LINKING LENDERS AND COMMUNITIES
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BRIDGES

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INDEX

Businesses Pitch in to Attract Development

By Ellen Eubank
Community Affairs Manager

You can't do much economic development with $1,000. But if you can persuade 100 businesses to each contribute $1,000 a year toward such work, much can be accomplished. Just ask the folks in Jonesboro, in northeastern Arkansas.

In 1985, a group called Jonesboro Unlimited was started to recruit businesses and to plan economic development. The members came up with the unusual approach for raising $100,000 for their operations. Although the approach is not unique, not every community that has tried this has been able to continually attract such contributions for as long as Jonesboro has. Nearly 20 years into the program, about 80 percent of the businesses still make their contribution each year, a spokesman said. The other 20 checks may come from different businesses each year.

The Nestlé company opened a frozen foods plant in Jonesboro, Ark., in 2003.

Jonesboro Unlimited's emphasis on methodical planning has won it admiration and, more important, new jobs for the community. Most recently, Nestlé USA frozen foods opened a plant in 2003 in the Craighead Technology Park. Jonesboro was one of 700 cities contending for the $165 million plant, which produces Stouffer's and Lean Cuisine brands of frozen foods. The plant employs 500 people, a number that is expected to reach 1,700 within the next few years. Suppliers, such as Millard Refrigerated Services, are locating nearby to provide services for Nestlé. Millard has dedicated a 200,000-square-foot refrigerated warehouse and distribution center to the Nestlé plant. This means additional investment and employment for the Jonesboro area.

The planning that made all this possible isn't something that

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the organization just started to do. In its first year, the organization surveyed the community and developed a strategy to find out what industry to target. Initially, the community did not recognize all of its strengths, but did understand that its location—near interstates, the Mississippi River and Memphis—was an asset, said Henry Jones, president and chief executive officer of the Greater Jonesboro Chamber of Commerce. (Jonesboro Unlimited once was a part of the chamber but is now a permanent member of the Jonesboro Industrial Development Corp.)

Planning Pays Off

The survey and planning process led Jonesboro Unlimited to target higher-end food processors that paid higher wages. Other food processors that have located in the area include Post Cereals, ConAgra and Frito-Lay.

"Jonesboro Unlimited brought together business leaders who have been successful in the community and got them involved," Jones said.

Although Jonesboro Unlimited has chosen to spend most of its efforts in planning and recruitment, it also has helped to develop infrastructure to support industry recruitment. The organization helped to establish the Craighead Technology Park, making sure it opened with rail access and utilities to make it more marketable.

Jonesboro Unlimited has continued to be successful in part because, when its business leader members meet, they leave competitiveness at the door, Jones said. "When we come together, we talk about what is good for Jonesboro," he said. "We have involved a lot of folks who had been on the sidelines or playing another game somewhere else."

As the organization moves forward, members want to counter a "brain drain" in the area by creating an atmosphere that entices young people to stay, especially students of Arkansas State University in Jonesboro. Jonesboro Unlimited is also studying how to build on the efforts of other entities, such as the downtown association and the university's new biomedical research center. As researchers at the center develop product ideas, Jonesboro Unlimited wants to help them create spin-off businesses—new, private companies—to manufacture the products.

Others Pay Attention

Jonesboro Unlimited will continue to be a catalyst for coordinated economic development and industry recruitment in the area. Its efforts have won national attention. In 2003, Forbes.com included the Jonesboro MSA in its list of the top 50 smaller cities for doing business.

Weekend Master's Degree Program Offered in Community Development

Community economic development practitioners who want to earn a master's degree in the field but can't return to school full-time have another option to consider. They can get such a degree from Southern New Hampshire University by taking classes there one weekend a month for four semesters.

The university's National Weekend Master of Science Program in Community Economic Development is believed to be the only one of its kind. It is geared toward working professionals. They study finance, planning, nonprofit management, project development, community economic development theory and relevant technologies.

