, CN-806, Trenton, NJ 08625, or phone (609) 633-6527.

Historic Preservation Gets Boost from Bank

In Bridgeton, N.J., the Farmers & Merchants bank made a real community development statement when it provided \$193,000 in purchase and construction loans to revitalize a derelict hotel—the only hotel in town.

The Cohansey Hotel, built in 1916, now has a re-pointed brick facade, new windows, and period interior design, according to general manager James Fogle. "This was all done in line with the town's Historic Preservation Ordinance," he added.

Bank president Clarence D. McCormick said that the venture was not only sound business, but "helped the town's appearance and economy."

What is Chinatown?

Chinatown is in the backyard of the Philadelphia Federal Reserve Bank. It is the Fed's closest cohesive neighborhood of emigrants who came, like many others, to the cradle of American liberty.

The big ships sailed to China from Philadelphia in the 18th century, bringing back silk, porcelain and teak furniture for the rich. Chinese themselves came later. The first settler in Chinatown was a laundryman who arrived around 1845. Then came more laundries, restaurants, and grocery stores. It was a small, mostly male, area of unskilled laborers from Canton province who had come to America to work on the railroads.

As new laws fostering immigration were passed, families grew. Chinatown became the emigrant's refuge and associations were formed to help members economically, provide pro-

tection, and settle disputes. World War II "emancipated" Chinese Americans, who joined the labor force and had increasing contact with American life style. Many found employment in the professions and industry, and moved to the Philadelphia suburbs.

However, Chinatown retains importance for the 50,000 Asians who now live in the Delaware Valley. It is a marketplace for Oriental food and products, a meeting place for friends and relatives—a place where traditional culture is preserved. Here are fresh ginger root and water chestnuts, fuzzy-skinned squash, winter melon, and tiger lily flowers. Here are bean curd, and special delicacies like "Thousand Year-Old Eggs" (actually eggs cured 100 days under a cover of ashes, lime, salt and tea). Succulent barbecued ducks hang in market windows. Stores sell meat dumplings and long noodles (symbol of longevity) and factories make fortune cookies.

Family-owned and operated restaurants feature such unique dishes as shark's fin soup, Peking duck, and tasty steamed treats called "dim sum." Chinese New Year begins on February 17 this year and the "lion" dances in the streets accompanied by exploding red firecrackers and thundering drums. Families settle debts, wear new clothes and welcome back the kitchen god.

Chinatown is a distinctive Philadelphia neighborhood. Its crime rate is the lowest in the city. Almost everyone is related by blood or marriage, and about 90 percent of its high school graduates go on to college. The flavor of China remains. A major positive factor in this is the Philadelphia Chinatown Development Corporation. Its very presence provides the climate which has attracted outside investors, and it is achieving its goal: "to preserve, promote, and protect Chinatown."

Cecilia Moy Yep Fights For Area's Survival

Cecilia Moy Yep jumped into action on behalf of Chinatown when she got angry about the Vine Street Expressway.

In 1966, the proposed widening of the Expressway would have demolished Chinatown's valuable institutions, the Holy Redeemer Catholic Church and School. (Mrs. Yep's family were the first parishioners at the church, which was and is today the only Roman Catholic Church in Philadelphia for Chinese-Americans.) A town meeting was held; an ad hoc committee was formed; and in 1968, this committee was incorporated into the Philadelphia Chinatown Development Corporation which blocked the Expressway's original design, saving the buildings from the bulldozer. With this project Mrs. Yep began her career with the community group which has since broadened its services to include housing, commercial developments, and community planning.

A second generation Chinese-American, she is a fighter. "People know I mean business," she said, describing another confrontation. "It was the Chinese Alamo. The Redevelopment Authority tried to take our house. I simply refused to leave.

From 1967 to 1982 we had three eviction notices because our house was in the way of urban renewal, and later, a commuter railroad tunnel. Eventually, the family moved out, when replacement housing finally became available."

Although she admits, "Sometimes I spread myself too thin" this mother of three and grandmother of two makes time for civic service. She's a member of the Board of the Balch Institute, Metropolitan Hospital, Urban Affairs Partnership, Housing Association of Delaware Valley, Philadelphia Council for Community Advancement, the Philadelphia Urban Coalition, and the Mayor's Neighborhood Commission.

Mrs. Yep and her organization have been honored with many awards. A few: In 1984, the group won the Civic Environmental Award from The Foundation of Architecture. In 1984, Mrs. Yep received a Special Citation for distinguished service to the Asian American Community of Philadelphia from the Asian American Council of Greater Philadelphia, and in 1987, the Greater Philadelphia Chapter of the National Association of Women Business Owners recognized her as Business Woman of the Year.

Provident Bank Revamps West Chester Landmark; Restores Old Lodge

"Buffalo Bill" Cody once stabled horses for his famous traveling "Wild West show" in the mid-19th century building. It was also a seed store and grain warehouse. Then it became a Moose lodge. In 1987, the brick and stucco building changed appearance and function—a case of historic preservation providing continuing economic benefit for West Chester, county seat of Chester County, Pa.

This is because Provident National Bank stepped in, appreciated the building's excellent location, renovated it and brought a team of professionals and senior officers from Philadelphia and the suburbs to form a Financial Service Center in the middle of town. The Center offers regular banking services, trust services, estate planning, and investment management, according to Joan Debruzzo, Senior Banking Officer and Branch Manager. "We were happy to work with the Chester County Historical Society who helped us with research to preserve this certified historic landmark," she said.

