LINKING LENDERS AND COMMUNITIES

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INDEX

All I Really Need To Know About Microfinance I Learned in Bangladesh

By Daniel P. Davis

Since 2006, when Dr. Muhammad Yunus and Grameen Bank received the Nobel Peace Prize for their efforts to create economic and social development by providing banking services to the poorest citizens of Bangladesh, I have watched unfold—with great curiosity—the story of microfinance in the world's most densely populated nation. But I have been even more interested to uncover how microfinance in Bangladesh may influence economic development in our own nation. It seems that, especially in a time of limited financing for economic development initiatives, it may be a good idea to look at models outside America to understand how development has taken place and even prospered with few sources of traditional financing.

So I welcomed the opportunity to travel with colleagues from across the U.S. to examine how microfinance has served as a catalyst to alleviate poverty and nurture social entrepreneurship in Bangladesh. I hoped to witness firsthand the country's development achievements and was prepared to bring back a few key takeaways from the experience to assist in my work here at home. What I was not prepared for, however, was the overarching discovery that all I really need to know about microfinance would be learned in Bangladesh.

Rural microloan borrowers gather for a weekly group meeting.

Know the People You Serve

Grameen Bank is headquartered in Dhaka and was the first modern microfinance institution in the world. In Bengali, "grameen" means "village," and the bank was designed with an intentional focus to continually understand the people the organization serves. This principle is at the heart of the work being done by Grameen. I had the

continued on Page 2

In this Issue...

By Allen North

Community development professionals have a history of being at the forefront of important social initiatives, fostering engagement to bring more value to the work to which they are committed. As we welcome spring, this issue of *Bridges* shines light on some of these initiatives that are sure to impact the lives of many.

We begin with a couple of articles about microfinance. This broad category includes all the ways to provide financial services to low-income clients who don't have traditional methods of access to banking products and services.

Daniel Davis writes about his trip from St. Louis to Bangladesh (a distance of more than 8,000 miles—or 13,000 kilometers—and seemingly a step back in time) and the work begun by Nobel Prize winner Muhammad Yunus, the father of modern microfinance. As Daniel's title suggests, he learned a lot about microfinance in this very small country so far away from western civilization. And he's happy to share some of what he learned here.

Lyn Haralson has a related story about college students starting microfinance operations on campuses across the nation. These smart kids have smart ideas, and they also seem to have a strong desire, determination and commitment to help others.

Then we move on to Drew Pack's story about immigrant entrepreneurship. In the 19th century, Ralph Waldo Emerson said, "America is another name for opportunity," and it seems that is still true today. Immigrants have consistently found America to be a place that encourages creativity and the entrepreneurial spirit. And the role of highly skilled immigrants and the economic contributions they make to this country are of growing importance for regional economies and struggling cities.

Bill Emmons rounds out our feature articles with an update on foreclosure trends in our District—a very interesting and sobering analysis.

I encourage you to explore this issue, and I'd also like to encourage you to attend our spring conference, Exploring Innovation: A Conference on Community Development Finance. It's not too late; if you haven't registered, do it now at 2011.exploringinnovation.org.

Allen North is vice president in the Federal Reserve Bank of St. Louis' Banking Supervision and Regulation Division, with responsibilities for Consumer and Community Affairs and Supervisory Policy and Risk Analysis.

Bangladesh

continued from Page 1

opportunity to meet with Dr. Muhammad Yunus, the bank's founder; he explained that "the people should not come to the bank, but rather the bank should go to the people." With 26,000 employees in 80,000 villages serving over 8.1 million people, Grameen has made it a priority to extend its services throughout the country. It would be easy for such a large organization to lose sight of its mission. Yet when I visited a branch office in a rural village, the manager noted, "We can only help our customers if we understand the reality they face."

It was this understanding of a population in need that influenced Dr. Yunus to begin the Struggling Members Program in 2003 to extend loans to the poorest of the poor, the beggars of society. With a philosophy that credit should be a human right, Grameen Bank offers no-interest, collateral-free loans (averaging $9 per loan) to the poorest citizens of Bangladesh.

Traffic Light Interest Rates

Acceptable interest rates should be a trademark for development. Dr. Yunus said, "The goal is to help poor people, not to become loan sharks." Using the illustration of a traffic light, he described three levels of interest rates:

- **Green Zone** – Loans include the operational cost plus less than 10 percent interest for oversight. Microfinance institutions should strive to offer these rates.
- **Yellow Zone** – Loans include the operational cost plus 10 to 15 percent interest for oversight. These are acceptable, but not preferred, rates for microfinance institutions.
- **Red Zone** – Loans include the operational cost plus more than 15 percent interest for oversight. Any microfinance institution expecting customers to pay interest rates above this percentage should be considered predatory.

Encourage Entrepreneurship and Social Business

The first loans offered by Grameen were microenterprise loans and they continue to be a driver of the organization's services. The bank's average microenterprise loan is $309. I had the opportunity to meet face-to-face with some rural women—they make up the majority of borrowers and their stories are compelling. Some used their loans to start corner markets, some invested in livestock, two purchased sewing machines, one opened a vehicle repair shop, and another started a neighborhood bio-gas plant. Regardless of the scope of their loan, each borrower is encouraged to use their financing to create jobs for their village. Dr. Yunus explained, "We encourage them to dream to be a job giver rather than a job seeker." As a result, villages begin to thrive with opportunity.