The students come from as far away as Hawaii for the classes, says Janice Hill, director of marketing and admissions for the School of Community Economic Development at the university, which is in Manchester. The program costs about $10,250, not including books, hotel, food or transportation, she said.

Classes meet one weekend a month, Friday through Sunday. (There are no classes during summer.) Students take three or four courses each semester. They design a project for their own community; the project is developed throughout the program. Students meet with project focus groups for input, feedback and support on the project.

Satisfactory completion of the program requires the equivalent of 39 credit hours of courses. This includes 12 hours for the project that students design for their community. This project is often linked to students' current employment.

Those who have received a training certificate since the year 2000 through the Neighborhood Reinvestment Corp. get some breaks. In the fourth semester of the university's program, they have to take just two courses instead of four, and those two courses can be taken online. They also get a credit of $500 toward tuition in that last term.

For additional information and to obtain an application for admission, call the school at (603) 644-3103 or (603) 644-3123 or send an e-mail to ced@snhu.edu.

Fed Seeks Research Papers on Consumer Finance

The Community Affairs officers of the Federal Reserve System are seeking academic papers to be presented at their fourth biennial research conference, which will be in the spring of 2005 in Washington, D.C.

The theme is *Promises and Pitfalls: As Consumer Finance Options Multiply, Who Is Being Served and at What Cost?* The event will bring together representatives from academia, financial institutions, community organizations, foundations and government to learn about research on consumer finance.

Papers that evaluate how consumer financial markets function—from the perspective of pricing, service, profitability or equitable treatment of consumers—are preferred. The program committee also welcomes papers that analyze important trends and innovations in consumer finance.

For details, visit the Federal Reserve Bank of St. Louis' web site at www.stlouisfed.org and click on Community Development.

Light-Rail Transit: Myths and Realities

Thomas A. Garrett
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Federal Reserve Bank of St. Louis

Whether light-rail systems in the United States are a benefit or a boondoggle in the communities that build them has been argued for many years. Proponents of light rail argue that rail transit increases community well-being by creating jobs, by boosting economic development and property values, and by reducing pollution and traffic congestion—all while providing drivers with an economical alternative to the automobile. Opponents counter that light-rail transit provides little of these benefits to citizens and that the costs of such systems greatly outweigh any potential benefits.

This article discusses six key issues surrounding light-rail transit and is a starting point for debate. The issues are property values, job creation, traffic congestion, citizens' preferences for car over rail, air pollution and solvency. The facts are important for residents in cities with existing light-rail transit and in cities considering proposals for building or expanding light-rail transit.

Property Values and Development

One benefit of light rail is its potential impact on nearby property values. There is much academic literature on this angle.

The research generally finds that rail transit has a positive impact on residential property values, although the impact is relatively small. One study found that property values in Portland, Ore., increased by $75 for every 100 feet closer a home is to a light-rail station, and the average home price in New York declined by about $2,300 for every 100 feet farther from the station.[1] In another study of the Portland rail system, the authors found that home prices increase as a result of being closer to a rail transit station, but the effect was only significant within 1,500 feet of the station.[2] Another study found that the typical home in San Diego sold for $272 more for every 100 meters closer to a rail station, but the distance to a rail station in Sacramento had no significant impact on residential property values.[3]


The MetroLink light-rail system in St. Louis carried an average of 44,539 riders a day in the fiscal year that ended June 30, 2003.

Studies have also found a small impact of light rail on commercial property values.[4] This increase in commercial property values reflects the value added to property as a result of being closer to a rail transit station. In many cities, there is an organized effort by business leaders and city government officials to actively promote the benefits of being closer to a rail transit station in hopes of fostering greater demand for property near these stations.

But some studies also show that residential property values can be affected negatively because light rail is seen by some as a nuisance. Noise, unsightly tracks and obstructed views are factors that could potentially lead to a decrease in property values.

