

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

Fed Sponsors Heavily Attended Sixth Annual Community Affairs Conference

The recent sixth annual Fed-sponsored Community Affairs conference outdid previous sessions in attendance and enthusiasm. Banks represented: 103. CEOs in the audience: 37. Total attendance: 256.

Following a welcome by Philadelphia Fed President, Edward G. Boehne, the conference moderator, Fred Manning, Vice President and Community Affairs Officer, took over to introduce each speaker. He prefaced his remarks about the first, Donald A. Mullane, Executive Vice President of Bank of America, with:

"Probably no major bank better fits the image of a financial institution as steward of the savings of people of modest means and as a friend to the struggling entrepreneur than Bank of America, the famous organization begun in San Francisco in 1904 by A. P. Giannini. The wellspring for that kind of commitment goes back to the philosophy of its legendary founder. The story is told that in the mid-20s the bank had a chance to acquire Wells Fargo Bank. Giannini asked to see a list of the bank's depositors. He recognized a number of famous names, but noticed that there was no comparable listing of ordinary customers. He turned down the acquisition with a much-quoted remark: 'I'd rather have a thousand bootblacks for depositors than one Rockefeller.' A half-century later the Bank of America had more than seven

million depositors."

"The community service tradition continues," Mullane said. "After some earnings setbacks, we have re-established our leadership position. In 1987, we enhanced our CRA program not just for technical



Donald A. Mullane

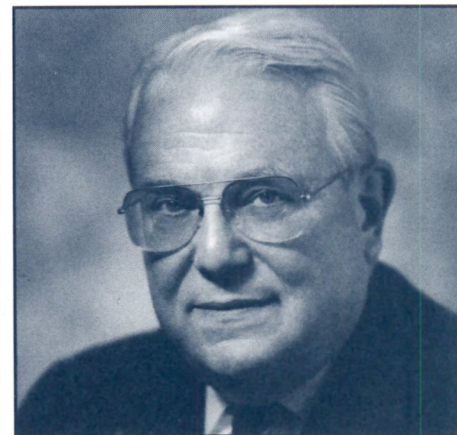
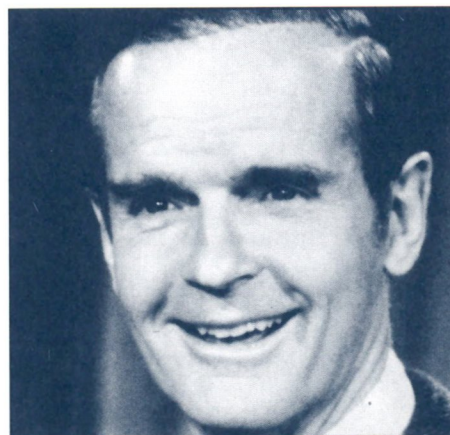
compliance but to capture the spirit of the Act. This initiative mandates community outreach for every unit and real estate goals for each census tract in low income areas. We developed BASIC (Bank of America Special Income Credit) with special underwriting terms (personal, auto, and home equity/improvement loans)

to better fit typical customer profiles in low income neighborhoods. To date, we have made loans totaling \$10.2 million. Every one of these applicants would have been rejected previously."

"This is the era of collaborative lending," he said. "Bank of America is picking up about 20 percent of a new \$100 million revolving loan pool with 45 other banks in California. In addressing the affordable housing needs of our markets, bankers are beginning to pull their oars in the same direction. Working together, we can make a difference."

"What is the most critical need of nonprofits?" asked James W. Head, Executive Director, National Economic Development and Law Center. "Not money. It is building and maintaining capacity. The Berkeley-based housing expert explained that capacity includes "competent staff, technical assistance, and educational opportunities."

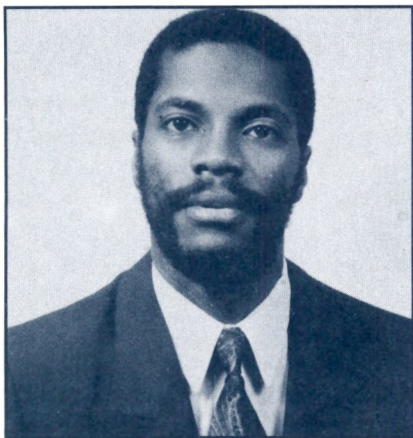
"Initially, an appealing argument for community-based economic
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Two headliners at the conference were the Hon. William Proxmire (left) and the Hon. John LaWare.

Community Affairs Conference...

development was that the community would have at its service the CDC, which could direct profits into services that would benefit the community, thereby eliminating reliance on federal programs, foundation and corporate support, and social welfare programs. These unrealistic expectations have largely been dissipated by a severely depressed economy, high unemployment and lack of affordable housing. Community-based businesses face the inordinate costs of functioning in small markets dictated by limited capital, unsophisticated management and lack of technical assistance."

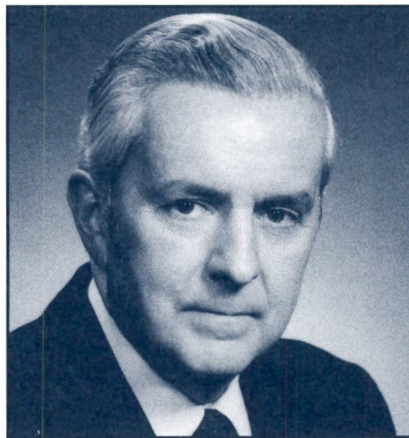


James W. Head

"On the other hand, community-based economic development organizations nationally have carried out successful projects, despite handicaps. They have built nearly 125,000 housing units, over 90 percent of which are for low income occupants, and have developed 16.4 million square feet of retail space, offices and industrial parks. They have made loans to 2,048 enterprises, equity investments in 218 ventures, and they own and operate 427 businesses. The industrial/commercial activities have accounted for the creation and retention of close to 90,000 jobs in the past five years."

