Building Blocks

A Publication of the Federal Housing Finance Board

Volume 4, Number 1 Summer 1995

Appalbanc, Self-Help and South Shore

Community Development Financial Institutions Improve Local Economies by Increasing Jobs, Housing, Businesses

In the past 20 years, a new breed of financial organization has emerged across the nation It seeks out risky projects, invests in inner city neighborhoods. and makes loans to people with little or no credit histories. Yet, in spite of these unconventional practices, 300 such institutions in 45 states have loaned more than $3 billion, and report cumulative loan-loss rates comparable to the nation's best banks.

The new organization is called a Community Development Financial Institution (CDFI). In the last several years, CDFIs have gained increased visibility. The success of CDFIs led President Clinton to announce his support for these financial organizations. Legislation was enacted in 1994 to provide $125 million in grants. loans, and technical assistance to qualifying lenders through a Federal CDFI fund. In 1995, this amount was reduced to $50 million. which will be available until September 30, 1996.

CDFIs are financial institutions that have community development as their primary mission and that develop a range of programs and methods to carry out that mission They actively seek out loans that would be considered unbankable under conventional lending rules, and they link financing to other developmental activities

Most CDFIs share several defining characteristics First, and foremost, they are private and locally controlled. which ensures their commitment to communities. Other characteristics include: a willingness to adapt lending guidelines to the needs of borrowers; accepting unconventional collateral for loans: and providing education. training. and assistance to potential customers.

While CDFIs share a common mission. their clientele is as diverse as the locales they serve. Some CDFIs target their efforts in a particular community, whether an inner-city neighborhood or a low-income rural area. while others lend to speclfic groups of people such as women, minorities. low-income families or social service providers, or offer specific types of credit services across several geographic communities.

Most CDFI lending is for affordable housing, community businesses, and to low- and moderate-income individuals. CDFIs support projects ranging from the rehabilitation of an apartment building for low-income

(See **CDFI,** page 2)

Table of Contents

(**CDFI,** from page 1)

families to the expansion of a community recycling business. Other loans may enable individuals to buy a car to drive to work. install indoor plumbing, or start a small business.

CDFls, like their customers. come in many different shapes and sizes. Among the 300 CDFIs nationwide. four basic types have emerged over the past two decades: community development banks (CDBs), community development credit unions (CDCUs), community development loan funds (CDLFs), and micro loan funds (MLFs).

1. Community Development Banks CDBs are federally insured and regulated depository institutions that have been organized specifically to provide capital to rebuild low-income communities Presently, only five CDBs exist in the U.S.: South Shore Bank in Chicago, Elk Horn Bank and Trust in Arkansas. Community Capital Bank in Brooklyn. the Self-Help Credit Union in North Carolina. and Appalbanc in Berea, Kentucky. Collectively. these institutions have made more than $400 million in community development loans. South Shore Bank. Elk Horn Bank and Trust, and Self-Help Credit Union are part of larger bank or nonprofit holdlng companies that include subsidiary independent nondepository credit and support mechanisms such as venture capital funds, development loan funds. and technical assistance agencies. As a result of these subsidiary activities. these holding companies are able to be proactive in their development activities.

2. Community Development Credit Unions: CDCUs are regulated financial cooperatives owned and operated by lower income individuals. Presently. there are 100 CDCUs operating across the country that have collectively lent more than $2 billion. Typically. CDCUs provide consumer banking services that may not be locally available to their members, as well as personal loans for consumer goods, home rehabilitation, and automobile purchases. A growing number of CDCUs are making development loans for small business expansion and start-up. home purchases. and housing rehabilitation.

3. Community Development Loan Funds: CDLFs are unregulated financial intermediaries that aggregate capital from individual and institutional social investors at below-market rates and relend this money primarily to nonprofit

(See **CDFI.** page 3)

Appalbanc

Newest CDFI Tackles Old Problems

In the minds of many Americans, the terms Appalachia and poverty are synonymous. Popular culture is rife with tales of people fleeing the grinding poverty and isolation of the region's picturesque wooded mountains and silver-streamed valleys to seek a better life elsewhere.

For decades, business and government have worked together to combat that poverty. and scored some stunning successes. But the effort is ongoing and ever-changing, and one of the most recent changes was the creation of Appalbanc. a nonprofit lender dedicated to improving life for the region's residents.