In Bangladesh, there is a movement toward social business. Dr. Yunus noted that he has always had a philosophy that businesses can be started to solve problems, and Grameen encourages borrowers to consider this as they begin their ventures. There are four main principles to developing a social business: 1) it must be sustainable; 2) it must be able to cover operational costs; 3) it must make a small profit so that expansion can continue to occur; and 4) an investor can only profit up to the amount of the initial investment. Dr. Yunus said, "Profit-making business can make me rich, while social business can make a difference in the world."

The Importance of Savings and Investing in the Next Generation

As a prerequisite for receiving a loan, Grameen's borrowers are asked to make 16 decisions, encompassing everything from choosing to drink only clean water to looking after the health of family members to making repairs to their own homes.

There is an intentional focus on the next generation. Education is a private privilege in Bangladesh and there is no public school system. However, every Grameen borrower that I encountered who had school-aged children had them enrolled in primary school. And the education loans offered by Grameen currently allow over 50,000 students (children of Grameen borrowers) to attend college in Bangladesh.

Dr. Yunus noted that an important aspect of investing in the future is the existence of a savings account that allows households to increase their economic sustainability. Many Grameen borrowers have more money in their savings account than they owe on their loans. The borrowers I met emphasized that they struggled to make ends meet, let alone save money, before they received their initial loan from Grameen. Many said that the receipt of that loan marked a turning point, allowing economic prosperity to enter their lives.

Expansion to the U.S.

Bangladesh has experienced significant economic development over the last 30 years, substantially decreasing its poverty rate. Every Bengali dignitary I encountered emphasized the success of microfinance as one of two key factors that has led to widespread development (the other is the booming garment industry). Grameen Bank has been a leader in microfinance initiatives in Bangladesh; a portion of the success of the industry can be attributed to the complementary activities of other organizations (e.g., BRAC and ASA) helping to spread the reach of microfinance throughout the nation, developing a robust environment for economic development.

The home and family of a Grameen borrower in rural Bangladesh, crouched beside the Bay of Bengal between India and Burma.

Grameen brought their model to the U.S. in 2008 under the auspices of Grameen America; currently, branches are operating in New York and Iowa, with additional branches pending in California, Indiana, North Carolina and Washington, D.C. While it will be exciting to watch the story of Grameen America unfold, there is plenty of room at the table for other microfinance institutions to address our climbing poverty rate[1] by offering individuals the opportunity to start their own businesses. The U.S. certainly has a number of esteemed organizations promoting microfinance, but the field will need to expand significantly if it is to be used as a tool to rebuild our local economies. As that happens, organizations will be wise to keep in mind lessons learned in Bangladesh.

Daniel P. Davis is a community development specialist at the Federal Reserve Bank of St. Louis. He visited Dhaka, Bangladesh, in December 2010 as a chosen participant in the 17th Biennial International Consortium on Social Development Symposium. View a PDF presentation of Daniel's Bengali experience at www.stlouisfed.org/publications/br/.

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Campus Microfinance Funds: Connecting Campuses to Communities

By Lyn Haralson

The concept of microfinance has been around in various forms for centuries—as "chit funds" in India, "tandas" in Mexico and "tontines" in West Africa. It has also taken a more formal structure as credit unions and savings and loans. Modern-day microfinance is credited to Dr. Muhammad Yunus, a Nobel Prize-winning economist from Bangladesh. In 1976, Dr. Yunus provided an interest-free loan of $27 to a local stool-maker and other villagers, allowing them to purchase needed materials without using a money-lender who charged exorbitant interest. For more on Dr. Yunus and his model, see Daniel Davis' article in this issue.

Microfinance has been the buzz word for international poverty alleviation for the past decade, and various platforms for this type of investment have been developed. In this article, we focus on an emerging group of microfinance funds operated on college campuses.

In a 2009 study for the Charles Steward Mott Foundation, the Microenterprise Fund for Innovation, Effectiveness, Learning and Dissemination (FIELD) at the Aspen Institute identified 11 such domestically focused microfinance organizations (MFIs) run by young, highly motivated college students with a desire to help others. While their models vary, FIELD identified that the most common offerings include training and technical assistance, microenterprise loans and, in some cases, personal small-dollar loans. Luz Gomez, a researcher on the study, reports that these organizations get their funding from private individuals, small university grants, and local banks and foundations.

While their models vary … the most common offerings include training and technical assistance, microenterprise loans and, in some cases, personal small-dollar loans.

The Intersect Fund

One of the most successful of the college-based MFIs, The Intersect Fund is a nonprofit organization offering services to low-income entrepreneurs in New Brunswick, N.J. Founded by students from Rutgers University in 2008 and launched in a church basement with a $1,000 bank grant, the organization takes a long-term approach, helping entrepreneurs navigate the path to the creation of a successful enterprise. Intersect's services include Entrepreneur University, a business boot camp; loans from $500 to $5,000; one-on-one strategy consulting; QuickBooks training; business tax preparation; vending events that net $1,000 per hour; and graphic design. The Fund relies largely on student staff members to administer its business services, which keeps the services affordable.