"These successes have more to do with the capacity of the

nonprofits than anything else. When the reinvestment programs of financial institutions include assistance with capacity needs for this sector, the result will be strong nonprofits who will have a lasting impact on their communities," he concluded.



Daniel J. Callahan, III

"Some encouraging aspects of reinvestment" were described by Daniel J. Callahan, III, Chairman and Chief Executive Officer of American Security Bank, Washington. "We are meeting young, knowing developers and intermediaries who are on the job every day," he said. "As an example, LISC (Local Initiatives Support Corporation) is doing good work. We helped support LISC eight years ago when they came to the District. There are now LISC operations in 21 cities. Another factor is that community reinvestment is proving to be good business for the community and the bank. And by any standard, the quality of the loans we are booking has been exceptionally good. We are in this business to make a profit." (In the past three years American Security Bank has loaned over \$200 million for the development of 250 co-ops, 6,000 rental housing units, and more than 1 million square feet of retail and commercial space, all in low income areas of the city.)

A Philadelphia banker, Terrence A. Larsen, Chairman of Philadelphia National Bank,

described "some of the things that have worked for us."

"Our commitment to provide financial services to our community at a fair price within the context of strength and stability starts with the Board of Directors. Our Urban Affairs committee is a Board component. A benefit is that our Board members are proud and happy to be a part of what we are doing, and we get top management cooperation. Having a dedicated (specialized) responsibility helps our staff focus on the community. Our people are out visiting community groups regularly, identifying places where we can be a catalyst and provide expertise," he said.



Terrence A. Larsen

Reflections on the regulatory philosophy were offered by John LaWare, member of the Board of Governors of the Federal Reserve System, who said that "CRA has been a hot topic for Congress and regulators for the past two years."

"We frequently see a misconception about the law," he said. "CRA doesn't mean that banks have to institute new charitable programs. Meeting CRA requirements should be the most natural thing in the world. It's about knowing and serving a market. But how do we salvage years of neglect of this subject? Awareness of community needs and action thereon is the answer."

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Community Affairs Conference...

"Government can't and shouldn't provide all the solutions. The private sector should take the lead. Accept new partners. Look at CRA as enlightened self-interest. Also, understand that there is a downside risk from inaction. To have a CRA-subject application approved by the regulators is not as important as having a carefully developed image for community service and sensitivity. Sometimes the CEO doesn't know that his bank's mortgage lending record may look bad, because he's not getting the facts. If CRA is a personal concern at the top of the house, much grief can be avoided".

LaWare cited the Community Affairs Officers of the Federal Reserve System as "tremendous repositories of information on community development and compliance" and urged bankers to call upon them for assistance with community reinvestment concerns.

"As a four-time Chairman of the Senate Banking Committee and a 30-year member of the U.S. Senate, Bill Proxmire has etched his name in history as one of this century's most dedicated and perceptive public servants," said Boehne, introducing the final conference speaker.

"Before I introduced the bill [Proxmire is known as "the father of CRA"] Philadelphia National Bank was already doing such things as helping neighborhood credit unions, lending in North Philadelphia, and working hard to establish the Philadelphia Mortgage Plan," Proxmire said. He also lauded other Philadelphia banks in a general sense as well as American Security and Bank of America for their community reinvestment work.

"Home ownership is critically important, and we need to devote resources and full-time attention to housing needs. Bankers should provide financial

counseling to the poor, and should utilize existing government programs that address difficult needs. In this regard, HUD offers funds that can be useful."

Ending on both a cautionary and optimistic note, he suggested that work needs to be done to "improve mortgage lending patterns across low-income communities. We still have a long way to go---but a journey of 1,000 miles begins with one step."



Discussing the housing scene at the conference were (left) James M. Frangos, Vice President, United Jersey Banks; and Benjamin A. Smallwood, President, Camden Economic Development Corporation.



Edward G. Boehne (left) chats with Dr. Bernard Anderson, Managing Partner, Philadelphia Urban Affairs Partnership.



James W. Head (left) talks with H. Ahada Stanford, Deputy Director of the Philadelphia Urban Affairs Partnership, and Robert Price, retired Vice President of Mellon Bank (East).



Some of the major players: (left to right) Fred Manning, the Hon. William Proxmire, Robert N. Hilkert, and Edward G. Boehne. Hilkert, a former First Vice President of the Philadelphia Fed, was an instructor at the Hill School, Pottstown, when Proxmire entered there as a student in 1929.

Fed Officials Take Tour To Learn Firsthand How Two CDCs Are Revitalizing Germantown

Officials and board members of the Philadelphia Fed recently visited two community development organizations working to revitalize Germantown, which was the 1783 site of the Bank of the United States and a thriving Philadelphia neighborhood until the 1960s when it began to deteriorate.

(In 1777, Washington and his colonial troops lost the Battle of Germantown to the British. Now, it's the new "battle for Germantown." A battle against crime, drugs and abandoned houses.)

