LINKING LENDERS AND COMMUNITIES

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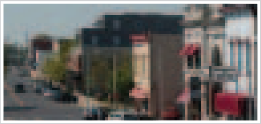
INDEX



Employment Growth in America

What Determines Where Good Jobs Are Created?

By Christopher H. Wheeler
Economist
Federal Reserve Bank of St. Louis

Surveys often find that, among the many issues Americans deem important for the current and future well-being of the country, job growth ranks near the top.[1] Employment, after all, confers enormous benefits to individuals, both economic (e.g., jobs provide an income) and otherwise (e.g., employment gives workers a sense of purpose and satisfaction) and, subsequently, to their communities.

Jobs, however, are heterogeneous in terms of quality. Some offer generous compensation and favorable working conditions, such as flexible hours and pleasant work environments. Others do not. Ideally, we would like to see job growth consist entirely of desirable employment opportunities. However, since that is an unlikely outcome, we would at least like to be able to promote as much good job growth as possible.

Waiters and other workers in the personal service field were among those considered in this look at what promotes the growth of high- and low-paying jobs. (Photos by Dennis Caldwell)

What, then, underlies the growth of good jobs? This article attempts to sketch a partial answer to this question by exploring the growth of high- and low-wage jobs across a sample of more than 200 U.S. metropolitan areas between 1980 and 2000.[2]

Types of Jobs

Jobs in this analysis refer to a set of approximately 200 industries identified in the decennial U.S. Census.[3] At the upper end of the pay scale are industries like business management and consulting, paying an average hourly wage of $26.04, computer and data processing ($26.10 per hour) and security-commodity brokerage-investment companies ($26.22 per hour).[4] On the other end of the distribution are jobs primarily in the retail trade and personal service sectors: eating and drinking establishments ($9.95 per hour), gasoline

continued on Page 2

continued from Page 1

service stations ($10.39 per hour), and laundry and garment services ($10.64 per hour).

In all, the bottom 25 percent of jobs in the sample (roughly, the 50 lowest paying) accounted for roughly 25 percent of employment and paid an average of $21.82 per hour.

For the remainder of this article, the former are labeled “bad” jobs, the latter “good” jobs.

The Importance of Good Jobs

When cities create high-paying jobs, there is an obvious gain to the workers who fill them. Yet, the benefits of good jobs also extend to those at the bottom end of the earnings distribution. Analysis of the relationship between the growth of good jobs and bad job wages, for example, reveals that when employment in the good jobs category doubles, it tends to be accompanied by an 85-cent increase in the average hourly wage of the bad jobs category. Therefore, there appears to be some positive spillover effect from good jobs to bad jobs.

The creation of bad jobs, on the other hand, has precisely the opposite effect. As a city’s employment in the bad jobs category doubles, estimates suggest that the average hourly wage paid in the bottom 25 percent of jobs decreases by 60 cents. This negative association also applies to wages in the good jobs category. As the number of bad jobs doubles, the average hourly wage in the top quartile declines by $1.05.

Gains in labor earnings are, however, only one benefit from the creation of good jobs. A second is an increase in property values which, given the large fraction of U.S. assets accounted for by real estate, serves to augment personal wealth.[5] Looking at 10-year time periods, a 10 percentage point increase in a metropolitan area’s rate of growth for good jobs is accompanied by a $10 increase in its median monthly rent (on residential units) and a $2,800 increase in its median house value.

One of the fundamental sources of good job growth is an educated labor force.

Employers in the United States are increasingly looking for highly educated employees. Communities with more educated residents tend to see a growth in higher-paying jobs.

There may also be a significant benefit in the form of reduced crime. Again, using 10-year growth rates, a 10 percentage point increase in the rate of growth for good jobs is associated with a decrease of nearly one crime per thousand residents.[6] None of these outcomes, however, are significantly correlated with the growth of bad jobs.

Clearly, the growth of good jobs is highly desirable from a number of perspectives. The remainder of this article considers what characteristics of U.S. metropolitan areas are associated with the creation of these types of jobs.

Local Market Size

Overwhelmingly, good jobs in the United States are situated in metropolitan areas. In the year 2000, metropolitan areas accounted for nearly 90 percent of the nation’s good jobs, compared with 83 percent of total employment and 81 percent of the country’s bad jobs. This fact suggests that the presence of good jobs may depend on the overall size of a local market.

Indeed, estimates show that the growth of good jobs tends to be somewhat faster in more populous cities. As a metropolitan area’s population doubles, the rate at which it creates good jobs over the next decade rises by roughly 5 percentage points. Of course, whether or not size itself is the driving mechanism in this relationship is uncertain. A variety of characteristics that are strongly associated with size (e.g., education, big city amenities) may be more important.

Education

One of the fundamental sources of good job growth is an educated labor force. Within the last three decades, the demand for highly educated workers has grown dramatically in the United States. In 1980, the average proportion of workers across all 200 industries with some education at the college level was 32 percent. By 2000, it had risen to 51 percent. In fact, no industry saw its proportion of college-educated workers decrease over this period.