Rohan Mathew, co-founder and executive director of The Intersect Fund, provides some insight into the creation of a student-led MFI. "When you have a program that provides funds to help low-income people achieve a dream, they are skeptical. It was important for the Fund to partner with existing community organizations that already had the trust of the population we were trying to serve." So they chose Elijah's Promise, a soup kitchen and culinary school, issuing their first loan in July 2009. To secure additional clients, students work with local community organizations. The Fund makes loans predominantly to existing businesses because, Mathew explains, these are small loans to very small businesses. The client wants the loan registered by the business to build the organization's credit rather than a personal loan. Intersect has served over three dozen clients, including:

- $2,500 for a hot dog vendor to buy a second cart,
- a loan to purchase a used cargo van for an insulation business, and
- $700 for a commercial vacuum so a woman providing residential cleaning could expand to commercial buildings.

The Fund's goal in providing these loans is to increase a person's income or earning capacity after the loan is paid back. Gretchen Campbell was a part-time seamstress working out of her home when she received a loan from Intersect and attended Entrepreneur University. Now she runs De RiChéek, a fashion business. "The loan and assistance provided by The Intersect Fund took my business to a whole new level. It even helped me raise my credit score," she says. For an in-depth look at Campbell's story, visit www.stlouisfed.org/publications/br/.

To date, banks have provided Intersect with technical support and grants ranging from $5,000 to $10,000. In the future, the Fund hopes to secure capital from banks as well. Magyar Bank was the first corporate sponsor of The Intersect Fund and has provided annual grants to the organization. Al Dolnick, vice president and commercial loan officer at Magyar, serves as a trustee on Intersect's board and as a member of the loan committee. He also helped develop an initial process to review loan applications and now provides continuous guidance and leadership. He hopes to serve as a guest speaker in one of the classes. Explaining why he got involved with the Fund, Dolnick says, "I liked the mission from both a professional and personal perspective. Professionally, I'm a commercial lender. Personally, I like to volunteer for organizations that have a direct impact on people who are looking to improve their lives."

Magyar's experience with Intersect is not dissimilar to that of other banks and nonprofits. When a bank has an established relationship with a nonprofit and is intimately familiar with the organization's operations, the bank is better able to see opportunities for investment.

The Campus Microfinance Alliance

In 2009 Intersect hosted like-minded students from eight schools in an attempt to share best practices and initiate collaborations. From this gathering, the Campus Microfinance Alliance was created. Co-founded by students from Rutgers (The Intersect Fund), Yale (Elmseed Enterprise Fund) and Brown (Capital Good Fund), the Alliance provides seed grants and technical assistance to emerging student-run microlenders. According to Intersect's Mathew, chair and executive committee member, 12 funds have provided training and/or a loan to domestic clients.

Measuring Performance

FIELD conducts annual fieldwide surveys through its MicroTest data collection program. According to Mott researcher Luz Gomez, FIELD data collection is critical to providing evidence of the sustainability of these organizations; FIELD hopes to get the campus MFIs successfully using MicroTest in the near future. The overall health of the entire MFI industry is monitored by the Opportunity Finance Network and published in the organization's quarterly, *Market Conditions Survey*.

Similar to CDFIs and loan pools, these entities represent opportunities for banks to reach areas of their markets previously untapped by their services.

Getting the Most out of Bank Partnerships

MFIs need to know all the possible ways that banks investing in their organization could receive favorable consideration under the Community Reinvestment Act (CRA), including the types of data needed to substantiate the appropriateness of their investment for CRA consideration. The mission of the organization—to serve low- and moderate-income individuals—may not be enough on its own to maximize investment potential. Income data on borrowers served, geography in which the borrower operates the business and, of course, the health of the loan portfolio are important pieces of information for bankers.

In addition to other benefits that banks can receive from investing in MFIs, participation may also help them meet the requirements of the CRA. Activities that could receive positive consideration include:

- providing a grant to the organization;
- providing a line of credit or other lending facility (considered under the lending test);
- community development service consideration, including serving on the organization's board, providing technical assistance or sitting on a loan review committee; and
- making an equity investment (including equity equivalent, or EQ2, investments) (considered under the investment test).

An investment in a fund that subsequently loans those funds to LMI borrowers has the potential for creating a "double dip" scenario, where the investment is considered under the investment test and the bank's share of the subsequent loan is considered under the lending test.

CRA examiners look for ways that the bank has leveraged its community development partners to address the credit needs in its assessment area. A CRA officer should be able to demonstrate that the bank understands the needs in its assessment area, a level of understanding as to how those needs are being met, and where unmet needs still exist. To the extent the bank cannot meet the area's needs with current product offerings in compliance with safety and soundness, it should be able to demonstrate partnerships with community-based organizations and other entities that can help with compliance.

Conclusion

While the microfinance industry has been around for years, campus-based MFIs are fairly new on the scene. With the appropriate support, this industry niche could have tremendous impact and break down the barriers that often exist between college campuses and the communities in which they exist. FIELD and the Aspen Institute are helping to strengthen this initiative by sponsoring summerlong internships at MFIs, the goal of which is to strengthen underwriting technical assistance, outcomes and impact, and build industry leaders. Similar to CDFIs and loan pools, these entities represent opportunities for banks to reach areas of their markets previously untapped by their services.

Lyn Haralson is a community affairs specialist at the Little Rock Branch of the Federal Reserve Bank of St. Louis.