Appalbanc of Berea, Kentucky, was designated a CDFI in April 1995, and operates under the auspices of three regional community development organizations. It is the nation's fifth and newest community development bank. Serving rural Appalachian regions in Kentucky, Tennessee, Virginia, and West Virginia, Appalbanc's mission is to promote community development using the combined $13 million assets of its three parent organizations

Appalbanc's parent organizations are the Human/Economic Appalachian Development Corporation (HEAD), the Federation of Appalachian Housing Enterprises, Inc. (FAHE), and the Central Appalachian People's Federal Credit Union (CAPFCU). Both FAHE and CAPFCU were created by HEAD in 1978 and 1980. respectively. Combined. the three organizations represent more than 60 local community-based development organizations and have 60 years of successful housing, economic and community development. and financing experience in the region.

Each partner in this union has a niche to fill in the regional community development effort HEAD provides services for health care. daycare, education, affordable housing and economic development. and works to reverse the flow of capital from the

(See **APPALBANC.** page 9)

(CDFI, from page 2)

housing and business developers in urban and rural low-income communities. CDLFs place strong emphasis on financing projects that provide new economic opportunities and resources to borrowers and others in their communities By 1994, 44 CDLFs throughout the nation were responsible for more than $120 million in lending

4. Micro Loan Funds: MLFs are often part of microenterprise development programs that focus on both economic and human development strategies (see accompanying article. page 5) These programs generally serve a wide range of disadvantaged people. making small loans (typically, $250 to $10.000) to start up a business or to expand self-employment businesses.

CDFIs measure success not only by their own economic gains but also by the contributions the! make to rebuilding businesses. housing. volunteer organizations, and essential community services.

Typical success stones for CDFIs include:

1. In North Carolina. the Self-Help Credit Union and its affiliated Self-Help Ventures Fund made a $50,000 loan in 1985 to a small. rural. worker-owned sewing company threatened with closing because it could not obtain credit from its local banks. With Self-Help's technical assistance and a series of working capital loans. the business now employs 80 people. making it one of the largest private employers in its county. By 1992, the company had almost tripled its sales to $1.8 million.

2. The Coalition for Women's Economic Development (CWED) in South Central Los Angeles operates a 12-week training program, in Spanish and English. for low-income women seeking to operate their own businesses. Participants do research, develop business plans. and learn how to run a business. Loans are available from CWED after completion of the program. and participants continue to be involved in follow-up meetings with other entrepreneurs.

3. The Boston Community Loan Fund has more than 400 investors -- individuals. religious organizations. corporations and institutions -- that provide more than $5 million to the fund for lending to affordable housing projects in the Boston area The fund's investors receive not only a competitive return on their money but also the satisfaction of investing

(See **CDFI.** page 3)

Crucial to CDFI's Growth Efforts

In 1980, as North Carolina suffered through the worst recession in its history. Martin Eakes wanted to do his part to get the state's economy back on track. His contribution was to create the Center for Community Self-Help (Self-Help) to enable workers who were displaced or whose jobs were threatened by plant shutdowns form their own cooperative employee-owned businesses. Eakes, then a 26-year-old lawyer, worked for 4 years to raise capital for the project, but came to realize that a source of credit was needed as well.

To fund this new idea. Eakes held a bake sale and raised $77. Eleven years later. that very modest beginning has blossomed into one of the nation's most successful nonprofit community economic development organizations, one that manages assets exceeding $75 million. Self-Help today has five regional offices in North Carolina and has

(See **SELF-HELP,** page 4)

South Shore

Keeping Deposits In Neighborhood Fuels Development

Chicago's South Shore Bank, the nation's first community development bank. celebrated its 22nd anniversary this year, reporting operating income exceeding $3.1 million While these results are less than the bank's management would like. they are a vast improvement from the earl! days when the bank spent its first decade struggling "with undercapitalization.inadequate staff and its own ignorance." according to its latest annual report

Though beset with early problems. the Shore Bank held fast to a single. simple idea. It believed that a bank is obligated to serve residents in its community, which was not always the case with the bank's former owners.

In the 1960s. President Lyndon Johnson's Great Society created many programs to help the cities, but in the eves of four, young Chicago-area idealists. not much of the money was

(See **SHORE,** page 7)

(CDFI, from page 3)

in critical projects benefiting the city's low-income residents and communities.