At the same time, it is also true that high-paying jobs tend to have a particularly strong demand for college-educated workers. Among the top 25 percent of jobs in the sample, the average proportion of workers with a bachelor's degree rose from 18 percent in 1980 to 36 percent in 2000. The average proportion of workers with a bachelor's degree in the bottom 25 percent of jobs also increased over this period, although by a much smaller amount: 10.8 percent to 12.9 percent. These results suggest that the growth of good jobs can be expected to occur in cities with highly educated populations.

The evidence strongly supports this conclusion. A 1 percentage point increase in the share of a city's adult population (i.e., at least 25 years of age) with a bachelor's degree is associated with a 1.2 percentage point increase in the rate at which good jobs are created over the next 10 years. Other measures of education yield similar results. Cities with larger numbers of colleges and universities and employment accounted for by institutions of higher education (a measure of the extent of the university community) tend to exhibit a significantly faster growth rate for good jobs.

Education's association with the growth of bad jobs, by contrast, is much weaker. A 1 percentage point increase in the share of a city's population with a bachelor's degree is accompanied by a 0.5 percentage point increase in the rate at which bad jobs are created over the next decade. In addition, the growth of bad jobs is not significantly correlated with the presence of colleges and universities. Therefore, cities with more educated populations tend to see the ratio of good to bad jobs increase over time.

Business management and consulting and computer and data processing were at the upper end of the pay scale for the jobs in this analysis.

The benefits of good jobs also extend to those at the bottom end of the earnings distribution.

Manufacturing's Legacy

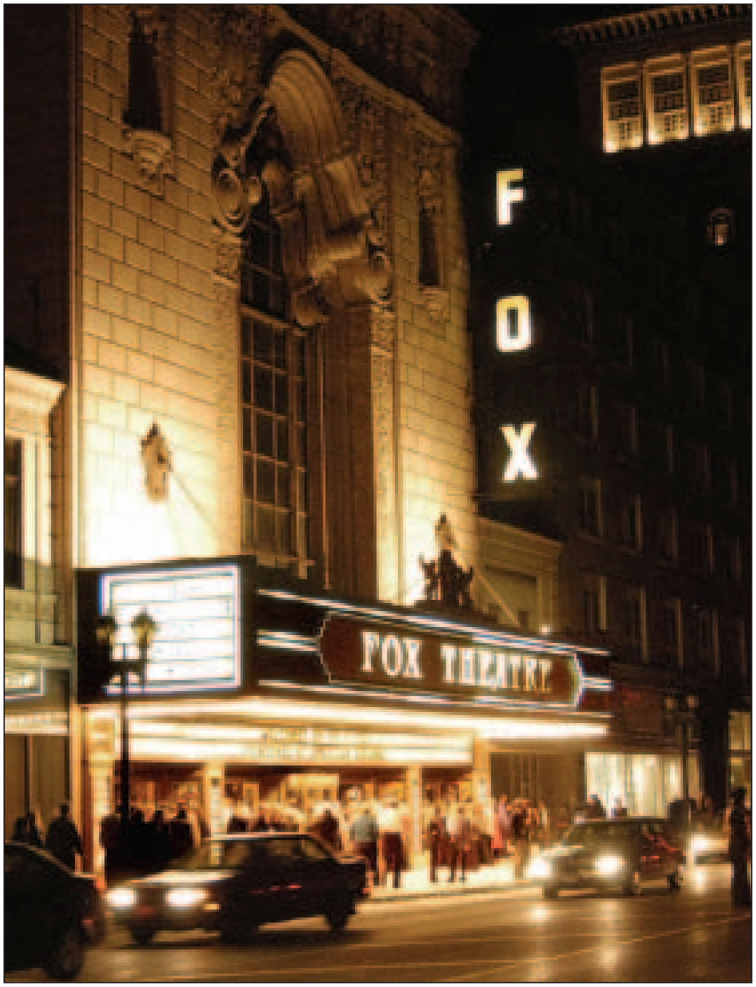
Over the past two decades, manufacturing in the United States has decreased dramatically as a fraction of national employment, falling from 28.3 percent in 1980 to 14.4 percent in 2000.[7] In light of this decline, it is not surprising that many manufacturing-based cities have not fared well in terms of job creation, particularly among high-paying jobs.

Metropolitan areas such as Detroit and Buffalo, each with more than 30 percent of its total employment engaged in manufacturing in 1980, actually experienced declines in good job employment between 1980 and 2000. On the other hand, Washington, D.C.; San Antonio; and Jacksonville, Fla., all of which had initial manufacturing fractions less than 15 percent, experienced an increase in good jobs in excess of 50 percent over the same 20 years.