Insourcing the Outsourced

By Andrew A. Pack

As the U.S. works to move the economy forward and the unemployment figures lower, much attention and resources have been directed at small businesses, which account for the majority of new jobs. But within the small business sector there are many different types of businesses and entrepreneurs who may require different approaches to help grow their companies. One of the sectors with some of the greatest potential for small business-related job creation and economic growth is among America's immigrant population.

According to the Small Business Administration (SBA), immigrants are almost 30 percent more likely to start a new business than native citizens living in the U.S. Additionally, immigrants make up 12.5 percent of all U.S. business owners and accounted for approximately $67 billion of the $577 billion of all U.S. business income in the 2000 census.[1] Cities are taking notice, with community and economic development professionals and foundations looking at ways to better tap this market in efforts to attract "a new wave of urban entrepreneurs, investors and consumers," counter local depopulation and stabilize the local housing market.[2]

Foreign-born individuals have a higher rate of entrepreneurship than U.S.-born individuals, especially in technology and engineering firms in the U.S. For example, between 1995 and 2005 a quarter of all technology and engineering firms were started with at least one foreign-born key founder; these tech companies employed nearly 450,000 workers in 2005.

Immigrants are almost 30 percent more likely to start a new business than native citizens living in the U.S.

A high level of entrepreneurship among America's immigrant population is not a new phenomenon; in fact, every U.S. census since 1880 has shown that immigrants are more likely to own a business than native citizens.[3] This is not unique to the U.S.; it is also true in the U.K., Canada and Australia.[1]

High levels of entrepreneurship notwithstanding, most immigrants do not come to America for the sole purpose of starting a business. According to a 2007 report, only 1.6 percent of immigrants in the technology sector enter the U.S. with such a goal. Most come to this country for education (52.3 percent) or a job (39.8 percent).[3]

So if immigrants are not coming to America for the specific purpose of starting a business, what explains their higher levels of entrepreneurship? There is no single explanation for this phenomenon throughout the world, but it is almost certainly a combination of many factors, including the following[4]:

- People willing to relocate to another country may be more likely to be risk takers.
- Immigrants may face discrimination and other barriers in the workplace and may believe that starting their own business offers them the best chance for success.
- Organizations may offer immigrants low wages with little or no advancement opportunities.
- Without better options, immigrants may start businesses to supplement their incomes.
- Immigrants may see a new business opportunity where the needs within their ethnic population are not being met.
- The tradition of higher levels of entrepreneurs among immigrants may be a source of inspiration for other immigrants, propelling them to open their own business.

Effectively reaching out to current émigré populations and attracting new immigrants could help many American cities reverse population declines, recoup a lost tax base, and decrease commercial and residential vacancy rates. Currently, the areas that benefit the most from these entrepreneurs are states such as California, Florida, Hawaii, New York and Texas.[1] However, there is some evidence that more immigrant entrepreneurs are looking outside of states with traditionally high levels of immigrants to places where real estate and other services are cheaper.[4] The seven states that comprise the Eighth Federal Reserve District account for only 7.6 percent of total immigrant entrepreneurs in the U.S.; much more could be done to attract these proprietors to areas currently less represented by immigrant-owned businesses.[1]

To achieve this goal and reap the benefits of immigrant entrepreneurs joining their community, organizations and cities need to help these populations break down barriers that are specific to immigrant business owners and that may inhibit their ability to grow their company, including[4]:

- language and cultural barriers,
- lack of understanding of local regulations,
- limited financial literacy and/or no credit history,
- being disconnected from many of the local community and economic development organizations in communities, and
- inability of organizations to effectively engage immigrant populations.

> **Foreign-born individuals have a higher rate of entrepreneurship than U.S.-born individuals, especially in technology and engineering firms in the U.S.**

Many highly skilled immigrants face difficulties in their attempt to enter the U.S. to start a job or open a business. Current debate has centered around possible changes to the EB-5 program to encourage more immigrant entrepreneurs to invest in America, and to the H-1B program to help the United States capture more of the global talent of immigrants with specialized skills in demand in this country.

Referring to the H-1B program in 2008, Bill Gates noted that all 65,000 H-1B visas were granted in one day, leaving Microsoft unable to hire one-third of the foreign-born workers they needed. The ability to capitalize on importing a talented workforce from other countries of the world could help to create more jobs and businesses within the U.S. Gates said, "If we increase the number of H-1B visas that are available to U.S. companies, employment of U.S. nationals would likely grow as well. For instance, Microsoft has found that for every H-1B hire we make, we add on average four additional employees to support them in various capacities."[5]

Cities, states and America as a whole benefit economically and culturally from immigrant entrepreneurs. The late Senator Edward Kennedy explained, "Immigrant families have integrated themselves into our communities, establishing deep roots. Whenever they have settled, they have made lasting contributions to the economic vitality and diversity of our communities and our nation. Our economy depends on these hard-working, taxpaying workers. They have assisted America in its economic boom."[6]

The competition among countries for global talent will continue to be fierce. It is important that America continues to attract the best talent from around the world to fuel innovation and new enterprises, and to fill labor shortages. Not only are we revitalizing communities and creating new businesses and jobs, we are also creating the next generation of Americans.

Andrew A. Pack is a community development specialist at the Little Rock Branch of the Federal Reserve Bank of St. Louis.