CEDC Attracts Firms, Jobs to City of Camden

"Each year, communities lose nearly ten percent of their jobs and businesses. To break even, every locality must replace half of its jobs every five years. In cities like Camden, with high unemployment and a median age under 25, this sort of replacement is inadequate. The net job pool must expand each year to absorb those out of work as well as youth entering the labor force."

These comments came from Benjamin A. Smallwood, President, Camden Economic Development Corporation (CEDC). This quietly and professionally run non-profit organization is one of the central players in Camden's revitalization strategy.

Under Smallwood's leadership CEDC has since its inception in 1981 completed 20 financing deals producing 1,400 permanent jobs. CEDC does this through arranging private and public financing accompanied by technical assistance. When economics do not make purely private financing feasible, CEDC makes the deal practical by lining up 60 percent private bank financing in first position, accompanied by a 40 percent combination of public and equity financing in second position.

Lenders directly involved with CEDC include Horizon/Princeton, United Jersey Bank Southwest, First Jersey National Bank, and Columbia Savings and Loan Association.

CEDC uses a variety of public sector financing sources including CDBG funds, Urban Development Action

Grants (UDAG), and Federal EDA Title IX revolving loan funds. Camden's only SBA Certified Development Company, CEDC is able to utilize SBA's 504 loan program.

Using these tools, CEDC's capital in the 20 deals ranged from \$25,000 to \$1.1 million, leveraging over \$20 million in investments in Camden. Projects include American Photo Transfer Corporation, BPUM Restaurant, Palko Continental, the Plaza Medical Nursing Facility, Jovin, Inc., Antrim Industries, Cadillac Industrial Laundry, the Dayton Manor Residential Health Care Facility, and a restaurant, George's of Camden.

"When CEDC opened its doors in 1981, most banks were reluctant to make loans in Camden," Smallwood said. "We had to demonstrate to the banking community that CEDC could take on risks without being reckless. To date, we have had no defaults." While pleased with his organization's accomplishments, Smallwood is not content with the market niche. He would like to extend CEDC's reach to the entrepreneur struggling or looking to start up in Camden.

One goal is to get a Small Business Investment Company or a Minority Enterprise Small Business Investment Company to inject crucial equity capital in expanding small businesses. Another goal is to establish a business incubator to provide support services to start-up businesses including a common facility, technical assistance and seed capital. The incubator concept took a giant step towards im-



Benjamin A. Smallwood, (right) President of CEDC, has coffee with Russell E. James, Jr., majority stockholder in George's of Camden Restaurant. The city's first "upscale" restaurant, it is located in the new retail strip, Venture I, adjacent to the Transportation Terminal, to open soon. CEDC extended a \$65,000 line of credit to the restaurant to provide working capital until the expected increase in customers occurs following the terminal's opening.

plementation this fall when a partnership agreement was arrived at between CEDC and the Black People's Unity Movement (BPUM) to jointly establish an incubator in Camden as a member of the Control Data Business and Technology Center national network. The incubator will occupy 25,000-40,000 square feet in BPUM's Poets' Row Industrial Park and will house 25 new businesses and provide 125 jobs. For more information on CEDC contact: Benjamin Smallwood, President, Camden Economic Development Corporation, 326 Mickle Boulevard, Camden, NJ, 08103; or phone (609) 963-4540.

Need a Speaker?

Members of the Community and Consumer Affairs Department of the Philadelphia Fed may be available to talk to various audiences. Speakers and their topics are: Fred Manning, Community Affairs; and Phil Farley, Regulations Assistance. For details, phone Betty Carol Floyd, (215) 574-6458.

Speakers are also available from Jim Dygert's Public Information Department on these topics: Banking and Financial De-regulation; Business and Economic Issues; Treasury Securities; The Federal Reserve Today; and Consumer Education. For details, phone Henrietta Kiel, (215) 574-6257.

Pamphlet Describes Fed's Role In Community Revitalization

Successful community redevelopment initiatives often require the combined efforts of government, the financial sector, private interests and local citizen groups. This is especially true when the improvement project is extensive and/or difficult. Through its Community Affairs function, the Federal Reserve today is positioned alongside the participants encouraging revitalization efforts and brokering relevant information. This process is

described in *Meeting at the Intersection*, a new pamphlet published by the Community Affairs Department of the Philadelphia Fed, and written by Keith Rolland, Economic Development Analyst. The pamphlet is being distributed free throughout the Federal Reserve System. Contact: Community Affairs Department, Federal Reserve Bank of Philadelphia, 10 Independence Mall, Philadelphia, PA 19106-1574, or phone (215) 574-6037.

Camden, Four Banks Initiate Partnership

Four banks have joined the City of Camden in a new partnership, Cooperative Business Assistance Corporation (CBAC), to provide financing and technical assistance to small businesses. They are City Federal Savings Bank, Midlantic Bank (South), Princeton Bank and United Jersey Bank (South).

"If Camden is going to be revitalized, it must be a cooperative effort, involving not only the City but also lenders and others," said James E. Strangfeld, Senior Vice President of Princeton Bank in Camden, and Secretary-Treasurer of CBAC.

When CBAC approves a loan, it will lend 50 percent while the banks will lend the other 50 percent. CBAC will be the actual lender and the bank will service the loans. The City's funds are subordinated to those of the banks. Partnership loans generally will be up to \$60,000; above that amount, the city's share will not exceed \$30,000.

The loan fund was capitalized with \$150,000 provided by the City of Camden, using Community Development

Block Grants funds. Approved businesses will receive loans at below-market interest; banks will lend funds at market rate interest while the City will lend its portion at 2-3 percent. Any business employing under 100 persons is eligible to apply for a loan; approval will be based on ability to repay and benefit to Camden. Loaned funds may be used for almost any business purpose, including working capital, equipment, and real estate.