Although anecdotal, this evidence reflects a pattern that also emerges from a more complete statistical analysis. Estimates indicate that a 5 percentage point rise in manufacturing's presence in a city tends to be accompanied by a 2 percentage point decrease in that city's total employment growth over the next decade.

Why has a strong manufacturing presence dampened subsequent employment growth across U.S. metropolitan areas? Part of the reason may be that workers who are displaced from manufacturing jobs tend to find new jobs (in either the same industry or a different one) at a lower rate than other workers. The Bureau of Labor Statistics has recently reported that, between 2001 and 2003, the re-employment rate for displaced manufacturing workers was 60 percent, compared with an overall mean of 65 percent for all displaced workers.[8] This result may imply that the demand for the types of skills possessed by manufacturing workers has decreased more rapidly than it has for workers employed in other industries. Possibly for this reason, manu-

continued on Page 4



The types of entertainment venues a city boasts is one of the amenities associated with a slightly higher number of good jobs.

continued from Page 3

facturing's legacy in many of America's cities over the past two decades has been one of slow job growth.

Additional Labor Market Conditions Affecting Jobs

Undoubtedly, a metropolitan area's rate of job growth also depends on how desirable employers find the local labor force. Beyond education and skill concerns, characteristics such as labor costs and unionization rates may influence the perceived profitability of a location and, therefore, the extent to which producers create jobs there.

Statistically, both the unionization rate and the average level of wages across a city's workers have a negative influence on its subsequent rate of growth in total employment and the creation of good jobs. Estimates suggest that a 5 percentage point increase in unionization reduces employment growth over the next 10 years by roughly 3.5 percentage points (3 percentage points for good jobs). Increasing a city's average hourly wage by $1 reduces growth by approximately 1.8 percentage points (1.6 percentage points for good jobs).

The second result, when combined with the fact that wage growth accompanies an increase in good jobs, illustrates an interesting economic mechanism. While metropolitan areas with inexpensive labor may attract greater numbers of good jobs, that growth tends to increase wages over time. This process gradually equalizes average wage levels across different geographic markets, thereby eliminating a city's initial cost advantage over higher wage cities.

Personal Amenities

Where workers are willing to live and, thus, where employers are likely to set up production facilities depends on what amenities (e.g., entertainment, warm weather, education institutions) people desire in a location. Recent research has shown that cities offering a wide variety of consumer goods and services tend to exhibit faster population growth.[9]

In considering what causes good jobs to grow, this study looked at a set of entertainment-related characteristics (numbers of zoos, museums, art galleries, restaurants and bars, movie theaters and live entertainment venues), basic services (numbers of hospitals, elementary and secondary schools), weather (average January and July temperatures), and a measure of how "youthful" a city's population is (fractions of the resident population ages 18 to 24 and 25 to 44).[10]

Of these amenities, only three turn out to be important in a statistical sense for total employment growth: the number of movie theaters, the average temperature during January and the average temperature during July. These last two associations very likely reflect the fact that employment growth in the South and West regions has outpaced that of the Northeast and Midwest in recent decades.

When looking at the growth of the highest-paying 25 percent of jobs, by contrast, many more of these amenities are statistically important. In fact, greater numbers of schools, hospitals and types of entertainment outlets are all associated with a (modestly) higher growth rate of good jobs over the next 10 years. On average, a 10 percent increase in the number of these establishments correlates with a 0.3 to 0.5 percentage point increase in the rate of good job growth.

Good jobs also tend to grow faster in metropolitan areas with younger populations. A 1 percentage point increase in the proportion of residents between the ages of 25 and 44, for instance, is accompanied by a 1.8 percentage

Among the potential determinants considered, the most important seem to relate to the characteristics of the local labor force: age, education and (as suggested by manufacturing) work skills.

point increase in the rate of growth of good jobs in the following decade. While some of this rather large association may be due to a true amenity value of cities with large numbers of young residents (e.g., holders of good jobs may value young, vibrant populations), part of it likely relates to the fact that cities with young populations also tend to be more educated.

Temperature, by contrast, is not as robust a predictor of good job growth as it is for the growth of total employment. Although higher temperatures correlate positively with the growth of high-paying jobs, the associations are weaker than for total employment, and the influence of average July temperature is statistically unimportant.

Conclusions

The benefits of job creation for both workers and their communities are enormous. Because those benefits tend to be even greater as the share of good jobs in total employment increases, identifying where and why good jobs grow is an important task. It is also an extremely difficult one, and this article has outlined only a partial set of results.

Among the potential determinants considered, the most important seem to relate to the characteristics of the local labor force: age, education and (as suggested by manufacturing) work skills. Developing a young, skilled work force is probably the most fundamental step one can take in the promotion of good jobs. Although such a finding is by no means new or surprising, it certainly bears repeating.