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CALENDAR

APRIL

28-29

The Changing Landscape of Community Development: Linking Research with Policy and Practice in Low-Income Communities—Arlington, Va.
Sponsor: Federal Reserve System
www.frbsf.org/community/conferences/2011ResearchConference

MAY

4

Americas Center Consumer Banking Conference: Strengthening the Financial Safety Net in Emerging Markets—Miami, Fla.
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www.frbatlanta.org/news/conferences/11consumer_banking.cfm

9-11

Exploring Innovation: A Conference on Community Development Finance—St. Louis, Mo.
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JUNE

22-25

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JULY

12-14

Intro Energy Finance WebCourse—Online
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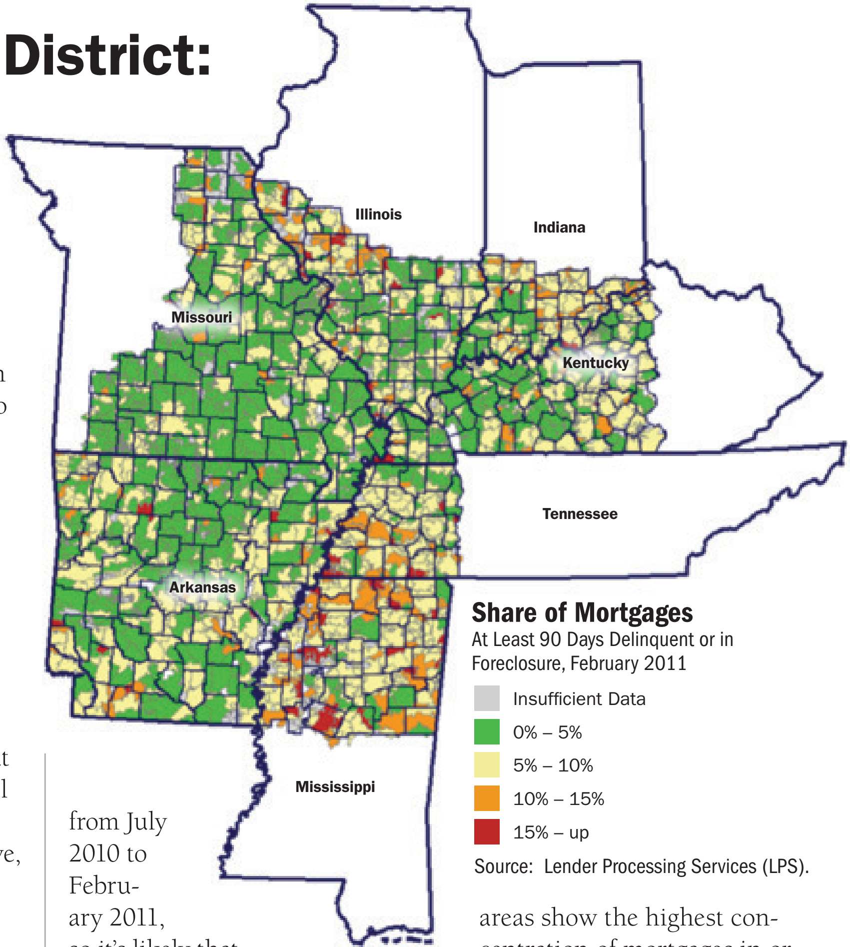
www.cdfa.net

Foreclosures in the Eighth District: On the Rise Again?

By William R. Emmons



Source: Lender Processing Services (LPS).

The share of Eighth District mortgages in foreclosure or seriously delinquent but not yet in foreclosure—defined as a borrower having missed at least three consecutive mortgage payments—peaked in January 2010 at 6.5 percent (see chart). The comparable national figure peaked a month later at 8.6 percent. The share of serious delinquencies and foreclosures in the Eighth District and nationwide then declined for several months, raising the possibility of fewer households losing their homes during 2011.

Unfortunately, recent data suggest the inventory of in-foreclosure and near-foreclosure mortgages may be heading up again. After hitting a low point of 5.5 percent in September 2010, the Eighth District share moved up to 5.7 percent in December 2010, remaining at that level through February 2011. The national rate also ticked up in January and February 2011 to 7.6 percent.

It's possible that the recent reversals of the downward trends are merely a blip—a temporary interruption of a continuing downward trend due to unusual circumstances or data-collection problems that will disappear soon. However, there are several reasons to believe that serious mortgage distress will continue through 2011.

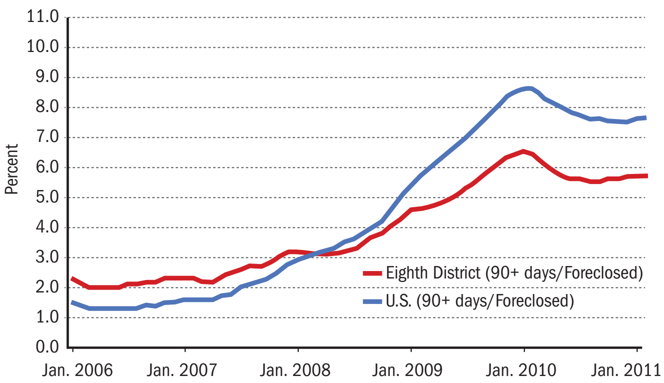
First, trends in the data have, in the past, been very persistent. The share of mortgages in or near foreclosure in the Eighth District has increased or stayed the same each month from July 2010 to February 2011, so it's likely that pattern will continue. Second, and more importantly, the underlying fundamentals appear to be weakening. The unemployment rate in the counties that constitute the Eighth District has drifted up a bit since early 2010, while house prices in many parts of the District remain very soft (flat or declining).