The members of the public relations committee of the board of directors of the Philadelphia Fed who participated in the tour were Peter A. Benoliel, Chairman of the Board of Directors of the Fed, and Chairman, Quaker Chemical Corp., Conshohocken, Pa.; Gary E. Burl, President, Delaware National Bank, Georgetown, Del.; and Carl E. Singley, attorney, Philadelphia. Participating from the Fed were Edward G. Boehne, President; Larry Murdoch, Vice President and Secretary; William H. Stone,

Jr., First Vice President; Fred Manning, Vice President and Community Affairs Officer; Donald C. Kelly, Senior Community Affairs Specialist, who organized the tour; and Keith Rolland, Economic Development Analyst.

The group met with directors of the Central Germantown Council (CGC) and the Greater Germantown Housing Development Corporation (GGHDC). As they toured CGC projects, Benoliel praised Donald P. Scott, CGC's executive director, for "toughing it out."

CGC, a coalition of over 50 neighborhood associations, churches and businesses, recently rehabilitated (with Rouse Urban Housing) a vacant building into Stokes-Rowe, a 16-apartment, four-store project. It also facilitated the opening of a card shop and other businesses, as well as public improvements costing \$4.5 million. CGC has plans for a 50,000 square foot shopping center, two mixed-use properties and a boarding house.

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Visitors pause for a photo during the Germantown tour. They are (left to right) Lawrence C. Murdoch; Fred Manning; William H. Stone, Jr.; Donald C. Kelly; Byron W. Woodson, development director, CGC; Carl E. Singley; Donald P. Scott; Edward G. Boehne; Herbert Wetzel; Peter A. Benoliel; and Gary E. Burl.

Announce Home Ownership Plan for Trenton

New Jersey Department of Community Affairs Commissioner Anthony M. Villane, Jr. recently announced a pilot home ownership program which will allow low and moderate income families in Trenton to obtain mortgages at less than market rate and with a down payment of as little as three percent.

The program, the Trenton Mortgage Plan, is a partnership of public, private and nonprofit agencies which will allow prospective homeowners to borrow up to 17 percent of the home's cost from DCA's Balanced Housing Fund to use toward the down payment. "This program will open home ownership to people who have given up hope," Villane said.

The Trenton Mortgage Plan combines down payment assistance with an agreement from several banks to provide mortgages at below market rate. For low-income families, the mortgage rate will be set at 1.5 points below market rate, while moderate income families can obtain a mortgage at one point below the rate. To qualify as a moderate-income family, the income must be more than 50 percent but less than 80 percent of the median income of the area. Low income families are those earning less than 50 percent of the median.

The program was initiated after a series of workshops conducted earlier this year by the Federal Reserve Bank of Philadelphia and attended by representatives from DCA, the City of Trenton, five nonprofit groups from Trenton, and several banks serving the area. Through the workshops, a Fed-organized advisory committee made recommendations regarding remedies for community reinvestment issues in Trenton.

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Fed Officials Take Tour...

It has obtained from Mellon Bank construction financing of \$1.2 million for Stokes-Rowe and an inventory loan for the card shop, plus grants from Germantown Savings Bank and Provident National Bank. The manager of Provident's local branch, Shirlyn Swann, serves on CGC's board and as its treasurer.

"Investor confidence has been restored to a significant degree, with commercial rents rising rapidly. A lot of vacant commercial space needs to be put back into use, some of it for housing," Scott said. He lauded a Provident program to provide substantial three-year operating funds to selected community development organizations, explaining that steady operating support helps build professionalism and career tracks.

The visitors learned that the second group, GGHDC, has rehabilitated and sold 90 houses in the past 12 years, with only one default, and provided systems work on 311 owner-occupied units. GGHDC has a nine-member rehab construction crew and a stable staff. It has plans for three projects: 47 units of elderly housing, conversion of a mill into

40 units of housing, and a 20,550 square foot shopping mall, Freedom Square.

GGHDC has received construction financing from Mellon and Philadelphia National Bank (PNB) and expects to seek construction financing from banks for its current projects. Continental Bank and PNB have made mortgages through the Philadelphia Mortgage Plan to many homeowners helped by the non-profit. GGHDC received grants for rehab of a police mini-station from Fidelity, Germantown Savings Bank, PNB and Provident.

A HUD grant of \$349,000 was recently awarded to Philadelphia for construction of a \$1.71 million shopping center, Freedom Square, to be developed by the Greater Germantown Housing Development Corporation. The Philadelphia Industrial Development Corporation is contributing \$400,000 and Atlantic Financial is making a \$900,000 loan. Cooperating in the project is the Wister Neighborhood Council, an affiliate of the Greater Germantown group.

Herbert Wetzel, GGHDC's Executive Director, said that GGHDC works closely with the Wister Neighborhood Council, which operates community organizing programs such as block clubs and anti-crime efforts, and Germantown Settlement, which runs social service programs for youth and the elderly. "Still more resources need to be devoted to human development," Wetzel said.

A sobering reality in revitalization efforts is the menace of drug problems, described by Rudy Tolbert, Executive Director of the Southwest Germantown Community Development Corporation. From first-hand observation he explained that the drug culture "impacts small businesses, decisions of potential homebuyers to move into the neighborhood, and peoples' feelings of security on the streets." Tolbert believes that left unchecked the problem can cripple community improvement efforts and prospects.