Economists to Study Community, Economic Development

Wheeler

Chris Wheeler is one of two new economists at the Federal Reserve Bank of St. Louis working for the Research and Community Affairs departments. He and senior economist Anthony Pennington-Cross will be studying community and economic development issues that affect the Eighth District. They will join senior economist Tom Garrett as regular contributors to *Bridges.*

Wheeler came to the Bank in July from Tulane University in New Orleans where he was an assistant professor of economics. He received his doctoral and master's degrees in economics from the University of Wisconsin-Madison in l998 and l995, respectively, and his bachelor's degree in economics from Colby College in Waterville, Maine, in 1993. His research interests include urban and regional economics, labor economics, macroeconomics and economic growth.

Pennington-Cross

Before joining the Bank in August, Pennington-Cross was a senior economist with the Office of Federal Housing Enterprise Oversight in Washington, D.C. He received his doctoral degree in urban and regional economics in 1997 from The George Washington University in Washington, D.C., and his bachelor's degree in economics in 1988 from Oberlin College in Oberlin, Ohio. Pennington-Cross' research interests include real estate finance and urban and regional economics.

ENDNOTES

1. Results from recent opinion polls are summarized at www.pollingreport.com.
2. As suggested, numerous job characteristics other than pay help to determine its desirability. Many, unfortunately, are difficult to quantify. For this reason, pay is commonly used to measure job quality. Evidence from the General Social Survey of the National Opinion Research Center does indicate, however, that workers tend to view income as among the most important aspects influencing job satisfaction.
3. All job data are derived from 5% Public Use Samples of the decennial U.S. Census at www.ipums.umn.edu.
4. All dollar figures in the article are expressed in year 2000 terms.
5. Robert J. Shiller discusses components of U.S. wealth in *Institutions for Managing Risks to Living Standards,* available at www.nber.org/reporter/spring98/shiller_spring98.html.
6. These data are derived from the FBI's Unified Crime Report. They are reported at the county level in the USA Counties 1998 on CD-ROM and the County and City Data Book 2000, both of which are compiled by the U.S. Bureau of the Census.
7. These figures do not include self-employed workers. Source: County Business Patterns, U.S. Bureau of the Census.
8. Source: U.S. Bureau of Labor Statistics, "Worker Displacement, 2001-03" at www.bls.gov/news.release/disp.nr0.htm.
9. Glaeser, Edward; Jed Kolko; and Albert Saiz. "Consumer City." *Journal of Economic Geography.* Vol. 1, 2001, pp. 27-50.
10. The entertainment outlet and basic service data are derived from County Business Patterns 1980, 1990 and 2000 prepared by the U.S. Bureau of the Census. The temperature data are derived originally from the U.S. National Oceanic and Atmospheric Administration, which is reported in the U.S. Census Bureau's County and City Data Book 2000. Age distribution data are computed from the decennial U.S. Census.

What's Happening on Arkansas' Main Streets

Community Receives Accolades from National Organization

Rogers, Ark., was one of five cities in the country to win a Great American Main Street Award in 2004. The award was presented to the Main Street Rogers program for its success in promoting economic growth and revitalizing the city's downtown area. Rogers is the first Main Street Arkansas community to win the award.

Through its Downtown Recruitment Program, Main Street Rogers brought 40 new businesses to the area between 2002 and 2003. Currently, occupancy rates for retail space are at 98 percent and 95 percent for office space. Upscale residential housing has been developed in restored upper floors of commercial buildings, and additional restaurants are making renovations and will open soon.

Rogers has seen almost $12 million in downtown investment and reinvestment. Main Street Rogers' Preferred Loan Program offers a total of $4.5 million in loans from nine participating banks as well as a mini-grant program.

Main Street Rogers has helped secure five Main Street Arkansas Model Business Grants for large projects. Additional activities include developing a debit/gift card program for downtown stores and sponsoring small business seminars through its business consulting services.

Improvements to downtown Rogers in northwest Arkansas garnered the town a 2004 Great American Main Street Award.

For more information, contact Marge Wolf, Main Street Rogers executive director, at mwolf@rogersark.org or by phone at (479) 936-5487.

Delta Initiative Focuses on Cultural Heritage

Main Street Arkansas, in collaboration with the National Trust for Historic Preservation, recently announced the Arkansas Delta Initiative, a plan to implement strategies for preservation-based economic revitalization. The plan calls for a comprehensive, integrated approach that emphasizes the common cultural heritage of five communities in the Arkansas Delta: Blytheville, Dumas, Helena, Osceola and West Memphis.

A national assessment team developed four short-term recommendations to direct the plan. They include: enhancing the region's cultural heritage tourism by building on its blues and music heritage events along with other heritage themes; building business opportunities around local crafts and skills rather than competing with retail giants; improving housing in historic neighborhoods; and taking advantage of planning tools that protect the region's unique architecture, cultural heritage and human talents.

For more information, contact Main Street Arkansas at (501) 324-9880 or by e-mail: info@arkansaspreservation.org.

The Community Affairs staff at the Federal Reserve Bank of St. Louis is focusing its efforts on small business and entrepreneurship during 2004 and 2005.