Over the years. CDFIs have the potential to be good investments. According to the Coalition of Community Development Financial Institutions. a Pennsylvania-based trade association, for every $1 of Federal equity in a CDFI. an additional $7.50 in new private sector investment in a CDFI can be created over 4 years. The CDFI trade association estimates that every dollar of combined funds. when loaned for housing or commercial economic development. can leverage $42-$60 for distressed communities. Using this formula. the $50 million available for the CDFI fund until September 30, 1996, will generate approximately $2.08 billion in new investment in the nation's neediest neighborhoods

For more detailed information on CDFIs. contact Laura Schwingel at the CDFI Coalition by calling (215) 736-1644 □

Self-Help Focuses on Low-Income Families, Women, Minorities

(SELF-HELP. from page 3)

projects in 80 percent of the State's counties

The credit sources Eakes founded in 1984 were the Self-Help Credit Union and the Self-Help Ventures Fund. The credit union is Federally insured and state-chartered, and uses interest-bearing savings accounts to build a base for lending. The ventures fund is a nonprofit 501(c)(3) corporation capitalized with low-interest loans and grants from foundations. religious organizations. and private corporations. The fund provides the highest-risk commercial financing at Self-Help. provides management assistance to commercial borrowers. and oversees Self-Help's real estate projects.

Self-Help's development strategy is based on the belief that homeownership allows people to improve their economic position. This strategy developed after Eakes realized that many entrepreneurs use their homes as collateral for their business ventures. But low-income families with less-than-perfect credit histories are effectively barred from the homeownership market. and. consequently from a major source of entrepreneurial capital.

Today. Self-Help focuses on helping minorities. women. rural residents and low-income North Carolinians build wealth by buying homes and developing businesses

In the past decade. Self-Help has lent more than $30 million to nearly 900 small businesses and nonprofits. These investments created or assisted in upgrading nearly 4,000 jobs and established 1,900 childcare spaces The organization continues to focus its energies on minorities (57 percent of clients). women (46 percent) and rural residents (33 percent).

Through 1994, Self-Help lent $29 million to help 600 families buy homes. Since its founding. the organization has not lost a single dollar of principal from its home-lending activities.

Self-Help's booming success has encouraged management to expand its services. Recently. it initiated the North Carolina Community Facilities Fund to help nonprofit and human service organizations such as child care and health care providers. The fund offers: loans for the purchase. expansion or renovation of buildings. bridge loans to cover gaps between pledges and receipts. and working capital financing

Last year, Self-Help began a demonstration project to create a secondary market for nonconforming loans made to households of low-Income or with damaged credit The effort was launched in partnership with Wachovia Bank Self-Help will purchase $20 million of loans made to such families. The initiative will allow Wachovia Bank to relend the $20 million to other households with similar limited incomes. while demonstrating the soundness of the loans.

Self-Help also works in partnership with nonprofit organizations, for-profits. lenders. government agencies. foundations. and others to expand economic opportunity in North Carolina In addition. it has invested more than $6 million to renovate vacant historic and inner city buildings as nonprofit and small-business centers

For additional information on Self-Help. contact Cindy Falgout at (919) 956-4480. □

'Imported' Concept Gains Popularity

Small Loans Provide Large Boost To New, Expanding Businesses

Years ago. new businesses in the early stages of development were referred to as mom-and-pop operations, entrepreneurial business, or start-ups. Today they are often called microenterprises. But a lot more has changed than just the name. In fact, microenterprises have emerged as a special niche in new business development.

The term "microenterprise" is derived from both the size of the business and the amount of capital needed to create it. In a statewide survey of female business owners in Maine, 29 percent of the respondents started their businesses with less than $1,000, and another 26 percent started with between $1,000 and $5,000.

Other research indicates that most individuals who start businesses do so with their own money -- usually home equity loans, personal savings, or credit cards. However. one-third of Americans have no assets, and the loans they need to start a business are too risky to interest most bankers. Typically. this category of would-be business executives includes women. ethnic minorities. rural and inner-city residents. and dislocated or unemployed workers -- people who lack access to established markets. institutions, and capital resources.