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If a free society cannot help the many who are poor it cannot save the few who are rich. - Abraham Lincoln

Announce Home Ownership plan for Trenton ...

One of the primary issues of concern was the decreasing ability of people of modest means to purchase homes in the city. The participating sectors jointly designed and recommended a program that formed the basis of the Trenton Mortgage Plan.

A description of important community reinvestment issues in Trenton, and some related response mechanisms, was incorporated into the Lenders' Profile of Trenton, published by the Community Affairs Department of the Philadelphia Fed, in June 1989. (In a subsequent activity, the Fed organized a Trenton Community

Affairs Officers Council which meets jointly with CAOs from Camden area banks. The first meeting was held in late October. Similar Fed-sponsored Councils are also active in Philadelphia, Harrisburg, and Wilmington with approximately 150 bankers involved.)

The seven institutions who have agreed to participate in the Trenton Mortgage Plan are United Savings, New Jersey National, Roma Savings, United Jersey, Trenton Savings Fund Society, First Fidelity and National Community. Five nonprofit groups, ISLES, Inc.; Latino Community Land Trust; TEAM;

Interfaith Organizing Committee; and Neighborhood Housing Service of Trenton will handle pre-purchase and default counseling and outreach efforts. The City of Trenton will administer the program. For details write to Andrew S. Carten, Trenton Mortgage Plan, Department of Housing and Development, Division of Planning, City Hall Annex, Third Floor, 319 E. State Street, Trenton, NJ 08608, or phone (609) 989-3505.

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Those who believe in the mission of community revitalization grieve less about empty pockets than about empty hands or empty hearts.

Three Delaware Banks Cooperate in Innovative Mortgage Revenue Bond Program

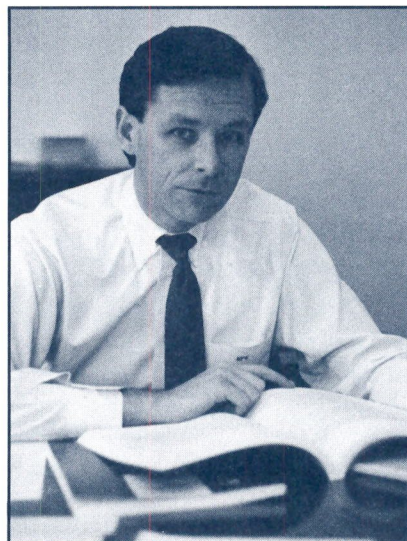
A recent \$43.7 million mortgage revenue bond issue of the Delaware State Housing Authority (DHSa) has unique features which will make homes affordable to first-time buyers who otherwise would not qualify. The issue is unprecedented nationwide, according to Smith Barney, underwriter for the DHSa bonds.

The unique issue was crafted by William F. Krauss, Vice President and Residential Mortgage Manager of Delaware Trust Company, and Martha S. Harris, DHSa Director. Three banks---Bank of Delaware, Delaware Trust Company and Wilmington Savings Fund Society---are purchasing subordinated bonds in the partnership effort.

DHSa floated the issue. The proceeds created two mortgage financing pools, depending on applicant's income and home purchase price levels. A \$36 million pool will be tapped for mortgages of 8.45 percent while another \$4 million pool will be used for mortgages of 6.25 percent. Both rates are fixed for 30-years. The lower rate mortgages, called Family Assisted Interest Rate (FAIR loans) are made possible by the banks' willingness to invest about \$741,000 in zero-coupon subordinated bonds to be held for the full 30-year term. The bonds are subordinate to investor-held bonds. FAIR loans will be made to applicants who would not qualify at the 8.45 percent rate. "Instead of merely acting as lenders or originators, the banks are creating a capital market. The key to the deal is the rate of return the banks are willing to accept. The expected yield on the bonds is 7.64 percent at maturity. However, if there is an unanticipated number of early payoffs on mortgages financed by

the investor-held bonds, the subordinate bondholders could see a slight reduction in their yield," Krauss said.

Another feature is "soft second" mortgages which will be made if applicants have sufficient income to service the first mortgage but insufficient savings to meet down payment and closing costs. Second mortgages may not exceed \$5,000 and homebuyers must contribute a minimum of \$1,000 equity towards the purchase. Second mortgages will carry the same interest rate as the first mortgages, but both principal and interest may be deferred until the property is sold, transferred or refinanced. They are being financed by a \$500,000 appropriation from the State of Delaware Housing Development Fund. The Delaware Community Reinvestment Action Council has agreed that the three banks' investments in the bond issue can count towards the goals set by the banks in previously-negotiated CRA agreements, Krauss said.



William F. Krauss

In community development there are few hopeless situations---only people who have come to feel hopeless about them.

Interview: William F. Krauss

(CASCADE interviews William F. Krauss, Vice President of Delaware Trust Company, who helped develop two lower-income homeownership programs involving public-private partnerships. He has managed Delaware Trust's residential mortgage department for the past seven years, and was previously with the former Farmers Bank and Girard for 14 years in residential and commercial lending and as a branch manager. Keith Rolland, Economic Development Analyst, Philadelphia Fed, asks the questions.)

Tell us about your role in crafting a soft second program with the Wilmington Home Ownership Corporation (WHOC).

I worked closely with Alan Matas, WHOC's director. We found that there are many individuals, qualified from the standpoint of satisfactory credit and sufficient income, who cannot pay down payment and settlement costs. We developed a program, approved by the Federal National Mortgage Association (Fannie Mae), that provided for an 80 percent first mortgage and \$1,000 downpayment with the difference provided by WHOC in the form of a silent or soft second mortgage.