International Symposium Addresses Sustainability, Development Issues

By Donald Miller

During the international symposium, *Global Pressures on Local Autonomy: Challenges to Urban Planning for Sustainability and Development,* held in early September in Louisville, Ky., many presentations dealing with local efforts to advance sustainable urban development around the world encouraged equally interesting discussions by participants from 22 countries. The event was sponsored by the International Urban Planning and Environment Association.

A major theme heard throughout the symposium was the necessity to make trade-offs—the dialectics of dealing in practical terms with sustainability. Sustainability is commonly defined as a balance between economic, social and environmental concerns that takes a long-term view. When these objectives are in conflict, acceptable trade-offs are difficult to identify and agree on, but necessary.

In addition, several sub-themes or findings frequently emerged from the symposium sessions:

1. Developed societies have as much to learn from developing societies as the other way around when it comes to addressing sustainable urban development.
2. A complementary relationship between replicable analysis and direct citizen participation is a necessity for understanding environmental issues. Also, research results need to be presented in popularly understandable and interesting terms to be useful and to have effect.
3. Whether low-income households are located on cheaper sites near brownfields or vice versa, environmental problems disproportionately impact the less well-off.
4. Most negative environmental impacts do not occur alone, meaning that several kinds of pollution need to be addressed together.
5. Since the systems with which we are dealing are complex, developing an implementation strategy for resolving development issues increases the likelihood of a practical and effective solution.
6. Broad community involvement in initiatives for sustainable development helps to ensure that the right issues are addressed and to build the constituency necessary for implementation.

Academics from around the world came to Louisville, Ky., on Sept. 4-8 to attend an international symposium on urban planning. Shown are, from left: Beverly McLean of the University of Buffalo in Buffalo, N.Y.; William Smith-Bowers of the University of Westminster in London; Faith Weekly, Community Affairs specialist at the Louisville Branch of the Federal Reserve Bank of St. Louis; and Lynne Mitchell of Oxford Brookes University in Oxford, England.

Reflecting on the symposium as a whole, the most interesting and useful presentations were based on one or more actual cases, and so were inductive in their approach. Many participants noted that the specific treatments of problems and responses were more useful to them than were abstract and general presentations. Additionally, the papers were especially interesting to participants if the presenter had first-hand experience with the case or process, as opposed to being a third-party observer.

This symposium provided an exceptional venue to bring together governmental officials, representatives of nongovernmental organizations and researchers to exchange experiences and information on how to use urban planning for sustainability and development. The next symposium in this series is scheduled for Bangkok in early January 2007.

Donald Miller, cofounder and chairman of the International Urban Planning and Environment Association (IUPEA), is a professor of urban design and planning at the University of Washington in Seattle. The symposium was the sixth in a series, dating back to 1994, sponsored by the IUPEA. The Federal Reserve Bank of St. Louis, Community Affairs, partnered with the University of Louisville and others to bring the symposium to Louisville.

Nonprofits, Banks Invited To FLLIP Over Lunch Feb. 1, 2

Two events are planned in February to inform nonprofit organizations and financial institutions about financial education funding and partnership opportunities.

Nonprofit organizations interested in offering financial education classes for low-income adults in southern Illinois are invited to attend a free bidders' conference from 9 a.m. to 4 p.m. Feb. 1 at the University of Illinois Extension Marion County Office, 1404 E. Main, Route 50 East in Salem, Ill. Continental breakfast and lunch will be provided.

A request for proposals will be issued at the conference. Up to five nonprofit organizations in southern Illinois will receive approximately $8,000 to $10,000 per site. Only organizations that attend the conference will be eligible to apply for the grants.

Participants will learn about the Financial Links for Low-Income People (FLLIP) coalition's Financial Education Program (FEP), how to write a strong proposal to receive FLLIP FEP funding, and how to form partnerships to teach financial education to low-income adults.

Up to five nonprofit organizations in southern Illinois will receive approximately $8,000 to $10,000 per site.

Union Planters Bank will host a related luncheon for banks and credit unions interested in learning about the FLLIP FEP from 11:30 a.m. to 1 p.m. Feb. 2 in Marion, Ill. Luncheon participants will learn how to develop knowledgeable customers and new business by supporting free financial education classes for low-income adults.

The bidders' conference and luncheon are sponsored by the Sargent Shriver National Center on Poverty Law. The Shriver Center's community investment unit coordinates FLLIP, a statewide coalition of advocates dedicated to expanding financial education, asset-building opportunities and access to mainstream financial services in Illinois. The Grand Victoria Foundation and Illinois Department of Human Services provide major funding for FEP. The Shriver Center is recruiting at least 12 nonprofits and financial institution partners throughout Illinois to offer these classes.

Anyone interested in attending either event should contact Yuri Gottesman at yurigottesman@povertylaw.org or (312) 368-1033.

For more information about the Shriver Center and its community investment unit, visit the center's web site at www.povertylaw.org/advocacy/community_investment/index.cfm.