Job Creation

Light-rail transit provides jobs during both construction and operation. Construction jobs are temporary, however, and may go to contractors outside of the local area, depending upon the bidding process and job requirements. In Los Angeles, for example, transit cars came from Japan, Italy and Germany, while other components such as rails, power supplies, ticket vending machines and signaling equipment were not produced in the Southern California area.[5]

While rail operation creates jobs in that industry, an important point is that these jobs are mostly taxpayer funded (given the large subsidies to rail transit). The salaries of rail transit workers paid for by subsidies should not count as new income to the local area—tax dollars have simply been transferred from local residents and state and national taxpayers to rail transit workers, effectively taking jobs from other industries. It is true that the income of rail transit workers that is spent helps the local economy, but the same would be true for the dollars of citizens if they had not been taxed. In addition, while transit workers provide a benefit to society by operating light-rail transit, the

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value of this benefit compared to the benefit citizens would receive from lower taxes is subjective.

If private development occurs around light-rail transit stations, giving people easier access to businesses, residential housing units and other facilities, then this private development will create jobs. Unlike rail transit jobs, these jobs would provide a net benefit to the local economy.

Traffic Congestion and Urban Sprawl

One idea behind adopting light-rail transit is that some automobile drivers will choose rail transit over their personal vehicles, thus alleviating traffic congestion, decreasing commute times and increasing highway safety. However, there is little evidence that rail transit has reduced traffic congestion. According to the 2002 Urban Mobility Report, traffic congestion in American cities both with and without light-rail transit has steadily increased since the 1980s.[6] The report presents roadway congestion indices for 75 cities from 1982 to 2000. Cities with light-rail transit, such as St. Louis and Portland, have all experienced a continued increase in traffic congestion.

One reason that congestion has increased in cities with light-rail transit is that the number of registered vehicles in these cities has also increased since the adoption of light rail. In St. Louis County, the most populous county in the MetroLink light-rail system, the number of registered vehicles increased by 12 percent from 1993, when MetroLink began operations, to 1999.[7]

Research has also shown that rail transit ridership is greatest in more densely populated, lower-income areas.[8] As a result of this finding, light-rail proponents argue that rail will reduce urban sprawl by encouraging more concentrated development. However, the relationship between ridership and density and income is not simultaneous—that is, density and income do influence ridership, but not vice versa. So, simply building light rail in higher-income suburban areas is no guarantee that urban sprawl will be reduced.

Citizen Preferences: Rail vs. Car

It is not too surprising that most Americans prefer automobile transit to light-rail transit. Autos offer people personal space and a sense of independence. The fact that people choose to pay higher gas prices, gas taxes, vehicle registration fees, repair and maintenance costs, and the price of the car rather than ride rail transit all reveal the value that people place on their autos. The value people place on auto transit over rail transit is even more pronounced when one considers that rail transit fares can be less than a dollar a day.

Furthermore, rail transit is much more limited than auto transit because trains must follow tracks. This could certainly increase the time cost of rail transit relative to automobile transit. To ride rail transit to work, for example, people may have to drive to a rail station, board the train and then, upon exiting the train, walk several blocks or more to reach work. The time taken to complete a rail ride may be longer than commuting by automobile. Given the opportunity cost of time, especially during work hours, it is expected that many people choose not to ride rail transit.

Parsons Place, a 3-year-old residential community in East St. Louis, Ill., was built because the land was near a MetroLink station, according to the developer.

Air Pollution

Proponents of light-rail transit claim that pollution will be reduced as a result of fewer vehicles on the roadways. A report from the American Public Transit Association (APTA) presents evidence that each person riding light-rail transit vs. driving an automobile for one year reduces hydrocarbon emission by nine pounds, nitrogen oxide emissions by five pounds and carbon monoxide emissions by 62.5 pounds.[9] One electric light-rail train produces nearly 99 percent less carbon monoxide and hydrocarbon emissions per mile than one automobile does.