The microenterprise concept of lending small amounts of capital to disadvantaged populations originated in the Third World and was funded. in part. through the U.S. Agency for International Development Institutions such as ACCION International in Latin America and the Grameen Bank in Bangladesh began to make loans to poor peasants in the 1960s and 1970s The idea has since spread and immigrated to the U.S.. where today there are more than 200 programs operating nationwide, double the number of 2 years ago According to the Corporation for Enterprise Development, U.S. microenterprise lending programs (MLPs) have assisted in the creation and growth of more than 50,000 businesses. mostly owned by low-income people

Microenterprises Resources Guide, page 6

MLPs come in man! models: most are available through stand-alone nonprofits. community development corporations. small business development centers. or community colleges. Many MLPs make small direct loans to qualified clients often ignored by traditional lending institutions, while some provide only training and/or technical assistance to enable individuals to bring business ideas to fruition. Others operate group or peer-lending programs in which all borrowers in a group guarantee the loans of the other group members. a model that provides security when borrowers have inadequate collateral. Four nationally recognized organizations using one or more of these models are The Good Faith Fund of Arkansas. The Institute for Social and Economic Development in Iowa City, Iowa. The Women's Self-Employment Project in Chicago; and The Portable Practical Education Program MICRO Industry Credit Rural Organization of Tucson

Traditional lending institutions. such as banks and savings associations, have become involved with MLPs in a variety of ways. Some lending institutions provide financial assistance to MLPs or to individual enterprises to get off the ground. while others make and service small loans only to borrowers that have been thoroughly trained by MLPs In other cases. a nonprofit may train a borrower under its MLP and then guarantee the loan made by a lending institution This is an attractive arrangement for many lenders because it may fulfill part of the lender's Community Reinvestment Act responsibilities

Other lenders provide free or low-cost accounts for MLP participants. or make grants to the MLP to subsidize the MLP's continuing operations. In other instances. lenders serve on MLP loan review committees or otherwise offer technical assistance. Some lenders have established lines of credit for MLPs while other lenders purchase loans from MLPs to enable additional borrowers to be served. Lenders also are willing to

(See **MLP,** page 6)

(MLP. from page 5)

provide loans to graduates of microenterprise training programs, and continue to work with these entrepreneurs as their businesses expand.

Several members of the Federal Home Loan Bank (FHLBank) System are participating in microenterprise lending programs:

Meredith Savings Bank in Meredith, New Hampshire. provided seed money to help establish an MLP at Working Capital, a regional nonprofit in Cambridge. Massachusetts Working Capital provides loans and business assistance to low-income business loan groups in Vermont. Massachusetts. Maine, and New Hampshire. Meredith Savings Bank also maintains a line of credit with a local peer-lending MLP group.

Community Capital Bank of Brooklyn, New York. works to support microenterprises on two fronts. It has made between 40-45 loans. each averaging $1,000, to enable New York City Public Housing Authority (PHA) tenants to establish or expand small

(See **MLP.** page 7)

Microenterprise Resources Guide

1994 Directory of U.S. Microenterprise Programs from the **Self Employment Learning Project of The Aspen Institute** describes 195 microenterprise programs in 44 states and the District of Columbia. To obtain a copy call (410) 820-5350. The cost is $15.

Enabling Entrepreneurship: Microenterprise Development in the United States is a report based on findings from research conducted by the **Self-Help Learning Project.** It includes an intensive outcome assessment of 405 randomly selected borrowers from seven leading microenterprise programs. To order call (410) 820-5350. The cost is $5.

The **Association for Enterprise Opportunity** (AEO) has designed and sponsored several microenterprise and bank linkage forums with Federal Reserve Banks, one of which was hosted jointly by the FHLBank of Des Moines. The findings are being compiled into a final report entitled: Microenterprise Organizations in Partnership with Banks: a Practical Guide to be available in the fall of 1995. Contact AEO at 70 East Lake Street. Suite *520*, Chicago. Illinois 60601, or call (312) 357-0177 or fax orders to (312) 357-0180

Small Steps Toward Big Dreams. 1994 Update is the fourth report. in a series of annual updates. that provides data on the impact and performance of the microenterprise loan funds. sectoral investments, and community development banks and credit unions that comprise the **Charles Stewart Mott Foundation's** portfolio of investments The programs in the Mott portfolio had made 3,607 loans totaling just under $11 million as of June 30, 1993. To order. call the Mott Foundation Publications Hot Line at (810) 766-1766

Widening the Window of Opportunity: Strategies of the Evolution of Microenterprise Loan Funds was prepared by Shorebank Advisory Services. Inc.. for the **Charles Stewart Mott Foundation** in July 1992. It offers practical tools for both novice and experienced microenterprise loan fund practitioners and provides a framework for discussing how loan funds can move toward sustainability and build relationships with banks To order. call the Mott Foundation Publications Hot Line at (810) 766-1766