You also developed the Family Assisted Interest Rate Program (FAIR). How did that come about, and how is it unique?

Martha Harris, Executive Director of the Delaware State Housing Authority (DSHA), and I started out to create a "silent soft second" financing program. We kept working at it, and the subordinate bond was a natural progression. To be successful on the second mortgage program and to leverage our funds, clearly we needed to maximize the amount of the first mortgage. FHA financing enabled us to do that. We can

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Service To Community: A Personal and Professional Commitment

(Lawrence T. Jilk, Jr., Chairman of the National Bank of Boyertown [Pa.], has a long record of business and personal humanitarian activities. He is interviewed by Don Kelly, Senior Community Affairs Specialist, Philadelphia Fed.)

In your view, what responsibilities do banks have regarding the needs of the communities they serve?

Too often we lenders concentrate on the industrial development level, and the establishment level. It is important that we serve those areas, but we also have to be knowledgeable about other areas of the economic spectrum. Once we have knowledge of what the needs are we can bring to bear the resources of banks and other institutions to solve unique community problems.



Lawrence T. Jilk, Jr.

How have you responded to the bankers' mission into the community, starting at homebase, Boyertown?

The highest profile activity we've had is probably our Share Account, our socially responsible investment account. We are paying regular money market rates on a particular account

Interview: Krauss ...

help many more people as compared to dealing in a conventional sense and limiting the first mortgage to 80 percent.

Smith Barney (underwriter for the DSHA bond) told us that this is the first time in the nation that the public and private sectors have come together in such a unique fashion. It's unique that a portion of a housing authority's bond issue is a zero coupon 30-year subordinate to be purchased by the private sector solely for the purpose of reducing the interest rate to low- and moderate-income families, enabling them to buy

Need a Speaker?



Recent developments related to the Community Reinvestment Act (CRA) arising within the Federal Reserve, the banking industry, legislative circles, and community organizations, have occasioned questions on many points. Subject to availability, these issues can be presented in talks to various audiences, ranging from boards of directors of banks to neighborhood and civic groups, by Fred Manning, the Philadelphia Fed's Community Affairs Officer. Another speaker from the Community and Consumer Affairs Department who may be available for guidance on consumer banking legislation, is Phil Farley, Manager of the Regulations Assistance function. For details phone (215) 574-6458.

homes. And it's highly unusual for three competing banks to work together.

Why did you become involved in developing programs for these hard-to-reach lower-income home ownership markets?

In 1978, I was exposed to a City of Wilmington mortgage revenue bond effort. That sparked my interest in how effective government can be. Also, I think that when we leave this earth, we should leave something behind---we've made a contribution. We didn't just take. When I walk by a unit that I was involved in, especially being a native Wilmingtonian, the tangible proof of one's efforts is very satisfying. I'm also fortunate in that my senior management provides me with the opportunity to work on these programs, which take an extraordinary amount of work-related and personal time.

Let's have your reflections on issues raised by community groups, and ways banks can respond?

In the CRA protest (against Delaware Trust) community groups thought that our residential mortgage underwriting requirements were overly stringent. But you need to be able to sell your residential mortgage loans to the secondary market, which is largely Fannie Mae and the Federal Home Loan Mortgage Corporation (Freddie Mac). They set the underwriting criteria and documentation requirements. We don't set the standards exclusively. And frankly, their underwriting is reasonable, flexible, and sensitive to borrowers' needs. Fannie has a department to work with lenders in the creation of these programs. Freddie is also working along the same lines. Nobody is expected to go out to reinvent the wheel as much as to investigate what is available and see how that can be used to satisfy the needs of a particular community.

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Banks Help HDC of Lancaster Turn Cigar Factory into Apartments



A vacant cigar factory, once a blight on the landscape, is being adapted by HDC into 41 apartments for the elderly and handicapped.



This is what the Franklin will look like when it is ready for occupancy in early 1990.

Financial institutions have played a major role in an adaptive re-use project in Ephrata, Pa. A deserted cigar factory will become a 41-unit residence, the Franklin, for the elderly and handicapped---a \$1.9 million project of the Housing Development Corporation (HDC) of Lancaster County.

Limited Holdings II, a subsidiary of Meridian Bank Corporation, is the sole limited partner, providing 99 percent of the equity. Farmers First Bank of Lititz made a joint land use agreement wherein HDC

will renovate and maintain a branch bank parking lot bordering the Franklin property. "Without the bank, the project couldn't have happened," said Jim Eby, Director of Development for HDC. "It's great for both of us. Since Farmers First is a business, the parking spaces will be uncrowded in the evening and on weekends, when most of the apartment dwellers have visitors."

The primary mortgage loan, in

excess of \$1 million, came from the Pennsylvania Housing Finance Agency in the form of taxable bonds and low interest money from its general fund. Secondary mortgage financing in excess of \$550,000 came from the Lancaster County Redevelopment Authority in the form of a grant from the Pennsylvania Department of Community Affairs and from Community Development Block Grant funds. For details, contact: HDC of Lancaster County, 308 E. King Street, Lancaster, PA17602 or phone (717) 291-1911.