However, significant pollution reduction from light-rail transit may not be realized for several reasons. First, as discussed earlier, there is little evidence that rail transit has reduced the number of vehicles on the roadways. As traffic congestion continues to increase, cutting pollution won't get any easier. Second, large-scale improvement on pollution, assuming no growth in traffic congestion, can only be had if light-rail passengers substitute rail transit for auto transit. If many light-rail passengers do not own automobiles, then there is little reduction in pollution from the development of light rail. And, if traffic congestion does increase, there's even less improvement on pollution.

Solvency

Light-rail transit, like other public transportation systems, could not operate without subsidies from local sales taxes and state and federal grants. Subsidies to light-rail systems are not trivial. In 2001, MetroLink in St. Louis received at least $14 million in local, state and federal assistance. Sacramento received more than $18 million; and Portland received $24 million.[10] Fare revenue in these cities was $8.6 million, $7 million and $15.7 million, respectively. However, fares cover on average about 25 percent to 30 percent of operating expenses, with local, state and federal subsidies covering the remainder. Fares cover 38 percent of operating expenses in St. Louis, 28 percent in Sacramento and 39 percent in Portland.

Clearly light-rail systems cannot cover their operating costs with passenger revenue. In St. Louis, for example, operating costs per rider in 2001 totaled $1.59 and revenue per rider totaled 60 cents. Fares would need to be nearly tripled for the transit system to cover operating costs. This would cause a drastic reduction in the number of riders, as evidence shows that fare increases result in a much larger decrease in ridership.[11] This shows the value that residents place on their transit system is much less than the system's operating costs.

Taxpayers are also responsible for the start-up costs associated with rail transit. The capital expenditure needed to build or expand light-rail systems often totals hundreds of millions of dollars. The opportunity cost of this capital is high, given the low financial return on light-rail transit. The failure of rail proponents and officials to compute this cost understates the total economic costs of light-rail transit.[12] Funding for light-rail capital is often obtained through city or county bond issues and state and federal grants. In addition to covering a majority of light rail's operating costs, taxpayers are responsible for funding bond payments and grants for light-rail construction.

If rail transit systems are so cost-ineffective, why do voters approve local tax increases to fund operations? An extensive academic literature exists that explains citizen voting for public projects.[13,14] Essentially, people who would directly benefit from the construction and operation of light rail, such as laborers, bureaucrats, environmentalists and others, form specialized interest groups that actively promote the benefits of rail transit to the public. Because the tax cost per taxpayer is relatively small (in St. Louis, for example, it's about $6 per person annually), voters approve rail transit taxes if special interest groups can convince voters that social benefits (whether accurately or inaccurately portrayed) of rail transit outweigh voters' individual annual tax cost. While the tax cost per voter is small, in sum the total tax costs per year can be quite large.

Conclusions

Citizens can pay tens of millions of dollars annually to subsidize light-rail transit in their community. If the benefits exceed these costs, then rail transit would be socially beneficial. However, many of the argued benefits of light-rail transit, such as alleviating traffic congestion and pollution, may not come to bear.

One clear benefit of rail transit, however, is higher property values for homes and businesses located near a transit station. In fact, in many cities one can see economic development occurring around transit stations, although this may not be causal evidence of the relationship between rail transit and economic development.

But again, the increase in property values and economic development are subsidized benefits and may not be greater than the subsidy costs. Both citizens and local officials should have an understanding of the costs of light-rail transit relative to the potential benefits. Given the size of costs relative to the benefits, the creation of light-rail transit systems or the expansion of existing systems in American cities may be difficult to justify.

