



# CB CENTRAL BANKER

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News and Views  
on Community Affairs  
for the  
Eighth Federal Reserve District

## COMMUNITY AFFAIRS

### Geographic Analysis Now Part Of CRA

The Federal Reserve recently adopted an FFIEC policy calling for banks and thrifts to analyze the geographic distribution of their lending patterns as part of the Community Reinvestment Act (CRA) process.

Beginning this year, a geo-

graphic analysis of loan applications, extensions and denials should be done at least annually and be made available for future CRA exams.

Each institution can decide for itself how to gather the geographic data. Methods may vary according to the size of the institution, the number and types of products it offers, and the size and makeup of the community it serves. Larger institutions, for example, may want to use computer applications to keep track of major product lines; lenders in small towns or rural areas, on the other hand, may find that creating paper-based reports of lending volume or plotting loan data on a map and correlating results with demographics works best.

A geographic lending analysis can provide institutions with valuable information and help them retain good CRA records. It can help track policy and program goals, and provide recognition for success in these efforts. It can "red-flag" areas for adjustments in time to offset unexplained geographic skewing of lending distribution. Finally, it will help institutions learn more about their market and position in that market.

For more information about geocoding, please call the Fed's Consumer Affairs Office at (314) 444-8443.



### Obtaining Financing: What Community Groups Should Know

**W**ith the recent public attention on banks' lending patterns and the Community Reinvestment Act (CRA), community organizations and financial institutions are finding it

increasingly advantageous to work together to meet the economic development needs of their communities.

As community groups—like non-profit housing organiza-

tions—approach lenders for financing for such projects, a few general suggestions may be helpful:

- Establish a relationship with a bank now—don't wait until you need financing. Learn early on what the bank's requirements and policies are, then find a banker who understands your needs.

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# CRA

## PERFORMANCE CATEGORIES

- Ascertainment of community credit needs
- Marketing and types of credit offered and extended
- Geographic distribution and record of opening and closing offices
- Discrimination and other illegal credit practices
- Community Development

*This is the second in a series of articles featuring the five performance assessment categories that determine a bank's CRA rating. This issue discusses "marketing and types of credit offered and extended."*

## Marketing Credit Products In Your Community

In the first article of this series, we discussed the first step a lender should take in fulfilling CRA responsibilities—identifying community credit needs. Once a lender has identified those needs, it is ready to take the next step in a successful CRA program—marketing its products to meet the identified credit needs of its community.

In determining a lender's CRA rating, examiners evaluate a bank's efforts to promote and deliver the credit products listed in its CRA Statement. The examiner looks for a marketing program that informs all segments of the bank's local community of general financial products and services offered.

A bank that receives an outstanding rating in this category uses advertisements to stimulate awareness of credit services throughout the entire local community, including low- and moderate-income neighborhoods. This may include the use of special media, such as foreign-language and ethnic-oriented publications aimed at particular segments of the community.

A second assessment factor in this category is the bank's record of making or purchasing loans for residential mortgages, housing rehabilitation, home improvement, small businesses, small farms and rural development. These loans should reflect a responsiveness to the most pressing community credit needs.

In offering credit products,

a lender doesn't have to meet every credit need identified. If the bank's size and resources permit, however, it may wish to experiment with different products and be creative in evaluating existing products. For example, a bank might be able to adjust loan minimums, credit criteria or credit histories.

Some banks have even successfully used rent and utility payments as credit histories to help low- and moderate-income families qualify for mortgages or home-improvement loans.

Finally, an examiner also looks at the bank's participation in government-sponsored loan programs. These programs are available to serve the credit needs of individuals, businesses and farms that cannot qualify under conventional loan underwriting criteria. Of course, the use of government programs such as SBA, FHA or VA loans depends on the need for the programs within the community as well as the bank's size, resources and expertise. Exploring the possibilities will demonstrate that lenders have reached beyond ordinary lending standards.

A bank's approach to marketing and offering credit products will work best when it follows the specific objectives in its CRA Plan. The more directly the advertising relates to credit products, the better. A direct link from identifying credit needs, to developing products to meet those needs, to marketing the products to all segments of your community is the key.

### Marketing Tips

- Place ads in general interest sections of a newspaper, not in the financial pages.
- Use local advertising vehicles such as neighborhood organization newsletters, including foreign-language and ethnic-oriented publications, and reflect the racial and ethnic mix of the community in ads.
- Emphasize types of loans regularly offered, special-loan programs, budget checking accounts and family savings plans in newspaper, radio and television ads.
- Advertise via flyers or leaflets easily available through brokers, dealers and community groups.
- Use roadside billboards and posters on buses, taxis and subways to reach all members of the community.
- Distribute literature from booths at local fairs, trade association meetings, etc.
- Use lobby displays, brochures, signs, videos, statement stuffers, etc.
- Assign officers to attend highly visible community events and participate in speaking engagements.
- Sponsor local events, especially in low- and moderate-income areas, that give the bank visibility and some opportunity to deliver a message regarding banking services.
- Encourage "word-of-mouth" advertising from satisfied customers—it can be more valuable than media advertising.

# HOUSING ISSUES

## Habitat For Humanity Is Building More Than Houses In Memphis



**T**hough building houses is their primary business, Habitat for Humanity of Greater Memphis is also in the business of building families.