Ongoing technical assistance is an important part of the effort, explained Adina Abramowitz, Executive Director. Borrowers will get free assistance in bookkeeping, accounting and other business areas. "It's an answer to their biggest prayer," she said. (CBAC recently contracted with General Business Services, Cherry Hill, N.J. to provide that assistance.) She finds that borrowers are "forward-thinking," such as a woman who worked for 40 years in a factory and then established her own sewing business with assistance from family members. It now employs 20 people.

Banks Work in Tandem On Low-cost Housing

When the Lehigh Valley Confederation on the Homeless called out for help with affordable housing, two major banks, Merchants Bank of Allentown and Lehigh Valley Bank of Bethlehem, responded.

They took the lead in establishing a multi-bank loan pool for low-income housing, and committed \$100,000 each to this below-market-rate pool. The loan fund is being channeled to both non-profit and for-profit developers of low-income housing through the Lehigh Valley Housing Development Corporation, a private non-profit offshoot of the Lehigh County Housing Authority.

The first project funded through this mechanism is an Allentown five-unit rental development. The loan was for \$74,000 at 4 percent interest, and comprised 40 percent of project costs. Another loan at market rate to cover an additional 40 percent of project costs was extended directly by Merchants Bank.

The goal of the Confederation is to create 200 units of affordable housing for low-income families in Lehigh and Northampton counties by 1990. To do this, the special loan fund will have to be built up to approximately \$2 million, according to John Seitz, Executive Director, Lehigh Valley Housing Development Corporation, who said that three other area banks are soon to announce a combined commitment of \$225,000 to the fund.

"The Corporation's board of directors is looking to attract additional bank commitments and to develop a mechanism through which non-bank entities could also invest in affordable housing," said Kurt Zwikl, Vice President, Merchants Bank, and a co-founder of the loan fund. He explained that the fund is structured to make individual loans of up to 40 percent of project costs not to exceed \$150,000, and at a rate as low as 4 percent if necessary. For details on the loan fund, phone Seitz at (215) 433-2312 or Zwikl at (215) 821-7620.



Adina Abramowitz (right), Executive Director of CBAC talks with Dona "Joe" Lumpkin, owner of Lori's Records. Lumpkin plans to rehabilitate the vacant building next to his store and open a video rental service.

CBAC's loan committee consists of representatives from each bank; Barbara Coscarello, director of Camden's Department of Development; and one business person. For details contact: Cooperative Business Assistance Corporation, Hudson Building, 800 Cooper Street, Camden, NJ 08102; or phone (609) 966-8181.

Historic Preservation . . .

(continued from page 1)

a low-income neighborhood through the acquisition, rehab and rental of 28 apartment units in the Allison Hill Historic District.

Spring Garden United Neighbors, Philadelphia, received a \$90,000 ICVF grant/loan to acquire and rehab the vacant 1926 "art deco" Darrah School into a 21-unit housing cooperative in an Hispanic low-income neighborhood experiencing gentrification.

Want an ICVF Grant?

Is your community-based group located in an historic neighborhood? Do you want to apply for grants or loans to revitalize the area? The Inner-City Ventures Fund (ICVF), a program of the National Trust for Historic Preservation, would like to hear from you, if you are an incorporated 501 (c) (3) non-profit group. Pennsylvania, New Jersey, or Delaware groups should contact the ICVF Mid-Atlantic Region Office, Cliveden, 6401 Germantown Ave., Philadelphia, PA 19144.

Fed Hosts Community Affairs Conference; Theme: Community Reinvestment Act

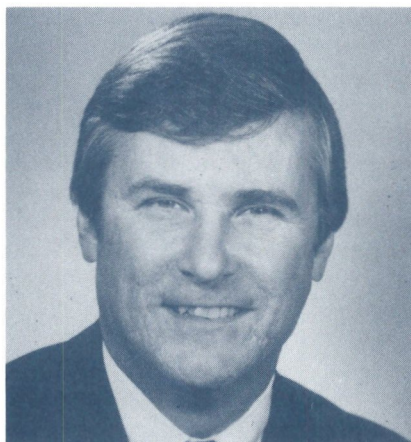
"Let's reflect on the status of the Community Reinvestment Act after its first decade of existence," said Edward G. Boehne, President, Federal Reserve of Philadelphia, as he opened the recent Community Affairs Conference. He told the 150-person audience, representing 76 organizations (financial institutions, community groups, and public agencies) that "CRA requires banks and thrifts to demonstrate that they are serving all parts of their communities, consistent, of course, with the observance of sound banking principles."

"The law requires regulatory agencies to evaluate institutions on their CRA performance. When a bank wishes to expand its operations to another market area, that performance record can come into play in the form of a citizen challenge against approval. Incidences of challenges have mushroomed because there are more applications for expansion and because community groups have become more knowledgeable about CRA. There have been around 100 challenges filed with the Federal Reserve since 1978, two-thirds of which have come about since 1985. In about 40 percent of these protests there have been negotiated settlements.

What usually happens, he explained, is that the protesting party agrees to withdraw its challenge in return for a bank's commitment to increase its flow of credit and services into the community. A measure of this activity is that some \$5 billion has reportedly been committed by American banks since 1978, with \$1 billion of that coming in the last year alone.

"CRA has also grown in importance within the Federal Reserve System. Each Reserve Bank has a Community Affairs Officer and staff who work with lenders, city groups, and government agencies. Here we have organized the Community Affairs Officers of Philadelphia and Camden banks into informal networks to orient the practitioners to the opportunities which confront their organizations. We'll soon be repeating this initiative in Harrisburg, Wilmington and north-eastern Pennsylvania," he concluded.