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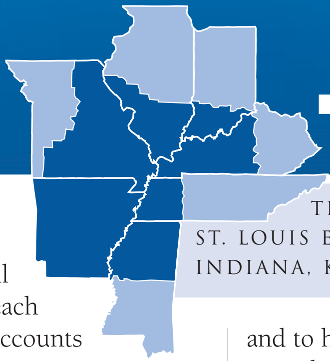
SPANNING THE REGION



THE REGION SERVED BY THE FEDERAL RESERVE BANK OF ST. LOUIS ENCOMPASSES ALL OF ARKANSAS AND PARTS OF ILLINOIS, INDIANA, KENTUCKY, MISSISSIPPI, MISSOURI AND TENNESSEE.

St. Louis Residents Can TAP into Income Tax Assistance

In St. Louis, low- and moderate-income taxpayers can spell income tax help T-A-P. The St. Louis Tax Assistance Program (TAP) provides free tax counseling and preparation services for eligible taxpayers through its Volunteer Income Tax Assistance (VITA) sites.

St. Louis TAP was created by local accountant Ron Szweda to promote financial literacy and to help low-income workers receive the Earned Income Tax Credit. It is supported by financial institutions, nonprofit groups and other organizations. During the 2003 tax season, more than 500 TAP volunteers prepared income tax returns for 1,646 families, helping these families share in more than $1.9 million in income tax refunds, averaging $1,150 per family.

In 2004, St. Louis TAP will have five sites, one more than last year. The sites will be located throughout the St. Louis area and will include a children's area, financial education materials and information on individual development accounts and America Saves, a nationwide campaign to help people build wealth. The St. Louis Coalition to Promote Reputable Lending will show a video on predatory lending, and U.S. Bank will have staff at each site to open accounts for taxpayers.

For more information, call the St. Louis TAP help line at (314) 621-1996.

$50,000 Grant to Benefit Memphis-Area Hispanics

A home-buyer education program for Hispanics in the Memphis area will be expanded, thanks to a grant from the Federal Home Loan Bank (FHLB) of Cincinnati.

The $50,000 grant was awarded through FHLB member National Bank of Commerce to United Housing Inc., a nonprofit affordable housing agency serving the city of Memphis and Shelby County. The agency will use the grant to add new topics to the class schedule and to increase the number of clients served, said Aubrie Rhodes, coordinator of bilingual home-buyer education for United Housing. Twenty-five people completed the course in 2003.

The program currently includes two classes on personal finance, home buying and mortgages. Participants also attend 10 hours of credit counseling. The classes are intended to provide information on the home-buying process and to help immigrants overcome language and cultural differences that may be barriers to home ownership.

"Many Hispanics are not familiar with mortgages at all," Rhodes said.

Mississippi Programs Offer Unconventional Loans

Mississippi Home Corp., the state's housing finance authority, offers several creative mortgage and construction loan programs that benefit low- and moderate-income residents.

Get on Track, a lease-purchase mortgage program, is designed for those who have no credit history or an unsatisfactory credit history. The program allows prospective home buyers to build or repair their credit record by leasing a house they will eventually purchase. The lease-purchase home ownership option locks in a 30-year adjustable mortgage rate when the lease is signed. Part of the rent is then used toward a down payment.

The Mississippi Affordable Housing Development Fund (Revolving Loan Fund) helps finance the development of housing for low- to moderate-income households. Eligible borrowers include nonprofit and for-profit developers who are interested in building new, owner-occupied houses or rental units or in rehabilitating homes or rental properties.

The Construction Lending Fund provides financing for the construction of low- to moderate-income single-family homes. Loans are available to both nonprofit and for-profit developers, with priority given to partnerships between the two. Priority is also given to projects that empower low-income families through resident management and self-sufficiency activities.

The Habitat Loan Purchase Program is a revolving loan fund in which Habitat for Humanity builds and finances single-family homes or town homes. Home buyers do not pay interest. After six months of mortgage payments, Mississippi Home Corp. purchases the loans from Habitat. This means that Habitat can replenish its construction funds in a timely manner rather than waiting for the home owners to repay the loans.