Through volunteer labor (former president Jimmy Carter and his wife are among the more famous volunteers), management expertise, and tax-deductible donations of money and materials, Habitat builds and renovates houses for limited-income families who otherwise might not be able to afford a home of their own.

"I always wanted a house but

couldn't afford one," says Willie Price, who recently became a homeowner through Habitat's "Miracle in Memphis" program. "I wanted decent housing for my family."

Habitat for Humanity International, based in Americus, Georgia, is a non-profit, international housing ministry that began in 1976 to eliminate poverty housing worldwide. The Greater Memphis affiliate was founded in 1983 and is the sixth-largest of the 630 worldwide affiliates.

So far in the Memphis region, Habitat has built 46 homes with two additional homes currently under construction. In a 1990 campaign, Habitat built five houses in five days, and during the "Miracle in Memphis '91" program, it built 10 houses in

10 days. The Family Nurturing Program was also launched in 1991 to work with current and prospective Habitat homeowners in financial planning, job development, skills enhancement, self-esteem workshops and youth development.

Habitat's plans for 1992 include building 12 houses and securing adequate warehouse space to stockpile building materials in bulk, thus holding down the cost of each house. Habitat is also interested in rehabilitation, emergency assistance and establishing a distribution center for housing needs.

Under the organization's sponsorship program, partnerships are formed between churches, businesses and individuals to provide funding and volunteers to build a house. Prospective homeowners fulfill 500 hours of "sweat equity" toward completion of their own or someone else's home in the Habitat program. They also make a 2 1/2 percent down payment to cover the beginning balance of their escrow account for taxes, insurance and maintenance. Houses are sold to the homeowners at cost—currently about

\$36,000— with a 20-year, no-interest mortgage.

The typical Habitat family consists of five people— either a single parent with four children or two parents with three children. Habitat's smallest family has three members, the largest numbers eleven.

Applications for Habitat housing are reviewed by the organ-

ization's Family Selection Committee. Financial need and living conditions are primary considerations; but because this is a loan program, other factors such as ability to pay, size of family and character are considered.

The homes are simple three- and four-bedroom houses with one bath. The average living space is 1,000 square feet. They are designed to be energy-efficient and maintenance-free. And they give much more to their owners than shelter.

"These homes are the vehicles by which hope, pride and human dignity are restored to home-owners," says Betty Anne Wilson, executive director of Habitat for Humanity of Greater Memphis. "Families begin to change attitudes about life. Instead of living paycheck to paycheck, families begin to plan for the future. Lives change when self-esteem is restored; parents again believe that they are positive role models for their children. Children become better students, achieve higher grades and begin to plan for their future success. Therefore, the cycle of poverty can truly be broken for families in need."



You can learn more about Habitat for Humanity's programs in your area by calling Betty Anne at the Memphis office at (901) 278-0256, or Habitat for Humanity International at (912) 924-6935.

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- Invite the banker to look at your projects, tour your offices or attend your board or loan committee meetings.

- Prepare information on the structure of your organization as well as its history and financial statements. From the banker's perspective, it is important to know how well your organization is managed, funded and able to

accomplish its stated goals.

- Write a project proposal when you are ready for financing. Be specific, detailing the management team, other financing sources, equity investors and any preliminary analysis such as research, market studies and similar projects.

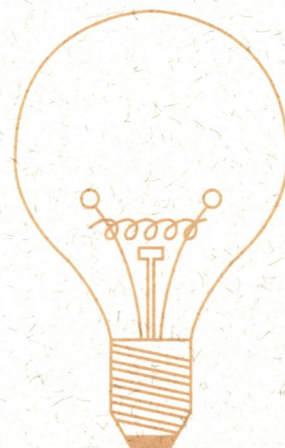
- Meet with the lender early in the loan-application process and give the lender plenty of time to

make a decision.

- Be prepared to negotiate. Both sides must be willing to give a little, for example, on rates, terms, maturity or loan amounts.

Keep in mind that most lenders welcome well-developed programs from community groups. They benefit the community and help lenders earn a positive CRA record.

## Got An Idea? Let Us Know!



If your financial institution, community organization or agency has an interesting community development program or idea, we would like to consider publishing an article by or about you. Please contact:

Glenda J. Wilson  
Community Affairs  
Federal Reserve Bank of  
St. Louis  
P. O. Box 442  
St. Louis, MO 63166-0442.

## Consumer Compliance Handbook Available

A new consumer compliance handbook, designed to help banks comply with consumer protection laws and regulations, is available for \$20 from Publications Services, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

The handbook provides easy-to-read summaries of the Fair Housing Act, Home Mort-

gage Disclosure Act, Community Reinvestment Act, Truth in Lending, Consumer Leasing, Electronic Funds Transfer, Expedited Funds Availability, Unfair or Deceptive Practices and Fair Credit Reporting. Also included are examination procedures used by the Federal Reserve System and an examiner's checklist.

### Tools And Techniques For Community Development Lending

A community reinvestment conference sponsored by

The Federal Reserve Bank  
of St. Louis

and

The Federal Home Loan Banks of  
Chicago and Des Moines.

September 24-25, 1992  
Hilton St. Louis Airport Hotel

Mark your calendars!  
More information to come.



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