Fred Manning, Assistant Vice President and Community Affairs Officer, introduced the next speaker as "a person with a strong social conscience and an 'alumnus' of the Philadelphia Fed." This was Pennsylvania Treasurer G. Davis Greene, Jr., who announced that his office is developing a program to place funds on deposit with banks which are active in community development. "In the short-term this amounts to \$4 to \$6 billion," he said. "It makes sense to us that a large proportion of this be invested with banks where the money will have a community impact. We are establishing criteria now for bank activities, and we look for competence and compassion."



Michael P. Sullivan

"Communicating the CRA Record" was the topic of Michael P. Sullivan, President, Michael Sullivan Associates, of Charlotte, N.C. His marketing and consulting firm has advised many clients in CRA negotiations.

"Tell the bank's story of community development and lending to minority businesses. Focus attention on the important things, and forget the contribution to the Junior Miss Pageant," he advised. "Develop a mission statement for your four 'publics': customers, employees, stockholders, and the community. Don't neglect other publicity opportunities. Send information to *The American Banker* and *CASCADE*," he suggested. He cautioned that the prospect of a protest is a reality. "There were about 280 mergers and acquisitions in 1987, both interstate and intrastate. A CRA protest can actually mean an opportunity for locating good business. But don't hide your light under a bushel."



James Carras

"Is There Life after CRA?" was the topic of James Carras, whose community and economic development firm, James Carras Associates, of Boston and Ft. Lauderdale, has been an experienced CRA consultant. In a light-hearted vein he discussed the perceived similarities between CRA and death: "Is there life after CRA? It depends. Ignore communities and not seek out ways to lend in lower income areas and life for the banker can be hell. Rest on the laurels of a compliance program that satisfies your examiner and life for the banker will be like Dante's purgatory, neither heaven nor hell. Or, be a 'born-again' lender by strategically planning your CRA compliance program, and life can be wonderful."

Sullivan, Carras, and Manning were joined by Glenn E. Loney, Assistant Director and Community Affairs Officer, Board of Governors of the Federal Reserve System, in a question and answer session:

MANNING: From whence comes the Federal Reserve Board's authority in convening meetings between the challengers and the challenged? For example, are participants required to attend negotiation meetings?

LONEY: It has long been the Board's policy to encourage people to get together. But if folks don't want to meet, we won't try to make them. If you don't want to deal with the community group, you can stand on your (CRA) record. But if you do take that posture, make sure that you know what your record is. Have it documented and available. To sum up,

parties are not required to negotiate but a large number have chosen to do so.

MANNING: There's a perception out there that community groups, in raising a challenge, have time on their side, whereas banks have an application time bind. Do community groups actually have something to lose by delays?

CARRAS: Most banks believe that groups use the CRA time clock to delay the application. But the number one goal of the group is settlement—to settle what they perceive is inattention to their needs. And they must get back to a constituency. Sometimes they want settlement *before* filing a protest, *before* the clock begins to tick.

MANNING: Are there cases where a protesting group, in effect, shoots itself in the foot by being dogmatic?

CARRAS: Yes, usually on the notion of targeting a dollar agreement. "How much did you get?" is asked of them. But what does that mean? A dollar figure can be pulled out of the air. The important result is the long-term activity—the access to and availability of credit.

MANNING: Who from the bank should represent it in a protest meeting?

SULLIVAN: The bank should have someone at a high level from the retail and legal sides. And someone who has an understanding of the bank's breadth of involvement. Representatives of the acquiring and the acquired banks should be present. Who should not be present are persons who will make inflammatory statements.

MANNING: Should the CEO be present?

SULLIVAN: No. I think there might be problems if this happens. Much CEO thinking is along the line: "This is blackmail." With a smaller bank, if the CEO is a good middle-of-the-roader, I might change my opinion.

CARRAS: Each situation is different. It comes down to the CEO's personality. There is far more respect for an institution that walks in with the CEO. Some community groups allow the CEO to be absent, but they want someone at the table who can make decisions, not someone who says, "I'll have to make a phone call on that." The community group sees this as a stalling tactic.

MANNING: Negotiation skills? Where do you get them? It seems like two kids learning how to dance....

CARRAS: Everyone acquires skills through experience. Through sessions, contacts, and asking questions. Also, we don't understand one another's language. Community groups don't understand bankers' language—especially lawyers' language. But if you have contacts, then you'll understand the language. It takes a while to build a common language, but we need this more than negotiation skills.

MANNING: On second thought I'm willing to believe some of us get these skills at an early age. Many a teenager has gotten that first car from a parent by asking for a motorcycle.

MANNING: Are CRA challenges a major factor in delaying the processing of an application?

LONEY: About the delay issue, you might see in the press that a city group says, "We are going to protest and hold up the application." Not so. If it gets held up it will be held up by the Federal Reserve. It could be held up for other things than the CRA issue and sometimes CRA gets the rap. We have recently reviewed our performance. On average, the time it took to process CPA applications was in the ball park—about the same time it took the Board to approve applications involving other issues. A few applications were delayed, some significantly, and it wasn't necessarily the community group's challenge that held them up.



Glenn E. Loney

Loney's luncheon address was "CRA and the Fed—Quo Vadis?" He reviewed the current situation on the

national scene and interpreted the dynamics this way: "There is a lot of CRA out there. Dedicated and professional people are laboring in the vineyards to genuinely improve their communities...in small CDCs, for example, which seem to me to be one of our country's best kept secrets. Community reinvestment does not come about through government intervention. We can't make it happen all by ourselves. We can only facilitate. One way of looking at the Fed's role is that we intervene when we feel the market isn't working.