Bankers Hear Update on Harrisburg Region's Economic Development

That Harrisburg, once a "backwater," is now an area of impressive economic growth was mentioned by several speakers at a recent meeting of the FRB-sponsored Community Affairs Officers Council of Harrisburg. The 32 bankers present heard how local, county, and state agencies spur regional business growth.

"Bankers, a primary financial resource, are often the first people contacted by a new business considering a move into the area," said David Nikoloff, Director of Economic Development for the Cumberland County Economic Development Authority and Associate of the Capital Region Economic Development Corporation. He explained how "creative financing" had enabled a

major dress manufacturer and a cream cheese maker to move to the tri-county region, which he named as "ranking behind Boston as the second fastest growing area in the U.S."

Strategies of the City of Harrisburg were detailed by Jeffrey Wayne Schaffer, Director of the Office of Business and Industrial Development. "We have leveraged about \$3.5 million in loans, with a default rate of less than three percent," he said. "We have the first minority-owned business, a sporting goods store, in our Strawberry Square shopping center. There are 35 people on our waiting list, and \$2 million in requests, for loans pending."

Fran Cunningham, Director of the Dauphin County Office of Economic Development, described the county as being both rural (north) and urban (south) and representing a marketing center of 500,000 people. Her office conducts tours for business people from the U.S. and overseas, such as "the couple who had been traveling the country, and said 'This is it' when they saw Harrisburg. We also provide information on cost of living, consumer trends, and are developing a real estate data base to enable us to do more than educated guessing."

The Commonwealth of Pennsylvania helps with economic development through the

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Service to Community...

category. The bank forgoes its profits on those accounts and uses that profit to help low-income housing. That is, we make third mortgage loans. Our bank will make a 90 percent first mortgage loan; our local Neighborhood Housing Service will make a 10 percent second mortgage loan; and our Share Account program will make a non-interest bearing third mortgage loan to defray closing costs in excess of \$1,500. That way, a person is able to buy a house for as little as \$1,500 in cash. The program is limited to houses costing \$30,000 or less. In this program, operational for about six months, we have \$800,000 in deposits at normal money market rates and have approved five loans.

Has the bank gone an extra step in social responsibility in other ways?

We serve on the Neighborhood Housing Services (NHS) board. To give them publicity and do some good for the Reading community, we organized operation "Face Lift." We solicited all the major banks and industries in town and asked them to adopt a house. Fourteen organizations adopted houses, and on one weekend we had several hundred people out painting and scraping. Area residents served us lunch, and there was excellent camaraderie between neighbors and workers. Also, we are financing a couple of CDCs that are buying up abandoned houses, rehabbing them, and renting or selling the finished product to low-income buyers. These are loans at rates we would not ordinarily make, but it's for a good purpose. Our experience to date has been very good. Of course, the real estate market has been strong. We have probably financed 50 or 75 houses through the CDCs---that means the rehab of 50 or 75 homes. Our greatest area of frustration is in our commercial loans to low-income people. Many have good ideas, but not the background or

knowledge of the industry, and they certainly don't have any collateral. Our success rate in approving commercial loans has not been very good, but it is an area we are constantly exploring.

Has community service been a part of your personal as well as professional life?

It's hard for a banker to separate his private life from his business life, but, yes, I have done community service. I've been a Big Brother for six years, and I do volunteer work at a group home for abused girls. We take them bowling, to the movies or a play or whatever---it's amazing what a few hours of your time and a few dollars of your money will do to bring others joy. Also, I'm involved with several groups that are working to construct transitional homes for abused women, places where they can live in a semi-sheltered environment until they can make it on their own.

What were some influences in your life that moved you to social service?

The turning point might have been the two weeks I spent in Haiti about four years ago. A group of us, in a private effort, went down to work in a medical clinic. Although we had no previous medical experience, we were pulling teeth, suturing wounds, and disbursing medicine. You said "Oh, my gosh"---that is exactly what we said---but either we bluffed our way through, or the patient would go uncared for. That trip made me realize how extremely fortunate we are, and how we have to stop comparing ourselves to people who might have a bigger house, bigger car, or whatever. We all have the obligation, particularly those of us who are college educated and have decent jobs, to share some of our talents and resources with others. In addition, I've been fortunate in that our bank is doing extremely well. We have a great president and staff. I'm able to

devote 10 to 20 percent of my time to these outside activities. We write it off and justify it to our Board of Directors in the name of CRA. It's a nice blending of my personal interests with bank duties.

I understand your daughter has followed your example in some ways.

Actually, both of my daughters are moving in the direction of social work and both went to Haiti on separate trips. My youngest daughter walked from Maine to Washington, D.C., building houses along the way for Habitat for Humanity. My other daughter is working at the Philadelphia Literacy Council.

Do you have any advice on community involvement for bankers?

I've heard some say we don't have any minorities or low-income people in our area, and therefore, we don't really have a CRA challenge. But I don't know any area that doesn't have social problems such as drugs, alcoholism, and abused women. There are loads of areas where bankers can use their talents, resources, and connections. The absence of minorities or housing problems is really a cop-out, because there are problems everywhere.

Ogontz Avenue CDC Wins Award

A small community organization has received a prestigious award for its work in renovating a deteriorated shopping center in Philadelphia's West Oak Lane neighborhood.