The Business of Self-Sufficiency: Microcredit in the United States (1991) is a review of issues facing microenterprise programs in the United States including policy analysis and practices. Contact **The Woodstock Institute.** 407 S. Dearborn. Suite 550, Chicago. Illinois 60605, (312) 427-8070

The United States **Small Business Administration** provides loans to capitalize microenterprise loan funds paired with small grants to support technical assistance and training of borrowers (See 13 C.F.R. § 122.61). For FY 1995, $45.6 million is available for SBA microloans. $9 million for technical assistance grants. and $10 million for guarantee authority Call 1-800-8-ASK-SBA □

(**MLP,** from page 6)

businesses. The PHA provides the entrepreneurial training and then packages and guarantees the loans in the event of default. Community Capital also offers 5-year loans of up to $25,000 to entrepreneurs of businesses that are at least 3 years old and profitable.

First of America Bank in Indianapolis participates in the Small Business Administration (SBA) LowDoc program and the Capital Access Program (CAP) of the Indiana Development Finance Authority. The state agency, borrowers. and lenders place funds on deposit with First Arnerica Bank to serve as cash collateral for business loans made through the MLP in a technique known as a "pooled risk" model. In addition. an assistant vice president of First of America serves on the loan committee of a local microenterprise program

The **Self-Help Credit Union.** a new FHLBank System member in Durham. North Carolina. has established a Ventures Fund with SBA assistance that. as of March 1995, had made 238 loans totaling $1,629,234 for small business start-up and expansion throughout the state The average loan size is $6,846. Fifty-two percent of loans made were to minority owners, 49 percent to females owners and 22 percent in ruralareas. ☐

going to the communities that needed it.

Those four -- Mary Houghton, Milton Davis, Jim Fletcher and Ronald Grzywinski -- believed that the way to rebuild a neighborhood was to involve a community-based business that had a self-sustaining capital base. and that had the discipline of the profit motive. The four assumed this type of business already existed. and all they had to do was to copy it. But they were wrong. None existed. so they were forced to create it.

The four were able to create this entity when they purchased South Shore National Bank after its regulator denied the bank's previous owner's application to move nine miles north to downtown Chicago. The bank had argued that the community's racial transformation (in 1960, South Shore's 80,000 residents were 100 percent white middle class. but by 1970 the community was 70 percent black working class) had caused it to deteriorate economically and the bank could no longer survive there.

When the new owners, using capital raised from private investors. foundations and a church group, took over in August 1973, they knew that when a bank stops investing in a neighborhood. the residents loose self-confidence in their community. And this loss of self-confidence was very evident in South Shore: residents were banking outside of the community. home improvements were not being made. landlords were cutting maintenance costs. and store owners were not making improvements or were moving entirely. And in 1973 the bank had made only two mortgage loans. totaling $59,000. The entire community was feeling abandoned. and worse. many residents were fleeing.

With only $42 million in deposits. the new owners immediately set to work to rebuild the community's confidence in the newly renamed South Shore Bank To be more user-friendly, the bank extended hours, reduced the minimum savings account balance to $1. and cut service fees and paperwork on opening new accounts. The owners improved the building. built a parking lot across the street. installed a drive-in teller. and altered their loan policy to reverse the flow of local deposits going to other parts of Chicago. But mostly they talked and listened

The key to South Shore's success has been residential lending, for both multifamily and single-family dwellings As homeowners and landlords improved their properties using South Shore's capital. businesses started sprouting up. creating jobs More jobs meant more businesses and more housing This cycle of renewal. using the South Shore model. continues today in South Shore and other Chicago neighborhoods. as the b a d expands its activities to Michigan. Arkansas and Kansas. and even overseas to Poland. Russia and Bulgaria.

Since its opening 22 years ago. the bank's deposits have increased 10-fold. and it now has assets of nearly $307 million The original four owners stili manage the bank. which has provided financing for the rehabilitation of more than 13,000 housing units for the area's working class residents The bank has loan losses significantly below its peers and continues to thrive because it hasn't forgotten its primary goal of serving the people and businesses in its community ☐

LISC Queries Rural/Nonrural CDCs

SURVEYS HIGHLIGHT IMPORTANCE OF TRAINING FOR CDCs; AHP'S HISTORY, SIMPLICITY LESSEN TRAINING NEEDS

Two surveys by the Local Initiatives Support Corporation (LISC) on the training needs of the nation's rural and nonrural community development corporations (CDCs) reveal that the organizations believe that training is crucial to their continued success.