"Without top management commitment, CRA won't work. It will only be 'public relations.' If a bank is really involved in community reinvestment, top management must be involved and it must be treated like a business. This may mean a selling job but it eventually could be a profitable aspect of your organization's everyday life."

Explaining that CRA is a new area for many banks, he said, "Some banks are not accustomed to lending in this area, which is often not collateral-based lending. Bankers may have to grow comfortable with unfamiliar concepts like an injection of capital into projects through other forms of equity or soft funds. This requires a different approach. Banks have to find people who know how to do this or who can learn how.

"Community groups are out there practicing. If you haven't started organizing to articulate, document, and communicate your record, you may be surprised at how effective these groups are, if you should get a protest down the road."

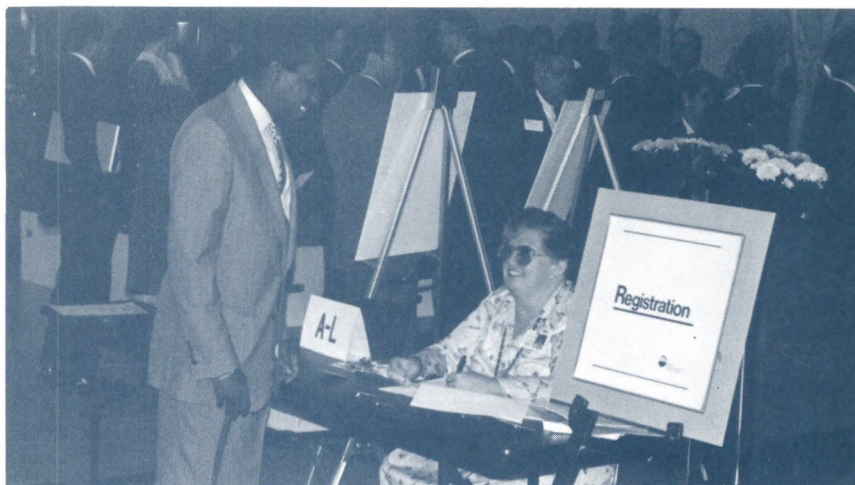
About the Fed, he pointed out that "CRA was not second nature to us. We trained ourselves. The Fed can do still better in the application process, where there is an element of uncertainty. We can try to provide more certainty, more guidance for banks about what the Fed expects, and what they can expect from the Fed."

His concluding advice for bankers in the area of CRA activity: "Treat this as routinely and professionally as you would treat any other part of your business."

Fed Hosts Annual Community Affairs Conference; Theme: CRA



Edward G. Boehne, President, Federal Reserve Bank of Philadelphia, opened the conference.



Betty Carol Floyd, Secretary, Community Affairs Department, signs in a conference guest, Michael K. Haskins, Assistant Vice President, Community Relations, First Pennsylvania Bank.



Robert A. Wallgren, Group Director, Banking Professions, American Banking Association, Washington, D.C., (left) meets guests from Sun Bank N.A., Orlando Fla. They are Sandra Jansky, Executive Vice President, and Clifford M. Hames, Vice Chairman of the Board. Wallgren is a former officer of the Philadelphia Fed.



G. Davis Greene, Jr., State Treasurer, announced that his office is developing a program to place funds on deposit with banks active in community development.



Three Harrisburg attendees were (left) Kay Pickering, Project Coordinator, Harrisburg Fair Housing Council; (center) Cynthia West, Community Relations Officer, Dauphin Deposit Corporation; and (right) Camille Erice, Human Relations Representative, Harrisburg Human Relations Commission.



James Carras, (center) conference speaker, talks with two guests from the National Congress for Community Economic Development, Washington, D.C., Kevin P. McQueen, (left), Program Director and Kevin Kelly (right), Program Associate.

Social Investing Means Sound Loans at DVCRF

An important experiment in city lending is underway in the Delaware Valley. A new community loan fund barely two years old has acquired \$500,000 in low-interest money and has made loans worth \$315,000—all being paid on time.

The Delaware Valley Community Reinvestment Fund (DVCRF) was started by an unusual mix of people from three different worlds—community development, activism and the business community.

An unusual aspect of the fund is its merging of lender and borrower interests. "They share commitment and risk," Jeremy Nowak, DVCRF's executive director, pointed out. The bulk of the \$500,000 has come from individuals seeking socially-oriented investment opportunities. They invested money at low interest; the fund then added a mark-up of 2-3 percent and re-lent those funds. Current commitments soon will bring the fund's capital to \$700,000 of which an estimated 55 percent will come from individuals, 25 percent from churches and 20 percent from foundations.

DVCRF lends to projects which are city-based and have long-term benefit to low and moderate-income residents in the eight-county Philadelphia metropolitan area. It makes below-market loans for up to eight years. The loans include: \$48,000 to the Concerned Citizens of North Camden to rehabilitate five boarded-up houses and a single-room occupancy building; \$34,000 to Philadelphia Concerned About Housing to rehab eight units which will be rented to homeless women and children; a \$50,000 construction loan to New Kensington CDC to rehab a mixed-use building; and a \$40,000 bridge financing loan to the Tenant Action Group of Philadelphia.