Speaker Series Wraps Up with Rev. Butts on Feb. 17

The final lecture in the Community Development Speaker Series sponsored by the Federal Reserve Bank of St. Louis will feature the Rev. Dr. Calvin O. Butts III, pastor of the nationally renowned Abyssinian Baptist Church in Harlem, N.Y.

Seizing Opportunities
community development
speaker series
Improving Local Communities

Rev. Dr. Calvin O. Butts III

The event is scheduled for 7 p.m. Feb. 17 at the Statehouse Convention Center, 100 E. Markham St., in Little Rock, Ark.

In addition to his pastoral duties, Dr. Butts is president of the State University of New York College at Old Westbury and is a cofounder of the Abyssinian Development Corp. A comprehensive community-based organization, the corporation has been responsible for more than $300 million in housing and commercial development in Harlem. Dr. Butts continues to help guide and support the daily operation of the not-for-profit organization.

Previous speakers in the series, presented by the Bank's Community Affairs Office, were Richard Baron of McCormack Baron Salazar, a developer of mixed-income housing, and Mark Pinsky, president and CEO of National Community Capital Association.

For more information, call Lyn Haralson, (501) 324-8240, or Amy Simpkins, (501) 324-8268. For a registration form, visit www.stlouisfed.org/community.

Checks Clear Faster Under "Check 21"

Community organizations can help spread the word about a new law that may affect the way people manage their checking accounts.

The Check Clearing for the 21st Century Act (or, more simply, "Check 21") went into effect Oct. 28. It makes check processing more efficient by facilitating electronic processing and authorizing what is called a "substitute check." As a result, banking customers may find that their checks clear much faster than previously. To avoid overdraft fees, a consumer will need to be sure that there are sufficient funds in his or her account to cover that amount.

At one time, all paper checks were physically transported from the bank where deposited (often through a check clearinghouse) to the bank where the check was payable (where it would either be paid or not) and eventually sent back to the account holder, emblazoned with a chain of endorsements. The distances these checks traveled, and the time required to ship the checks, created significant processing costs. In an age of almost instantaneous transmission of electronic information, the physical transport of billions of paper checks seems hopelessly outdated. Check 21 eliminates the need to ship paper checks and makes electronic processing of checks easier. It also allows creation of a paper substitute check that contains all of the information from the original check.

How does Check 21 affect a person who writes checks? It will probably have little direct effect and may even go unnoticed. However, experts seem to agree that the most significant impact on consumers is that checks will likely be processed faster, resulting in a much quicker charge against their accounts.

Bank customers may also notice a difference in their monthly statement if they still get their original canceled checks back from the bank. Along with the original checks, customers may begin to see substitute checks taking the place of some canceled originals. Under Check 21, a substitute check is the legal equivalent of the original, when it meets certain standards. This means the substitute check can be used as proof of payment, just as if it were the original. To be legally equivalent, a substitute check must: (a) contain an accurate image of the front and back of the original check; (b) bear the legend, "This is a legal copy of your check. You can use it in the same way you would use the original check."; and (c) otherwise conform to industry and legal standards to ensure automated processing, just like an original.

Other people won't notice a difference in their monthly statements. Even before Check 21, banks were not required to provide original canceled checks to an account holder. Instead, a customer's account agreement with the bank determines whether he or she will receive canceled originals, photocopy-reduced images of canceled checks (an "image statement") or simply a listing of checks.

Regardless of what type of statement is sent, a customer may receive a substitute check in other situations, such as when a bank returns a check that was deposited to a customer's account, but "bounced."

Even if substitute checks are created during processing, existing laws prohibit a bank from charging an account more than once for the same check. The chances of such multiple charges are slight, as are other problems that may be attributed to a substitute check. Check 21 does provide special expedited recredit rights to a consumer when a substitute check is the source of the problem.

Check 21 is explained more fully in new publications prepared by the Board of Governors of the Federal Reserve. These include the *Consumer Guide to Check 21 and Substitute Checks* and *What You Should Know About Your Checks.* They are available on the Board's web site at www.federalreserve.gov/consumers.htm. Both publications may be downloaded and copied by organizations for distribution to the general public.

Have you HEARD

Funding Opportunities Available for 2005, 2006

Rural Community Development Initiative

The Rural Community Development Initiative, a program of the U.S. Department of Agriculture's Rural Housing Service, has $6 million in matching grants available in 2005 for qualified organizations. The funds will go to intermediary organizations that, in turn, will provide financial and technical assistance to organizations involved in community and economic development. The deadline for applications is Jan. 25. For details, visit www.rurdev.usda.gov/rhs/rcdi/index.htm.

Bank Enterprise Award Program

The Community Development Financial Institutions (CDFI) Fund is accepting applications for its FY 2005 and FY 2006 Bank Enterprise Award (BEA) program. The awards, totaling $4 million in 2005 and $6 million in 2006, will go to federally insured depository institutions wishing to increase their level of loans, investments and technical assistance within distressed communities.