The group, the Ogontz Avenue Revitalization Corporation (OARC), renovated Ogontz Plaza in a joint venture with KODE Development Associates, a Philadelphia-based for-profit developer. Evangeline Rush,

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Habitat for Humanity Makes New Lives, New Homes, in North Philadelphia

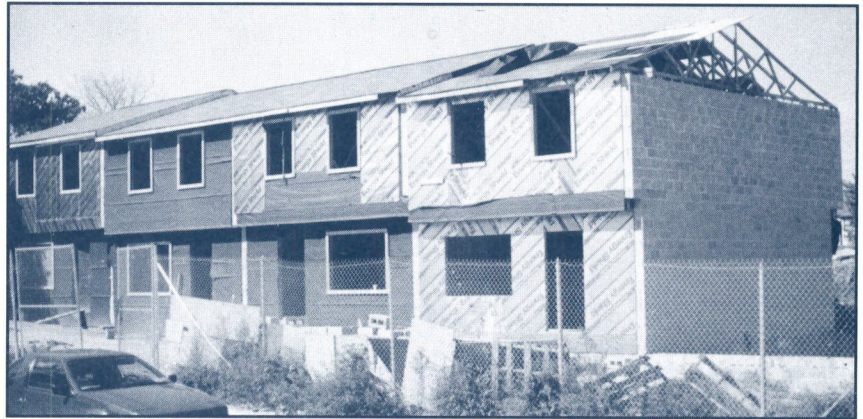
"Community Redevelopment creates self-sufficient families," said Woody Jenkins, former Executive Director of the North Philadelphia Chapter of Habitat for Humanity. "When we help low income families to buy homes, the outgo of money for the monthly mortgage payment is fixed. Unexpected rent hikes disappear. Families can redistribute income for more of life's necessities, and, as homeowners, they pay taxes and maintain their property well. Everybody wins."

Habitat for Humanity is a non-profit organization that provides rehabbed and new homes for poor families in North Philadelphia. By year-end Habitat will have rehabbed seven two-bedroom townhouses and built five new three-bedroom townhouses---"although, frankly, it will take a tremendous amount of money from, churches, foundations, corporations and individuals to complete the latter," Jenkins added. "We have lots of muscle in our volunteers. It is money, more than muscle, that is needed now."

"Two important criteria for our housing are energy efficiency and simplicity of construction," he said. "All houses have basements, a patio, and a common open space. No wonder we have more than 500 people on our waiting list. The rehabs sold for \$25,850 and the new townhouses, when finished, will go for \$42,000. Monthly payments, including mortgage, taxes, maintenance, water, sewer, and fire insurance, are less than \$200 a month. Family selection criteria are: need for decent shelter, financial resources to meet the mortgage payments, and a commitment to work 500 hours ("sweat equity") on their own homes and houses of others. A family must also live, work or worship in the immediate area."

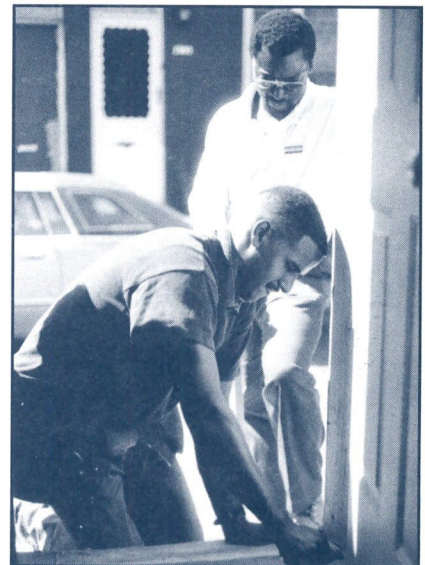


"Before"---the construction of new townhouses, the lot was trash strewn, but had a sign of hope. Fred Manning, Community Affairs Officer at the Philadelphia Fed, surveys the scene.



"After"---the five townhouses are under construction, with completion scheduled for next year.

"Mayor Goode's administration has encouraged us in many ways," Jenkins added. "The Director of the North Philadelphia Plan, Bilal Qayyum, drops around often to see how we are getting along." (The City has deeded acquired property to Habitat, and assists with procedures to obtain licenses and inspections quickly, according to Qayyum, who added, "We see Habitat as a crucial developer. Through rehabs and new construction they are providing decent housing and helping the city rid itself of abandoned buildings.") For details on the North Philadelphia Plan, write to Bilal Qayyum at the North Philadelphia Revitalization Program, 1231 N. Broad Street, Philadelphia, PA 19122 or phone (215) 978-2999. For information on Habitat for Humanity, phone (215) 765-6070.



Marshall McBride (left), assistant construction superintendent at Habitat for Humanity's North Philadelphia site, cuts tile while Eloi Kingbo, supervisor with the Philadelphia Youth Services Corps, looks on.

Bankers Hear Update on Harrisburg ...

Governor's Response Team, described by Joy M.Pooler, C.I.D. (Certified Industrial Developer), Assistant Director. The Team is a coordinator and information provider to help localities recruit new businesses.

"Our four regional offices coordinate inter-agency assistance. We rely on the expertise of local banks, attorneys, Chambers of Commerce. To put it simply, we explain what Pennsylvania can offer to new businesses to help reduce start-up costs. This could take the form of training grants, professional planning, low interest loans, and is especially important during the early months in the life of a new business. In the last two years, we have seen 100,000 new jobs created in the state by new firms we have assisted."