The fund's 22-member board includes: community development leaders such as Rudy Tolbert, Mamie Nichols, Rev. Joseph Kakalec and Andy Lamas; Legal Service attorneys; and a banker, investment advisor, investment consultant and developer. "It's a strong board," Nowak said. "They're



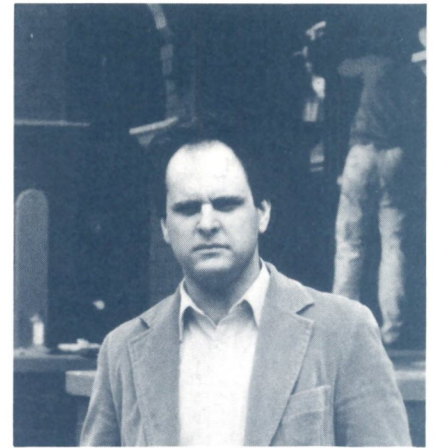
Vanessa Morton and her children stand on the porch of their north Camden house, one of five rehabilitated through the DVCRF as part of the Concerned Citizens of Camden Land Trust. She bought the four-bedroom house for \$18,000.

tough folks, bright and they're leaders." Tolbert, executive director of Southwest Germantown CDC, added: "We all have different perspectives but what makes the fund gel is respect for each other's perspective."

The loan committee is chaired by Robert Sanders, a commercial lender and Assistant Vice President, Philadelphia National Bank. Only Sanders and one other person on the seven-member committee have a lending background. But the group engages in a rigorous, intensive process of credit analysis such that "its members in time could work as bank lending officers," said Sam Folin, a portfolio manager instrumental in launching the fund.

The fund protects itself further by requiring collateral on all loans and by seeking first position. Folin explained that the goal is to "develop a model of community lending in a major metropolitan area which can protect investors' capital while making useful loans in low-income communities."

Continental Bank recently became the first bank to invest in the fund. Ray Desiderio, Senior Vice President, Continental Bank, said that the bank made a two-year loan which it considers a "social investment." "We hope to establish a partnership whereby a borrower who is originally unbankable obtains financing from the fund, and later is eligible for



Jeremy Nowak heads the DVCRF.

Photo by Bob Fleischhauer, courtesy of Philadelphia Business Journal.

financing from us. I view it as a cycle."

The fund recently was approved for a \$360,000, three-year grant from Pew Charitable Trusts and has received investments from the Philadelphia Foundation and the Samuel S. Fels Fund. Roy Diamond, president of Rouse Urban Housing who previously chaired the fund's loan committee commented: "The underwriting is as careful as anywhere else in town. Loans are made in a businesslike rather than charitable context."

As to the future, Nowak said that the fund is exploring ways of raising larger amounts of capital. Folin added, "There's a bigger market than the fund can meet. We all share in the responsibility to respond to this need." For information, contact Jeremy Nowak, DVCRF, 924 Cherry Street, Philadelphia, PA 19107 or phone (215) 925-1130.

CASCADE wants to hear from you. Send us news about your community development activities. We now reach about 6,000 readers. Write: CASCADE, Federal Reserve Bank of Philadelphia; 10 Independence Mall, Philadelphia, PA 19106-1574 or phone (215) 574-6568. To add your name to the mailing list, make address changes, or order additional copies, contact at the same address.

Chinatown Development . . .

(continued from page 1)

dollars and indifferent politicians. However, our organization has accomplished a great deal. We have outlined a plan to save the neighborhood. And we have already had many 'victories', including the Gim San project, now under construction for 1988 occupancy."

"We are thrilled about it," said Mrs. Yep, "and we did it without government subsidies. The Redevelopment Authority named the Philadelphia Chinatown Development Corporation as developer—after about six years of negotiations—and we are building a row of 14 stores and 28 residential units on the east side of 9th Street. "Each building will total 3200 square feet and include a storefront, and a two-bedroom and a three- or four-bedroom apartment. We ascertained the strengths of our people and pulled together the resources of extended families—pooling resources is a Chinese family tradition. We found 14 buyers who put money into an account which enabled us to borrow the \$3.6 million construction loan from Atlantic Financial.

"Boris Lang, Vice President, Commercial Real Estate lending at Atlantic Financial, helped us to package the project, and understands the importance to Chinese of owning property. He sold his Board of Directors some time ago on making mortgages to Chinese, and you know what? They have never had a foreclosure. Lang has been a consultant for us and not only gave us financial advice, but became a close friend serving on our advisory board for many years. He is my mentor," Mrs. Yep said. (Lang, expanding on "no foreclosures" said that James J. Rizzo, Executive Vice President of Atlantic Financial, provided management impetus to loan approval because of his experience as a lender to Chinese families.)

Previous developments sponsored by the organization include Mei Wan Yuen ("beautiful Chinese homes"), which provided 25 subsidized townhouses, and Dynasty Court, a multi-family 55-unit project. On Lok ("peace and harmony") House, completed in 1984, is a 54-unit rental residence for the elderly and handicapped.



Repeat the above building in your mind's eye seven times and you can visualize a long block of stores and apartments in Chinatown. The artwork, from The Martin Organization, architects and land planners, shows Gim San Plaza, scheduled for August completion.



George Moy, Vice President, Philadelphia Chinatown Development Corporation and Cecilia Yep consider plans for Chinatown's future.

"There's a little story there," Mrs. Yep said. "Many older Chinese at On Lok are Buddhists. They burned joss sticks (a joss stick is a stick of incense burned in front of an altar), which became a headache for the fire department, because the burning incense activated the smoke alarm system. The fire engines were there almost every day! Finally, the smoke detectors were adjusted not to react to the incense."

The organization has worked with the Pennsylvania Department of Transportation to minimize the adverse impact of the Vine Street Expressway. One of the results: noise-blocking walls.

What's in the tea leaves for Chinatown's future?

"We aren't funded by the city. We are a United Way affiliate and we also get



Friendship Gate, marking the entrance to Chinatown, was created by Chinese artisans, and shipped here in pieces like a giant jigsaw puzzle.

funds from the Philadelphia and Pew Foundations. We won't do big 'PR' efforts. But we will continue to talk to investors, to let them know that we're a neighborhood worth saving," she said.