The LISC surveys consisted of questionnaires sent to 1,346 CDCs serving distressed urban and rural communities in all 50 States, the District, of Columbia. and Puerto Rico. There were 361 responses to the survey. 138 of them from rural areas.

The surveys were sent also to 99 State and local government officials that administer Community Development Block Grant (CDBG) and HOME programs supported by the Department of Housing and Urban Development. Forty-one of these officials responded

Ofthe rural CDCs surveyed, 98 percent of the respondents believe staff training is "important" or "somewhat important" to the organization's success. When only nonrural CDCs were surveyed on the same issue. 96 percent stated that staff training was "important" or "somewhat important."

In addition. 93 percent of both rural and nonrural CDC respondents said training for board members is "important" or "somewhat important."

Both surveys also asked the CDCs to score the importance of possible training in 87 specific skills. disciplines. and programs. including the Federal Home Loan Bank System's Affordable Housing Program (AHP). Some rural and nonrural CDCs responded that some training was needed for both their staff and their board to successfully use the AHP. However. as reflected in the combined responses from all CDCs, training needs for the AHP were placed significantly below the training needs for most of the 87 specific skills, disciplines and programs.

The lower priority for AHP training. AHP managers believe. is due to the program's simplicity and the technical assistance provided to users by the Federal Home Loan Banks' community investment officers.

"When the AHP was created in 1990, it was designed to be both flexible and easy to use." said Sylvia Martinez. director of the Office of Housing Finance that oversees the AHP for the Federal Housing Finance Board. which regulates the FHLBank System

"After 5 years of operation. many people within the affordable housing community have worked with the AHP. and are familiar with it and know the community investment officers in their districts Therefore we'd expect fewer people to need training on the program's operation," she stated.

Since 1990, the AHP has provided more than $377 million in AHP subsidy that has assisted in the acquisition. rehabilitation. or construction of more than 99,000 units of affordable housing

"Everyone connected with the AHP is proud of its accomplishments and reputation." Ms Martinez added.

Ninety-two percent of the state and local government officials surveyed agreed that increased training of nonrural CDC boards of directors is "important" or "somewhat important" to the future success of the CDCs. Also. 88 percent of the respondents agreed that increased training of rural CDC boards of directors is "important" or "somewhat important" to the future success of the CDCs.

The respondents were unanimous in agreement that training for both rural and nonrural staff is "important" or "somewhat important."

When asked to score the importance of possible training needs for the AHP. the State and local officials replied that none were needed for nonrural CDCs. but that both boards and staffs of rural CDCs needed training in the AHP

LISC is the nation's largest nonprofit intermediary providing capacity-building. technical. and financial support to CDCs

Single copies of the surveys. titled "National Survey of Community Development Corporation Training Needs" and "National Survey of Rural Community Development Corporation Training Needs." are available for free from LISC by faxing name and address to (202) 785-8030. □

Barriers to Rural Credit Studied; Solutions Offered

In an effort to identify the causes of the lack of credit in rural areas. the Federal Housing Finance Board (Housing Finance Board) created The Rural Credit Needs Focus Group to research and identify barriers to rural economic development. The focus group identified nine specific barriers to rural economic development lending. and offered several possible solutions.

Many participants in the focus group believed that transaction costs are often too high in rural areas. due to the physical distances between borrowers and lenders and the small amounts of money many borrowers need. The centralization of the banking industry also was believed to create obstacles to adequate rural lending because the expertise for complicated economic development projects is often located in distant urban areas. The long-term risks of lending create barriers for some small lenders as do Federal limitations on the amount that can be lent to each borrower. The fact that technical assistance is often not available and that geographic isolation may preclude the coordination of resources. also makes it difficult to create economic development projects. And finally, regulatory requirements and lack of housing and infrastructure were identified as additional barriers.

The Housing Finance Board focus group noted there is no single solution for the identified barriers to lending, rather several solutions need to be applied concurrently and consecutively

The focus group suggested the FHLBanks could sponsor rural lending seminars in cooperation with the Federal Reserve Banks. trade associations, and business groups. focusing the seminars on CIP lending Small local individual training sessions could also be offered The FHLBanks could continue to facilitate the creation of regional partnerships or loan consortia. and identify the type of technical assistance needed for successful rural community and economic development lending The focus group also suggested that certain FHLBank policies could be modified to support rural lending Lastly. the group agreed that developing a data base on nonconforming portfolios for rural lenders could help develop the secondary market for nonconforming loans. which would eventually provide more money for economic development.