Real estate deals that have made Harrisburg grow were described by Joyce Freeman Zeigler, Economic Specialist with the Buchanan Ingersoll law firm. "Capital formation and leveraging



Don Kelly (left) Senior Community Affairs Specialist, Philadelphia Fed, convened the meeting of the Harrisburg Community Affairs Officers Council. With him are speakers (left to right) David Nikoloff, Fran Cunningham, Jeffrey Wayne Schaffer, Joyce Freeman Zeigler, and Joy Pooler.

are keys to development," she said. "Small companies, less than four years old with fewer than 50 employees, are the engine of economic growth; 80 percent of jobs occur in this area. There is not enough venture capital for these businesses." She noted that Ohio, one of Pennsylvania's competitors in attracting small business, had a

state-created loan pool and bond issue, which resulted in 150,000 new jobs. She suggested that consortia for small business loans were badly needed in central Pennsylvania. "Private capital pools help us do deals and raise the flag on a pole indicating 'this area is serious...we can attract more investment and bring more private capital into the region'."

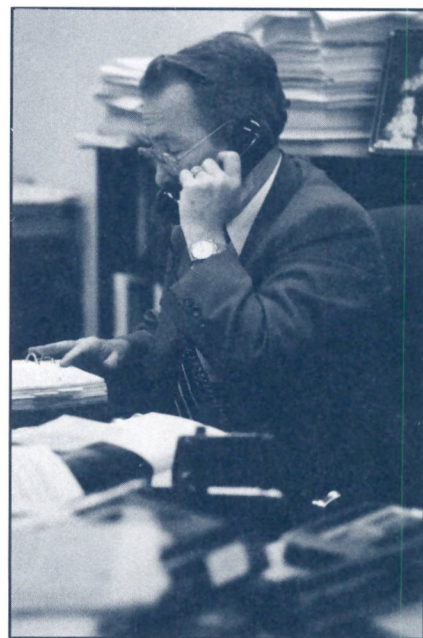
Regulations Assistance: Who Phones and Why?

Phil Farley, Manager, Regulations Assistance, talks on the phone a great deal. The principal source of information and guidance at the Philadelphia Fed on most banking regulations, he handled 2,404 phone calls from January through October, 1989.

Who is on the phone? Compliance officers from financial institutions, for the most part. What do they want? Questions are most often asked about the following laws: Equal Credit Opportunity, Home Mortgage Disclosure, Electronic Fund Transfers, Loans to Executive Officers of Banks, Interest on Deposits, Truth in Lending, Stock Market Margin, Unfair or Deceptive Acts or Practices, Availability of Funds and Collection of Checks, Real Estate Settlement Procedures, Fair

Housing, Fair Credit Reporting, and Bank Secrecy.

Farley also conducts seminars for financial institutions and trade associations throughout the three-state Third Federal Reserve District. He currently serves on the Boards of Directors of the Consumer Credit Counseling Service of the Delaware Valley and the Consumer Credit Association of Pen-Jer-Del. He has written three pamphlets distributed by the Federal Reserve Bank. They are: *Comparing Mortgage Rates*, *Comparing Average Mortgage Costs*, and *Paying a Loan Off Early: Things You Should Know*. These pamphlets are free (up to 50 copies) and may be ordered by phoning Public Information-Publications, (215) 574-6115.



Phil Farley is Regulations Assistance Manager at the Philadelphia Fed.

Ogontz Avenue...

OARC's executive director, said the award was given for excellence in carrying out a community development project through a public-private partnership.

The \$2.25 million project was financed with a \$1.55 million construction loan from Fidelity Bank, a \$500,000 Urban Development Action Grant, a \$50,000 loan and \$50,000 grant from the Philadelphia Commercial Development Corporation, and \$190,000 in public improvements (new trees, sidewalks and lighting) from the City of Philadelphia. The project was finished in November, 1988. The 40,000 square-foot mall has 12 stores, two-thirds of which are occupied. A total of 37 permanent jobs have been created thus far.

The project was a critical one in the neighborhood, Rush explained. The surrounding neighborhood had changed from predominantly white to black between the 1960s and 1980s, but households remained middle income, typically with two incomes from a mixture of professional and blue collar jobs. "This was the first commercial area in West Oak Lane which was blighted," Rush

said. "Blight is like cancer. You stop it or it will keep expanding and take over. Residents had begun shopping outside the neighborhood, but a feasibility study showed that the neighborhood could sustain a shopping center."



Evangeline Rush is executive director of the Ogontz Avenue Revitalization Corporation.

OARC now has begun to set its sights on an empty, sealed apartment building on the corner of Ogontz Plaza. It wants to renovate the 50-unit building to provide housing for older people. The building, owned jointly by OARC and KODE, requires major renovation and an assessment of

its condition is to be conducted shortly.

Although OARC has only two full-time staff persons, it has been active on a number of fronts. The second staff person operates a Private Industry Council referral center providing job placement and training. Also, OARC recruited a police mini-station, with which it shares offices, in order to discourage crime. And it formed an association of 15 neighborhood businesses.

OARC's work has been supplemented by a cadre of 20 to 100 volunteers, who have organized a street fair and fashion show, cleaned up lots and removed graffiti. Its board includes Margaret Smith, assistant manager of a local Fidelity Bank branch. OARC was formed by residents and businesses in 1981, and Rush has been executive director since 1984. Previously manager of a hospital intensive care unit, and before that a teacher, she said, "I saw an opportunity to make a difference and I saw other people who thought they could, too." For information, contact OARC, 7174 Ogontz Avenue, Philadelphia, PA 19138 or phone (215) 927-5440.

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