The areas hardest hit by serious mortgage delinquencies are the Eighth District portions of Mississippi, Tennessee, Indiana and Illinois (see map). Among our branch cities, the Memphis and St. Louis metropolitan areas show the highest concentration of mortgages in or near foreclosure.

The most important factors affecting households' ability to service their mortgages and retain their homes are job and income growth along with stable or rising house prices. If the nationwide economic recovery gains traction this year, as is widely expected, it may be possible for Eighth District foreclosure trends to turn positive again before the year is out.

Share of Mortgages

In Foreclosure or at Least 90 Days Delinquent But Not in Foreclosure



Source: Lender Processing Services (LPS). Data are monthly through February 2011.

William R. Emmons is assistant vice president of Executive Special Projects at the Federal Reserve Bank of St. Louis.

Boshara, Pack Join Community Development


Ray Boshara Andrew Pack

Ray Boshara joined the St. Louis Fed as a senior advisor in April 2011. In that capacity, he will work across departments at the Fed, with other regional banks, and with the Board of Governors on a broad range of policy and research issues affecting low-income families and communities throughout the Eighth District and nationwide.

After living in Washington, D.C., for 20 years, Boshara and his family relocated to St. Louis in the fall of 2009 after his wife, Lora Iannotti, accepted a faculty position in international public health at Washington University's new Institute for Public Health.

Prior to joining the Fed, Boshara was vice president of the New America Foundation, where he also founded and directed the Asset Building Program, Next Social Contract Initiative, Global Assets Project and College Savings Initiative. Over the last 15 years, he has advised the Clinton, George W. Bush and Obama administrations, presidential candidates and policymakers worldwide. He has testified before the U.S. Congress and given speeches around the world on ownership strategies for the poor, the U.S. economy and the American social contract. He will continue as a senior fellow at New America.

Boshara has written for *The Washington Post, The New York Times, The Atlantic Monthly, Esquire* and the Brookings Institution, and has published research papers with academics in the asset-building and financial literacy fields. His book, *The Next Progressive Era*, co-authored with New America Senior Fellow Phillip Longman, was published in April 2009. He currently serves on many advisory boards, including at the Committee on Domestic Justice and Human Development of the U.S. Conference of Catholic Bishops, and the Economic Mobility Project of the Pew Charitable Trusts.

Before joining New America in 2002, Boshara worked for CFED, the Select Committee on Hunger and Rep. Tony P. Hall in the U.S. Congress, the U.N.'s International Fund for Agricultural Development in Rome, and Ernst & Young. He is a graduate of The Ohio State University, Yale Divinity School and the John F. Kennedy School of Government at Harvard.

Andrew "Drew" Pack started his career at the St. Louis Fed in 2009. He worked as a regional public policy specialist in the Public Affairs department before his recent move to the community development team. He is working at the Little Rock Branch as a community development specialist, providing advisory services to local community organizations throughout Arkansas.

Before joining the Fed, Pack worked to promote the economic development efforts of Pensacola, Florida, as an intern at the Pensacola Bay Area Chamber of Commerce during the summers of 2007 and 2008. He also assisted in the establishment of iTenWired (www.itenwired.com), a regional entrepreneurship network, and a business incubator called Gulf Coast Center for Innovation and Entrepreneurship (www.gulfcoastinnovation.com), helping business owners along the Gulf Coast. And he worked at Auburn University as a graduate teaching assistant in International Political Economy and the American States Administrators Project (www.auburn.edu/outreach/cgs/ASAP).

Pack is a native of Birmingham, Ala. He holds a bachelor's degree in political science with a concentration in international relations from the University of Mississippi, and a master's in public administration with a minor in economic development from Auburn University. Pack was a member of the Auburn chapter of Pi Alpha Alpha. He looks forward to continuing his work at the Bank and serving organizations and communities in Arkansas.

New CDAC Board Members Announced

The St. Louis Fed announced the members of the 2011 Community Development Advisory Council (CDAC). These members are experts in community and economic development and financial education, and they complement the information developed through outreach by the District's community development staff. Current appointees are:

- **Joe W. Barker**, executive director, Southwest Tennessee Development District, Jackson, Tenn.
- **Rev. Adrian Brooks**, pastor, Memorial Baptist Church; founder, Memorial Community Development Corporation, Evansville, Ind.
- **Brian Dabson**, president and CEO, Rural Policy Research Institute, University of Missouri, Columbia, Mo.
- **George Hartsfield**, community volunteer, Jefferson City, Mo.
- **Trinita Logue**, president and CEO, IFF (formerly Illinois Facilities Fund), Chicago
- **Edgardo Mansilla**, executive director, Americana Community Center, Louisville, Ky.
- **Paulette Meikle**, assistant professor, Sociology and Community Development, Delta State University, Cleveland, Miss.
- **Sara Oliver**, vice president of housing, Arkansas Development Finance Authority, Little Rock, Ark.
- **Ines Polonius**, executive director, Alt. Consulting, Inc., Pine Bluff, Ark.
- **Kevin Smith**, president and CEO, Community Ventures Corporation, Lexington, Ky.
- **Royce A. Sutton**, vice president and community development manager, Fifth Third Bank, St. Louis
- **Emily Trenholm**, executive director, Community Development Council of Greater Memphis, Memphis, Tenn.
- **Sherece West**, president and CEO, Winthrop Rockefeller Foundation, Little Rock, Ark.