See the list of resources on pages 10 and 11, some of **which** could be used to support rural development efforts ☐

(APPALBANC, from page 2)

region; FAHE concentrates on creating affordable single-famil? and multifamily housing; and CAPFCU provides loans and savings accounts to its 1,600 members. with an emphasis on financial counseling and education.

CAPFCU has both individuals and nonprofit organizations as members. The nonprofits must first join HEAD or FAHE and then serve as "branches" for the credit union. using the nonprofits' volunteers to process and promote the credit union's services. This "branch" structure is the only one of its kind in the nation. In addition. CAPFCU is member of the Federal Home Loan Bank of Cincinnati. making it eligible for low-cost advances for housing and economic and community development projects

In early 1994, the directors of HEAD. FAHE and CAPFCU agreed to jointly create Appalbanc, believing that a multiservice financial organization has greater potential for growth, cornmunity development impact. and sustainability. Included in the merger was HEAD's community loan fund. which functions as a funding source for local microenterprises.

As a 501(c)(4) nonprofit organization. Appalbanc can receive government grants and foundation investments for community and economic development lending. Its income is passed through to the parent organizations to support sen ices provided to very-low- and low-income populations Its nonprofit status allows Appalbanc to take greater risks to respond to community needs for capital. credit and development services

Appalbanc makes available. for the first time in one organization. the financial services for disenfranchised central Appalachian residents. and provides affordable credit for transportation. housing. and jobs -- the three most important needs of the region

For more information on Appalbanc. contact Dave Lollis or Marcus Bordelon at (606) 986-8323 ☐

PROGRAMS OF

THE FEDERAL GOVERNMENT

The following information was excerpted from Federal Funding Sources for Rural Areas. a publication of the Rural Information Center (RIC) of the Department of Agriculture For additional information on the publication. contact the RIC at the National Agricultural Library, Beltsville, MD 20705-2351, or call (301) 504-5547

The five-digit number preceding each program is the Program Identification Number as listed in the Catalog of Federal Domestic Assistance published by the General Services Administration.