The CDFI Fund will give priority to applicants planning to use the grants for education, housing, home improvement and small business loans. Applicants providing commercial real estate loans and affordable housing development loans also will be considered.

The deadlines to apply are Feb. 14, 2005, and Feb. 14, 2006. For information, call the CDFI Fund at (202) 622-6355. To view the BEA grant notice online, visit www.hudclips.org/sub_nonhud/cgi/pdf/20460.pdf.

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.

Blueprint Outlines 10-Year Plan for a Better Mississippi

Dozens of research reports and nearly 1,000 participants paved the road to a new private initiative created to move Mississippi's economy forward. Blueprint Mississippi, born out of meetings held throughout the state from December 2003 to March 2004, was crafted by state business and higher education leaders and the Mississippi Economic Council. It is a 10-year business plan to create a competitive national and global business climate and enhance the state's workforce and education systems.

The core goals strive to strengthen the state's business image; improve the legal atmosphere; enhance the preparedness of children for school; maximize high school graduation rates; diversify the state's economic base; train and retain teachers; increase lifelong learning and employment training opportunities; and use business models and financial indicators for global marketing.

The initiative, which encourages joint participation in the private, public, academic and nonprofit sectors, led Mississippi's governor to launch Momentum Mississippi, a plan for economic growth guided by a broad-based governor-appointed advisory board. Anthony Topazi, president of Blueprint Mississippi, will also head the Momentum project that will initially focus on Blueprint Mississippi's recommendations. For more information, contact the Mississippi Economic Council at (601) 969-0022 or visit www.msmec.com.

Toll-Free Indiana Helpline Assists People with Mortgage Problems

Current and potential homeowners in Indiana have a new toll-free phone number to call for information about how mortgages work and how to avoid foreclosure. The Mortgage and Foreclosure Helpline number (1-866-722-9248) helps new home buyers and current homeowners who are refinancing their home understand the loan documents. It also provides information for homeowners facing foreclosure. Particularly at risk are those caught in predatory lending situations.

The helpline is the result of a partnership between Momentive Consumer Credit Counseling Service and Congresswoman Julia Carson with support from the Fannie Mae Indiana Partnership Office and the U.S. Department of Housing and Urban Development.

Arkansas CDFI Wins Award for Work in Impoverished Areas

Southern Development Bancorporation was one of four financial institutions in the United States to receive the 2004 Wachovia Community Development Financial Institution (CDFI) Excellence Award.

The award was presented Nov. 4 in Chicago in conjunction with a conference sponsored by the National Community Capital Association. It recognizes the CDFI's work in investing in impoverished areas, primarily in the Arkansas and Mississippi Delta.

The award is given in four categories: advocacy, community impact, financial performance and innovation. Southern Development Bancorporation received the award for financial performance.

In 2004, Southern Development Bancorporation invested approximately $160 million in communities located primarily in the Delta to stimulate housing, health care, education, leadership training and financial literacy.

With $500 million in assets, Southern Development Bancorporation is the largest rural development banking organization in the United States. Offices are located in Arkadelphia, Helena, Clarendon and Pine Bluff, Ark., and in Clarksdale, Greenville, Ruleville, Drew, Lambert, Friars Point, Lula, Shelby, Webb and Sledge, Miss.

Smart Commute Aimed at Those Buying Near Mass Transit

Home buyers in the city of St. Louis, St. Louis County and St. Clair County, Ill., now have a financial incentive to purchase a home near mass transit.

The pilot program, Smart Commute Initiative, is a new mortgage product from Fannie Mae. Designed to promote homeownership in neighborhoods near public transit lines, Smart Commute will be spreading to other cities and can be customized for each community. The initiative in the St. Louis area gives home buyers an additional $200 to $250 increase in their qualifying monthly income for a home mortgage if they purchase a home within one-quarter mile of a MetroBus route or one-half mile of a MetroLink station. Smart Commute mortgages can be combined with other mortgage products, including those with low down-payment options. When community lending products are used, standard community lending income limits apply.

In the St. Louis area, consumers may contact 1st National Bank at (314) 835-3700. In St. Clair County, consumers may contact Countrywide Home Loans at 1-800-877-5626. Interested persons in other areas can find out whether the program is available in their community by visiting www.efanniemae.com.

FedACH Lowers Rates, Expands Services in Mexico

The Federal Reserve System recently announced two developments designed to make electronic payments to Mexico more affordable and accessible.

This past summer, the Federal Reserve System's Automated Clearinghouse (FedACH) International Mexico Service reduced the spread, or commission, on the exchange rate for payments from the United States to Mexico. The reduced spread is available to any depository institution in the United States that wants to send electronic payments to Mexico through FedACH.