For more information on these and other Mississippi Home Corp. programs, visit www.mshomecorp.com.

CALENDAR

FEBRUARY

16-20

NeighborWorks Training Institute—Atlanta
Sponsor: Neighborhood Reinvestment Corp.
www.nw.org/training
1-800-438-5547

MARCH

3-5

CDVCA 10th Anniversary Conference —New York City
Sponsor: Community Development Venture Capital Alliance
www.cdvca.org/events.html
(212) 594-6747, ext. 25

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Women's Money Matters Workshop —St. Charles, Mo.
Sponsors: Federal Reserve Bank of St. Louis, University of Missouri Outreach and Extension, St. Charles Community College, The Women's Financial Education Coalition
(314) 444-8646

29-31

Community Reinvestment Conference —Los Angeles
Sponsors: Federal Reserve Bank of San Francisco and partners
www.frbsf.org/community/index.html
(415) 974-2722

Have you HEARD

EITC Recipients Face Scrutiny

The Internal Revenue Service has created a new certification requirement for the Earned Income Tax Credit (EITC) for the 2004 tax-filing season. The pilot program will initially affect 25,000 applicants. They will be required to show that children they claim for EITC purposes resided with them for more than six months. Cases that have the highest likelihood of error will be identified before they are accepted for processing and before EITC benefits are paid.

Additionally, the IRS will expand its compliance efforts in 2004 to include at least 300,000 taxpayers who claim the credit but failed in the past to report all of their income.

Approximately 19 million taxpayers claimed more than $32 billion in EITCs for tax year 2002. For tax year 1999, a recent study indicated the error rate was between $8.5 billion and $9.9 billion (27 percent to 31.7 percent).

The EITC is a refundable federal tax credit of up to $4,008 for taxpayers who earn less than $28,281 and have one qualifying child or less than $32,121 and have more than one qualifying child. Individuals with no children and an income of less than $10,710 also qualify.

Urban Planning Group Issues Call for Papers

Academics and other researchers are invited to submit papers to the International Urban Planning and Environment Association's sixth biennial symposium, which will also mark the group's 10th anniversary. The event, titled *Global Pressures on Local Autonomy: Challenges to Urban Planning for Sustainability and Development*, will be Sept. 4-8, 2004, in Louisville, Ky. It is expected to draw experts in economic development, urban planning and other fields from around the world to discuss sustainable urban development.

Conference themes and submission instructions are available at: http://cepm.louisville.edu/IUPEA6/index.html.

The official deadline for abstracts is Jan. 30. Some exceptions may be made.

RESOURCES

Spanish-Language Brochures—Three consumer brochures from the Federal Reserve Board are available in Spanish, in both print and electronic formats. The *Consumer Handbook on Adjustable Rate Mortgages (Guía para el Consumidor sobre Hipotecas a Tasa Adjustable), What You Should Know about Home Equity Lines of Credit (Lo Que Usted Debería Saber sobre Las Líneas de Crédito con Garantía Hipotecaria)* and *When Is Your Check Not a Check? (Cuándo No Es Su Cheque un Cheque)* may be ordered from the Federal Reserve Board's Publications Services, Mail Stop 127, Washington, D.C. 20551 or by calling (202) 452-3245. The first 100 copies are free. The *Guía* brochure is also available on the Board's web site at www.federalreserve.gov/pubs/arms/arms_spanish.htm. The *Lo Que Usted Debería Saber* brochure can be found at www.federalreserve.gov/pubs/equity/equity_spanish.htm and the *Cheque* brochure is at www.federalreserve.gov/pubs/checkconv/checkconvsp.htm. There is also a downloadable pdf file at www.federalreserve.gov/pubs/checkconv/checkconvsp.pdf.