Among future projects and concerns:

- A new China Trade Center to cost about \$6 million
- New housing and commercial development to the north

"We also will continue to maintain Chinatown's cultural identity," said Mrs. Yep. "You know, this is the Year of the Dragon, said to bring growth and harmony. So perhaps the squeeze will be off, for a change, in Chinatown."

For additional information, contact Philadelphia Chinatown Development Corporation, 1011 Race Street, Philadelphia, PA 19107, or phone (215) 922-2156.

Banks Fund Mortgage Counseling with PCCA

To make home mortgage loans through the Philadelphia Mortgage Plan (PMP) more attractive to private mortgage insurers, banks are arranging for counseling for prospective borrowers.

Banks participating in PMP are contracting with the Philadelphia Council for Community Advancement (PCCA), through the Urban Affairs Partnership, for this counseling, because a high delinquency rate has contributed to the broader problem of obtaining private mortgage insurance. Banks are paying \$150,000 for the counseling, which will be encouraged but not required, in a one-year project.

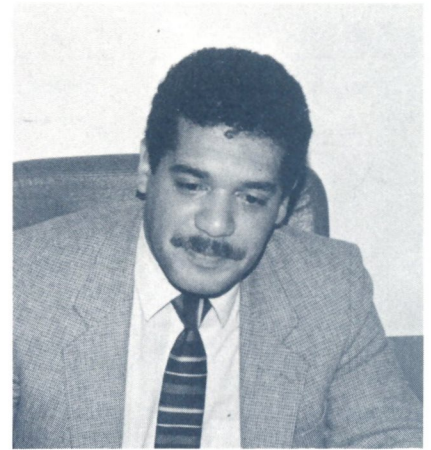
LaVerne Jones, PCAA's Deputy Executive Director, said that pre-purchase counseling includes suggestions on money management, help in choosing the right house, and planning for move-in and maintenance expenses. PCCA will automatically be notified when a PMP mortgagor is late; a counselor then will work with the family and mortgage servicer to establish a forbearance agreement and/or full reinstatement of the account. PCCA will conduct a three-year follow up program to monitor homeowner progress and determine the effectiveness of its counseling.

"Borrowers with very low incomes need substantial counseling so they'll be ready when they get to the bank and will become solid homeowners," said H. Ahada Stanford, Deputy Director, Urban Affairs Partnership.

PCCA and the Housing Association of the Delaware Valley (HADV) provide a large share of Philadelphia's housing-related counseling. Both provide pre-purchase counseling and default and delinquency counseling to owners and renters. The two groups, which are funded by the state and city, each counsel about 1,000 persons a year.

A fairly typical case is that of Ann, a 31-year old woman with two children who earns \$8,400 annually. Her husband left her after he physically abused her. The woman was unable to meet her house payments, and FHA had started to foreclose when HADV became involved. HADV got HUD to reduce her mortgage payments temporarily. Then, she was laid off from her job; but she got another, met the payments and retained ownership of her house.

PCCA, which is 25 years old, also provides construction financing and packaging assistance for neighborhood organizations developing low-



Henry Cruz is counseling coordinator for the PCCA.

income housing. HADV, founded in 1909, is the oldest housing advocacy organization in the U. S. Other groups providing housing counseling are the Urban League of Philadelphia, Bucks County Council, Southwest Germantown CDC, Neighborhood Development Alliance, Northwest Counseling Service, New Kensington CDC, Hunting Park CDC and KAN-KARP.

For further information, contact: LaVerne Jones, Deputy Executive Director, PCCA 100 N. 17th. Street, Suite 600, Philadelphia, PA 19103; (215) 567-7803; and Walfredo Cabrera, Project Coordinator, HADV, 658 N. Watts Street, Philadelphia, PA 19123; (215) 978-0224.

New Jersey Reveals "Buy-And-Fix-It" Loan Plan

Where can you get a single mortgage to purchase and rehabilitate a house at the same time?

Prospective homebuyers in Camden and other urban target areas in New Jersey can do this, under a new state program. The New Jersey Housing and Mortgage Finance Agency (NJHMFA) will provide the financing while FHA will insure the loans through the FHA 203(k) program. Unlike the 203(k), however, the new program provides a means for the lender to sell the loan off prior to rehabilitation being completed, thereby avoiding costly warehousing fees, noted Anna Auerbach, Mortgage Program Manager at NJHMFA.

Gerry Post, Acting Director of the Single Family Program at NJHMFA,

said that to her knowledge the program was the first of its kind in the country. City Federal Savings Bank and First Fidelity Community Development Corporation in Atlantic City were lender participants at press time. Two mortgage banking firms also were participating.