In addition, the Fed has entered into an agreement with Mexico's Banco del Ahorro Nacional y Servicios Financieros (Bansefi) to enlarge the distribution channel for bank-to-bank account transfers from the United States to Mexico. Using an existing network of more than 750 branch locations of Mexico's savings and credit unions, Bansefi will open a low-cost account for any Mexican who wants to receive remittances in Mexico. The agreement is expected to make it easier for Mexicans living in the United States to send money home through formal channels.

For more information, contact Larry Schulz, vice president of the Federal Reserve Retail Payments Office, at (404) 498-8792.

CALENDAR

JANUARY

7
ULI St. Louis: Share the Vision—St. Louis
Sponsor: Urban Land Institute St. Louis Council
http://planet.uli.org/DK/DisCoun/pl_DisCoun_Cal_fst.html

12
Part 2—Preserving Affordable Rental Housing in Louisville: Threats and Opportunities—Louisville, Ky.
Sponsors: Federal Reserve Bank of St. Louis, Metropolitan Housing Coalition
(502) 568-9216

13-14
Cooperating to Develop Communities: Rural-Urban Connections—St. Louis
Sponsors: Missouri Community Development Society, Federal Reserve Bank of St. Louis
www.mocds.org

27-29
New Partners for Smart Growth: Building Safe, Healthy and Livable Communities—Miami Beach, Fla.
Sponsors: Local Government Commission, Penn State
www.NewPartners.org

FEBRUARY

7-11
NeighborWorks Training Institute—Denver
Sponsor: Neighborhood Reinvestment Corp.
www.nw.org/training
1-800-438-5547

17-19
National Faith and Community Economic Development Conference—Monroe, La.
Sponsor: Southern University Ag Center
(225) 771-2242, ext. 315

MARCH

5
Women's Money Matters Workshop—St. Charles, Mo.
Sponsors: University of Missouri Extension, Federal Reserve Bank of St. Louis
(636) 970-3000

14-17
The Mid-South Basic Economic Development Course: Meeting the Challenges of the New Economy—Little Rock, Ark.
Sponsor: The Institute for Economic Advancement (IEA), University of Arkansas at Little Rock
(501) 569-8519
www.aiea.ualr.edu

MARCH

17
Small Business Council Business Development Seminar—Little Rock, Ark.
Sponsor: Little Rock Chamber of Commerce
(501) 374-2001

APRIL

7-8
Promises & Pitfalls: As Consumer Finance Options Multiply, Who Is Being Served and at What Cost?—Washington, D.C.
Sponsor: The Community Affairs Offices of the Federal Reserve System
www.stlouisfed.org/community

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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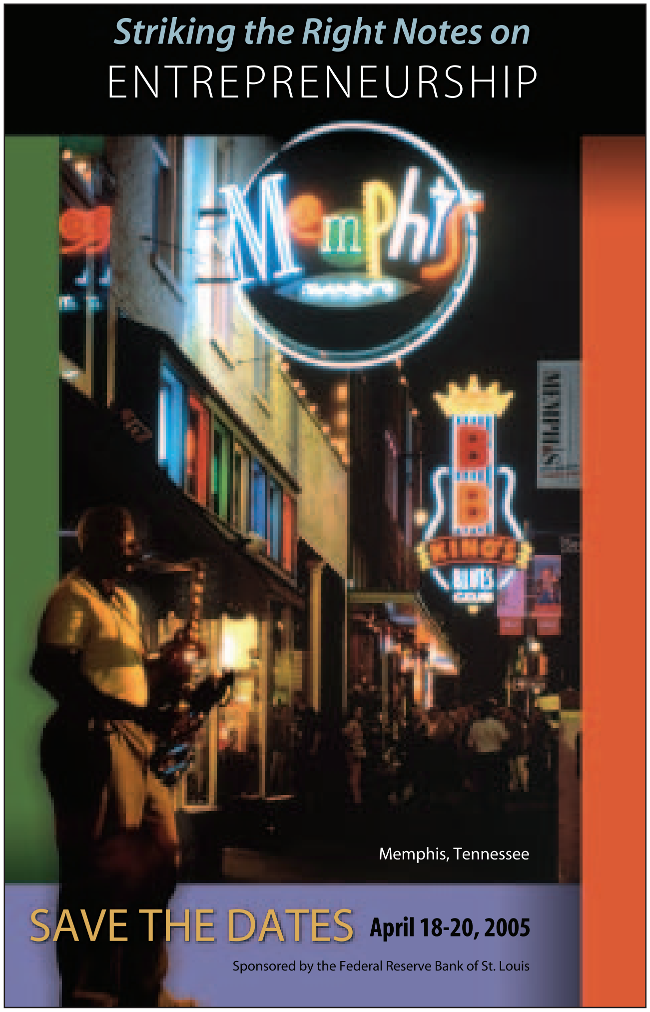
If you have an interesting community development program or idea for an article, we would like to hear from you. Please contact the editor.

Free subscriptions and additional copies are available by calling (314) 444-8761 or by e-mail to communityaffairs@stls.frb.org.



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