Nine members of the original CDAC board have completed their terms and are stepping down this year: Tim Bolding, Alice Burks, David Jackson, Leslie Lane, W. Thomas Reeves, Ben Steinberg, Stephanie Streett, Marita W. Willis and John J. Wuest. We extend our sincere gratitude to these members, and are honored to have worked with this wonderful group of leaders.

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.

Arkansas Baptist College Launches Entrepreneurship Center and Microloan Program

Arkansas Baptist College in Little Rock, Ark., launched the Scott Ford Center for Entrepreneurship and Community Development on Feb. 28. The Center will train entrepreneurs to start businesses in underserved communities and will offer a microenterprise loan fund as a catalyst to spur business development in core urban areas. The pilot fund will be supervised by an independent board that includes the college's business faculty and administration and local financial experts who specialize in banking and venture capital operations. Loans will range from $50 to $5,000.

The Center will also offer The Icehouse Project. Arkansas Baptist College is one of the initial sites selected to launch the pilot program, developed by Pulitzer Prize-nominee Clifton Taulbert and Gary Schoeniger. Drawing on the life lessons Taulbert learned from his Uncle Cleve, an unlikely entrepreneur in 1950s Mississippi, this special course is designed to immerse participants in eight life lessons (choice, opportunity, action, knowledge, wealth, brand, community, persistence) that are fundamental concepts to building an entrepreneurial mindset. The Icehouse Project is supported financially by the Ewing Marion Kauffman Foundation and The Foundation of Entrepreneurship, which focuses on entrepreneurship, innovation and education.

For more information about the Center and microloan fund, contact Larry Bone at 501-244-5139.

Help for Kentucky Homeowners

Many Kentucky businesses have been hit hard by the economic downturn, and workers in the state have been strongly affected by the recession as work hours have been reduced or jobs eliminated. The Kentucky Unemployment Bridge Program (UBP) is a new loan option administered by the Kentucky Housing Corporation to assist in making mortgage payments. To be eligible, homeowners must have experienced a job loss or reduced income due to changing economic conditions, through no fault of their own, and demonstrate a need for assistance. The job-related event must have occurred after Jan. 1, 2009. The maximum amount of assistance is $20,000 or 12 months, whichever occurs first. The maximum amount that may be used for reinstatement—all related fees and payments to bring the loan(s) current—is $7,500. The program launched statewide on April 1. For more details, visit www.kyhousing.org/protect/default.aspx?id=3586.

BOOST Loan Program

The St. Louis County Economic Council (SLCEC) has created a new loan program to further help businesses that have problems with access to capital. Believed to be the first of its kind in the nation, BOOST provides an alternative to the SBA 504 loan. It features fewer eligibility requirements (e.g., no net worth, income size or personal liquidity limits)

Have you HEARD

Free NWA Courses

NeighborWorks America is offering five community stabilization-related e-learning courses free of charge (normally $195) until Sept. 30, 2011. The FDIC has provided a grant to make this possible. Courses usually require 3-4 hours and may be completed over a 60-day period. Choose from the following:

- Community Stabilization: An Introduction to REO Acquisition, Rehab, Disposition and Management
- Fundamentals of Asset Management
- Counseling Buyers of REO Properties
- Counseling Clients Seeking Rental Housing
- Stabilizing Neighborhoods in a Post-Foreclosure Environment

Register today at www.nw.org/onlinereg.

2011 Innovation Award

During the 2011 Exploring Innovation Conference in St. Louis, the Innovation Award will be presented to a community development corporation (CDC) that recognizes the green economy as an important aspect of the future of community development and has demonstrated a commitment to fund initiatives promoting affordable green building or green job creation. The winner will receive a full scholarship provided by NeighborWorks America to one of their Training Institute education programs, including travel, lodging and tuition (a $2,500-$3,000 value). Additionally, the Federal Reserve Bank of St. Louis will provide the recipient with a full scholarship, including travel and lodging, to attend and receive the award at the conference (May 9-11, 2011) at the Chase Park Plaza hotel. For more information, contact Daniel Davis at the St. Louis Fed (Daniel.P.Davis@stls.frb.org or 314-444-8308).

and has the option of a variable or fixed interest rate. This innovative program is available for businesses expanding within St. Louis County and is available for the purchase or construction of land, buildings, machinery and equipment. The program's benefits include financing of up to 90 percent; low floating interest rates; variable/fixed rate option; no prepayment penalty for floating rate; and 20-year term.

The Business Finance Corporation of St. Louis at SLCEC will administer BOOST. The program offers a maximum of $500,000 in gap financing or 40 percent of the project cost. For more information, call 314-615-7663 or visit www.slcec.com/boost.html.

Newly Formed Mississippi LIHTC Fund

Hope Credit Union, along with investors including Southern Farm Bureau, Bank Plus, Trustmark and First Commercial Bank, has created a new Low Income Housing Tax Credit (LIHTC) equity fund that provides equity investments for the construction and rehabilitation of low-income affordable rental housing in Mississippi. An existing apartment complex in Jackson will be the site of the first investment from the fund, resulting in $7.5 million in renovations with New Horizons Development, LLC. This remodeling will create 40 two-bedroom and 20 three-bedroom affordable housing units. The fund is co-managed by the Great Lakes Capital Fund. More information can be found at www.hopecu.org or by calling 1-866-843-3358.