MemphisDEBT—A new web site provided by the MemphisDEBT collaborative contains links to resources and information for those in financial trouble. Credit, bankruptcy and financial wellness are among the topics addressed. The web site is one project in the collaborative's work to reduce the number of bankruptcies in the Memphis area. Although some of the information is specific to Memphis, most of it will be of interest to the general public. Visit www.memphisdebt.org.

BRIDGES

Bridges is a publication of the Community Affairs department of the Federal Reserve Bank of St. Louis. It is intended to inform bankers, community development organizations, representatives of state and local government agencies and others in the Eighth District about current issues and initiatives in community and economic development. The Eighth District includes the state of Arkansas and parts of Illinois, Indiana, Kentucky, Mississippi, Missouri and Tennessee.

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Small Loans Keep Families Going During Lean Periods

By Matthew Ashby
Community Affairs Specialist

Life's unforeseen challenges, such as car or home repairs, can plunge a family that is living from paycheck to paycheck into crisis. When these families encounter unexpected expenses, a job or housing can be lost, or a person can be forced to drop out of school.

Provident Counseling, a nonprofit agency serving lower-income families in St. Louis, helps its clients weather the tough times by offering them small loans through the Ways to Work program. Working parents who have exhausted other sources of cash or who do not qualify for conventional loans can obtain short-term loans ranging from $500 to $4,000. The money may be used for child care, car repairs, a mortgage payment or toward the purchase of a used car.

The Ways to Work program is an outgrowth of a family loan program created in 1984 by the McKnight Foundation in Minnesota. That program assisted more than 19,000 lower-income families with more than $25 million in short-term loans.

To replicate the successful loan program nationwide, the McKnight Foundation and the Alliance for Children & Families, consisting of more than 300 nonprofit organizations, established Ways to Work Inc. As a federally certified community development financial institution (CDFI), the corporation provides start-up and ongoing capital, as well as technical assistance, to help organizations establish the Ways to Work loan program in their hometowns. The CDFI currently works with 65 organizations through the Alliance's nationwide network.

The Community Affairs Office at the Federal Reserve Bank of St. Louis recently hosted a meeting to introduce Provident Counseling and the Ways to Work financing model (see graphic) to lending institutions in St. Louis. The model explains who pays the operational costs, who provides the loans to the borrowers and how a guarantee pool is funded.

Typically, it costs $90,000 annually to operate the program (A on graphic). Common sources of local financing for operations include public welfare-to-work funds and grants and investments from foundations and banks.

Actual loans to borrowers are provided by a local bank partner, which services the loans (B). A community-based volunteer loan committee, which includes bank partners, reviews and approves the loans (C). Borrowers then receive loans with a modest interest rate and a two-year term (D). In this manner, the bank partner helps to meet the credit needs of the community it serves while fulfilling Community Reinvestment Act (CRA) obligations.

To make the Ways to Work program attractive to banks, the local organization raises $30,000 toward a loan guarantee pool that backs the bank's commitment (E). Banks may also invest in the pool, and the investment would qualify under the CRA investment test. These funds are enough to cover annual defaults. In addition, the national Ways to Work CDFI makes a low-interest loan of up to $310,000 to the local organization to help fund the pool.

For more information on the Ways to Work program or Provident Counseling, visit www.alliance1.org or www.providentc.org.

How "Ways to Work" Works

A. A local branch is set up. Annual costs typically run $90,000. The money usually comes from public funds, grants and investments from banks and foundations.

B. Banks that have become partners in the program make the actual loans. The banks also service the loans. In return, they get CRA credit.

C. A volunteer loan committee is formed. The group, which includes bank partners, reviews loan applications and decides which ones to approve.

D. Low-income families are lent from $500 to $4,000. They must repay the loan within two years. The interest rate is currently set at 8 percent.

E. A loan-guarantee pool is established to repay the banks in case the families don't. The local Ways to Work branch must raise $30,000 on its own for this fund. In addition, the national Ways to Work group will make a low-interest loan of up to $310,000 to help fund the pool.