HOUSING

Department of Agriculture

10.405 Farm Labor Housing Loans and Grants

10.410 Very Low- to Moderate-Income Housing Loans (Section 502)

10.411 Rural Housing Site Loans (Sections 523 and 524)

10.415 Rural Rental Housing Loans

10.417 Very Low-Income Housing Repair Loans and Grants (Section 504)

10.420 Rural Self-Help Housing Technical Assistance (Section 523)

10.427 Rural Rental Assistance Payments

10.433 Rural Housing Preservation Grants

Department of Housing; and Urban Development

14.110 Manufactured Home Loan Insurance Financing

14.121 Mortgage Insurance Homes in Outlying Areas

14.157 Supportive Housing for the Elderly

14.179 Nehemiah Housing Opportunity Grant Program

14.182 Lower Income Housing assistance Program (Section 8)

14.185 Homeownership and Opportunity for People Everywhere (HOPE2)

14.187 Preservation of Affordable Housing (Title II. III, and IV)

14.219 Community Development Block Grants (Small Cities)

14.228 Community Development Block Grants (State's Program)

14.239 HOME Investment Partnership Program (HOME Program)

14.240 HOPE for Homeownership of Single Family Homes (HOPE 3)

14.850 Public and Indian Housing

14.851 Lou Income Housing Homeownership Opportunities (Turnkey III; Mutual-Help Housing for Indian Areas)

14.852 Public and Indian Housing Comprehensive Improvement Assistance Program

14.856 Lower Income Housing Assistance Program Section 8 Moderate Rehabilitation

14.858 HOPE for Public and Indian Housing Homeownership

Department of Interior

15.141 Indian Housing Assistance

Appalachian Regional Commission

23.005 Appalachian Housing Assistance

Department of Energy

81.042 Weatherization Assistance for Low-Income Persons

Department of Health and Human Services

93.568 Low-Income Home Energy Assistance

93.569 Community Services Block Grant

93.570 Community Services Block Grant Discretionary Awards

Public and Private Resources for Rural Lending

COMMUNITY ECONOMIC DEVELOPMENT

Department of Agriculture

10.766 Community Facilities Loans

10.767 Intermediary Relending Program

10.768 Business and Industrial Loans

10.769 Rural Development Grants

10.854 Rural Economic Development Loans and Grants

Department of Commerce

11.300 Economic Development Grants for Public Works and Development Facilities

11.302 Economic Development Support for Planning Organizations

11.303 Economic Development Technical Assistance

11.304 Economic Development Public Works Impact Program

Department of Defense

12.600 Community Economic Adjustment

12.607 Community Economic Adjustment Planning Assistance

Department of Housing, and Urban Development

14.219 Community Development Block Grants (Small Cities)

14.228 Community Development Block Grants (State's Program)

14.244 Empowerment Zones Program

Department of Interior

15.124 Indian Loans Economic Development (Indian Credit Program)

15.145 Indian Grants Economic Development (Indian Grant Program)

National Credit Union Administration

44.002 Community Development Revolving Loan Program for Credit Unions

Small Business Administration

59.003 Loans for Small Businesses

59.011 Small Business Investment Companies

59.012 Small Business Loans

59.046 Microloan Demonstration Program

RURAL HOUSING AND COMMUNITY ECONOMIC DEVELOPMENT PROGRAMS OF THE PRIVATE SECTOR

Housing Assistance Council

(202) 842-8600

Technical Services

- Government financing and subsidy programs
- Housing development
- Water and waste disposal systems
- Housing rural minorities

Revolving Loan Funds

- Build or rehab homes for low-income families
- Encourage economic development
- Install or repair water and wastewater systems

Housing Program Assistance

- Training

1994 Low-Income Housing Annual Report Available

The Federal Housing Finance Board's 1994 Report on the Low-Income Housing and Community Development Activities of the Federal Home Loan Bank System is now available

This report reviews the progress and results of the Affordable Housing Program, Community Investment Program, and Community Support Program for 1994 The report also lists the accomplishments, highlights. and recommendations of the Affordable Housing Advisory Council of each Federal Home Loan Bank

Copies are free and can be obtained by contacting Dennis McGee in the Office of Public Affairs at (202) 408-2810 □

RESOURCES

"The Essence of Community Reinvestment: Community-based Organization and Bank Partnerships" isbeing offered by the **Community Information Exchange.** In this 12-page publication, author Kristin Faust. first vice president of LaSalle National Bank in Chicago. offers the banker's perspective on partnership, and provides examples of successful models and advice to both banks and CBOs on how to work together. Prepayment of $7 for this publication is preferred. For additional information contact Laura McGrath at CIE. Suite 710. 1029 Vermont Ave., NW. Washington. D.C. 20005. or call (202)628-2981, ext. 15.

The Community Reinvestment Clearinghouse was recently opened to provide technical assistance. regulatory alerts. and conferences on reinvestment issues. For more information contact the clearinghouse at NY Law School. 57 Worth Street.. New York. NY 10013. or call (212) 431-2899

"Closing the Gap: A Guide to Equal Opportunity Lending" is a video tape produced by **The Federal Reserve System** for use as a training tool for financial institutions. trade associations, and others to help senior management and their staffs understand fair lending and to combat discrimination The 23-minute video is available for $9.95 from VIDICOPY, 650 Vaqueros Ave., Sunnyvale, CA 94086. or by calling 1-800-708-7080

"Lending for Community Development: A Guide for Small Town and Rural Lenders" is an overview of community development lending strategies and how lenders can create a Community Reinvestment Act program. The 99-page book is available from the **Community Information Exchange.** Suite 710. 1029 Vermont Ave. NW. Washington D.C. 20005. orby calling (202) 628-2981.

"Building Communities from the Inside Out" by John McKnight and John Kretzmann. outlines an approach to community reinvestment that builds on a community's strengths. what the authors term "asset-based community development." This $12 book is available from the **Center for Urban Affairs and Policy Research.** Northwestern University, 2040 Sheridan Road. Evanston. Il 60208-4100, or by calling (708) 491-3518

"Building Hope Community Development in America." the Public Broadcasting System documentary aired in spring 1994, is available for $12.95 from the **Pratt Institute Center for Community and Environmental Development.** 2nd floor. 379 DeKalb Ave., Brooklyn. NY 11205. or by calling (718) 636-3486 □

Building Blocks is published quarterly by the Federal Housing Finance Board, Office of Public Affairs, 2nd Floor, 1777 F Street, N.W., Washington, D.C. 20006. The telephone number is (202) 408-2810.