Bank On Memphis

There's a new plan in town! Launched in March, Bank On Memphis (BOM) focuses on people who don't have bank accounts (the "unbanked") and those who do have accounts but don't take full advantage of them (the "underbanked"). The program encourages citizens to use banks instead of costly alternative financial institutions (e.g., payday lenders, check cashers) that sometimes charge more than 300 percent interest. About 96,000 households in Memphis and Shelby County, Tenn., are either unbanked or underbanked. A similar number have bank accounts but don't know how to use bank products to build wealth. Participating financial institutions will reduce minimum opening deposits for BOM customers, offer accounts with no minimum monthly balance requirement, and offer ATM or debit cards with no ATM fees. Nonprofit organizations will teach participants basic accounting principles and then provide a referral card that can be used to open an account at participating institutions, currently First Tennessee, Cadence Bank, Regions Financial and SunTrust. The Federal Reserve Bank of St. Louis, Memphis Branch, will collect data and provide quarterly reports.

Full details can be found at www.bankonmemphis.org.

Economist Glenn Loury Shares His Views

During a visit to the Federal Reserve Bank of St. Louis, economist Glenn Loury from Brown University was interviewed and expressed his opinions on a variety of topics he has researched. Some of the topics he addressed are affirmative action, social capital and incarceration. You can view a video of this very interesting interview at http://stlouisfed.org/loury.

CD Finance Competition at the 2011 Exploring Innovation Conference

The Community Development Finance Competition is an academic research and writing competition sponsored by the Federal Reserve Banks of Atlanta, Dallas, Minneapolis and St. Louis in conjunction with the 2011 Exploring Innovation conference, to be held May 9-11 in St. Louis. Students from the partnering Federal Reserve Districts submitted an academic research paper with recommendations to advance the New Markets Tax Credit program. Those with the best proposals will present their recommendations as a panel at the conference, and the winner will be revealed, qualifying for a summer internship—the "Fed Prize"—at his or her choice of the Minneapolis or St. Louis Feds. Questions regarding the competition may be addressed to Daniel Davis at the St. Louis Fed (Daniel.P.Davis@stls.frb.org or 314-444-8308).

BRIDGES

Bridges is a publication of the Community Development Office 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.

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

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Resources

Understanding the Unbanked and Underbanked

The availability, accessibility and affordability of financial products and services are major factors affecting the economic security of households, particularly low-income households. It is also a growing concern for impacts on community development. A better understanding of the dynamics underlying household economic security is crucial for financial organizations, community organizations and policy makers to build wider economic security and social mobility. The Federal Reserve Bank of St. Louis and Washington University in St. Louis, in partnership with Beyond Housing, Grace Hill Neighborhood Services and the West End Neighborhood, created a system dynamics model of household economic security focused on understanding the underlying reasons that these households choose to be unbanked or underbanked. The final report on the study is available at www.stlouisfed.org/community_development/assets/pdf/WashU-Social-Sciences-Design-Lab-Report-1-21-11.pdf.

A Charter School Financing Alternative?

The Center for Community Development Investments at the Federal Reserve Bank of San Francisco has published a working paper by Ian Galloway, "Charter School Tax Credit: Investing in Human Capital." The paper considers how two existing policy tools—investment tax credits and charter schools—could be combined to raise operating funds for charter schools that successfully close the poverty-related academic achievement gap. Because of their different types and approaches, it's difficult to identify the variables present in successful charter schools that could produce the same results elsewhere. This paper acknowledges the difficulty of "silver bullet" school reform replication and considers an alternative: cultivating a diverse array of education approaches using tools developed by the community development finance industry over the last 30 years. More information is available at www.frbsf.org/publications/community/wpapers/2010/working_paper_2010_08_galloway.pdf, or by contacting Ian Galloway at ian.galloway@sf.frb.org.

New HUD Publication

HUD's Office of Policy Development and Research has introduced a new publication, "Evidence Matters," highlighting policy-relevant research focused on a key theme. Quarterly issues will provide information and diverse viewpoints that underscore HUD's mission—to create strong, sustainable, inclusive communities, and quality, affordable homes for all. The theme of the inaugural Winter 2011 issue is neighborhood revitalization and features Murphy Park in St. Louis; it can be found at www.huduser.org/portal/periodicals/em/EM-newsletter_FNL_web.pdf.

NALCAB Latino Entrepreneurship Best Practices Publication

"Latino Entrepreneurship: A 21st Century American Economic Engine," the 4th edition of NALCAB's Best Practices publication series, is now available. It highlights job creation via entrepreneurship. You may request a copy by sending an e-mail to erodriguez@nalcab.org. The full publication is also available to read online at nalcab.org/webdocs/NALCAB%20_BestPractices_Latino-Entrepreneurship.pdf.

>>> Only Online

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In addition to the print version, each issue of *Bridges* offers articles that are exclusively online. Online articles for the spring issue of *Bridges* expand on topics in the current issue:

>>> Microcredit and Development in Bangladesh

>>> Campus Microfinance Funds: A Closer Look