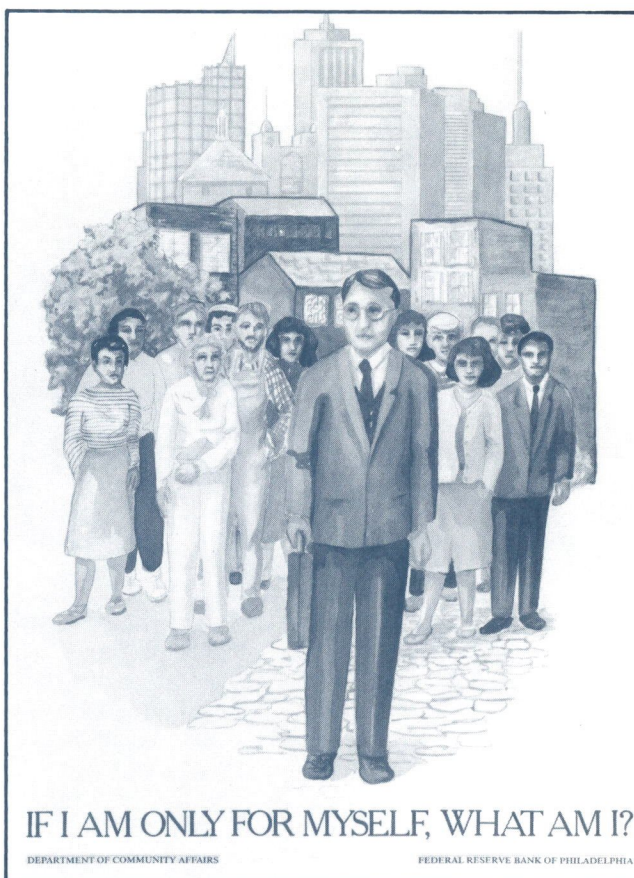
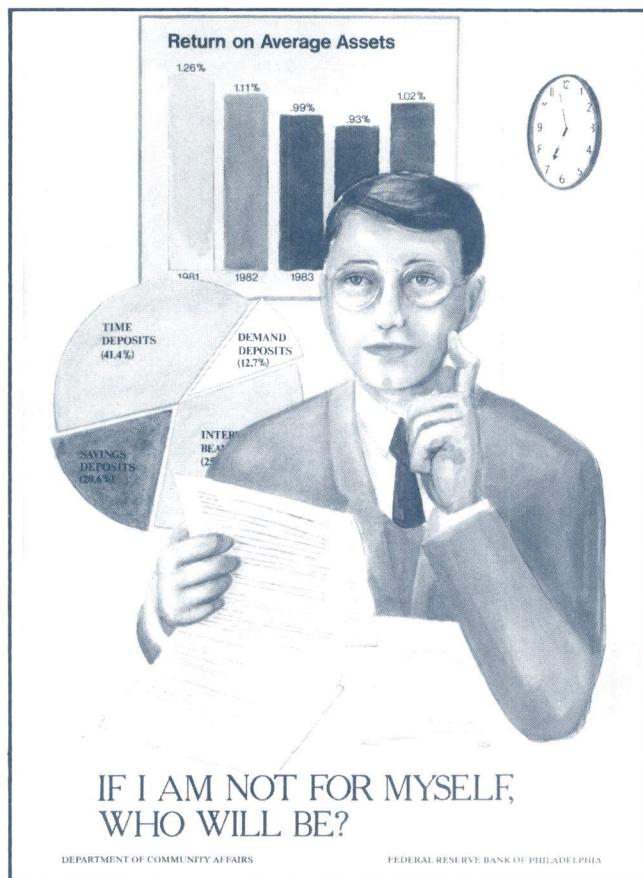
Prospective homebuyers are eligible if they are buying a house in urban target areas—which are parts or all of 41 municipalities including Camden, Atlantic City and Trenton.

Applicants must reside permanently in the house no later than 60 days after the rehabilitation work is completed. Eligible houses are one- to four-family houses at least 20 years old. Approved applicants receive a low-interest, fixed-rate mortgage with

a maximum term of 30 years. A minimum 5 percent down payment is required and two points are charged. Lenders already enrolled in NJHMFA's Home Mortgage Program 1987 pay no additional participation fee; otherwise, there is a \$2,000 non-refundable fee. Lender compensation consists of \$625 per mortgage loan (paid by NJHMFA) and \$100 in excess of out-of-pocket expenses incurred in originating the loan (paid by the borrower). Applicants can reduce their mortgage rate further by obtaining no-interest loans through NJHMFA for energy-related repairs.

For further information contact: Anna Auerbach, Mortgage Program Manager, NJHMFA, 3625 Quakerbridge Road, CN 18550, Trenton, NJ 08650; or phone (609) 890-8900.

A Banker's Dilemma



Marrinan Forecasts Compliance Issues

"The 'upscale dilemma' will be an issue for the early 90s. This means a rebirth of consumerism, with customers who are better educated, and who thrive on disclosure and comparisons."

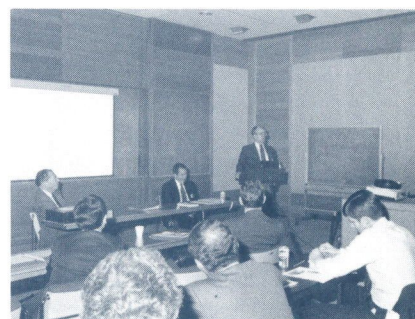
This prospect and other issues were described recently by Tim Marrinan, General Counsel, Consumer and Small Business Banking, First Bank Systems, Inc. of Minneapolis. He spoke to the Philadelphia Metropolitan Area Compliance Officers Council who met at the Philadelphia Fed.

"Keep your eyes peeled for new regulations on delayed funds availability and lifeline banking. And for another major issue, I'll put my money on service charges. Banks should

validate these charges, and explain the circumstances under which they will be made." He specified insufficient funds charges, stop payment orders, late charges, and service charges on deposit accounts such as minimum deposit requirements.

Still more issues are adjustable rate mortgage disclosures, and possible regulatory incentives for banks with exemplary records of compliance with the Community Reinvestment Act (CRA).

Marrinan was formerly chairman of the Federal Reserve Board's Consumer Advisory Council, the first banker to be appointed to this post by the Board of Governors. He is responsible for development and co-



Tim Marrinan talks to the Compliance Officers Council about possible new banking regulations.

ordination of the First Bank Systems' regulatory compliance effort.

For details on the Compliance Officers Council, phone Phil Farley, Department of Community and Consumer Affairs, Philadelphia Federal Reserve Bank, at (215) 574-6458.

