



Comptroller of the Currency
Administrator of National Banks

Community Developments

Summer 2001

Community Affairs OnLine News Articles

The Four Cs to Improving A Diverse Community

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Although University National Bank is one of St. Paul, Minnesota's smallest banks, with only \$35 million in assets and 20 employees, our mission is to be the leader in improving our urban community. When the bank was purchased in 1995, it had \$14 million in total assets and a "needs to improve" Community Reinvestment Act (CRA) rating: only 14 percent of the bank's loan portfolio was in its CRA trade area. Today the bank has an "outstanding" CRA rating with 79 percent of its loans in its CRA trade area, and was recently designated as a Community Development Financial Institution by the Treasury Department.

The bank is located in St. Paul's inner city, in a neighborhood known as Frogtown, two blocks west of the state capitol. Frogtown is St. Paul's lowest-income neighborhood, and is racially mixed, with a heavy concentration of Southeast Asian Americans (Hmong, Vietnamese, and Cambodian). Hmong account for about 35 percent of the bank's customers. The bank has made a conscious effort to diversify our staff to reflect our community, and currently 25 percent of the staff come from the Asian Pacific community.

We have identified four priority concerns -- or, if you will, the four "C's" to the future of the community and the bank:

Cash

The Frogtown community understands cash. To many first-generation immigrants (who are usually refugees), cash is king. As a result, check-cashing stores are prevalent. To combat this, University National Bank purchased a check-cashing business, cut its fees in half, and placed it in the lobby of the bank. This enabled us to begin guiding check-cashing customers into mainstream banking. We also created a partnership with a nonprofit organization to educate our customers on the basics of how to handle a checking and savings account.

Capital

Access to capital is critical to the development of an urban, racially diverse, low- to-moderate income community. Experience tells us that both the commercial corridors and the residential areas surrounding them need to be developed simultaneously. To that end, the bank has created several loan partnerships to share credit risk and get capital into the hands of community businesses and residents.

- *Neighborhood Lending Partnership (NLP):* A loan guarantee program provided by the City of St. Paul through University National Bank to

promote real estate acquisition and renovation and the purchase of equipment for neighborhood businesses. Loan guarantees are available for up to 50 percent of a project's cost, to a maximum dollar amount of \$100,000. The NLP program allows businesses and residents greater access to bank loans by reducing the amount of downpayment (equity investment) required. Via the NLP program the bank has made 53 loans over two years and leveraged the city's \$625,000 in loan guarantee funds by more than 700 percent, to a total \$4,769,810 in bank loans, which have resulted in the rehabilitation of 64 housing units (single-family dwellings and rental units) and 16 commercial buildings.

- *Frogtown Large Loan Fund:* University National Bank is a member of a five-bank lending consortium that loans money to businesses in Frogtown that do not meet traditional bank underwriting guidelines. Loan terms are structured to meet the needs of the business customer. This loan fund provides a way for non-bankable businesses to access capital.
- *Selby Exterior Loan and Grant Program:* Selby Avenue is a redeveloping commercial corridor with a troubled history and a mix of African-American and other businesses and residents. Loans and grants are being provided by the City of St. Paul and the Selby Coalition through University National Bank to promote exterior renovation along the avenue. Grants of up to \$10,000 are available with a matching bank loan. The program also provides loan guarantees to the bank to increase access to capital.

Confidence through commitment

The community has to believe that it can become a better place to live and work. The bank has an important role to play in cultivating that kind of confidence -- and we have demonstrated our own commitment by investing \$1.5 million in renovating our building. We wanted to send a clear message to the community that we're committed to serving its needs and that we're here for the long term. Besides, if we're going to continually encourage others to improve their properties, we have to be proud of our own.

Communication

We're in the business of making loans. A good loan improves the well-being of the borrower, the bank, and the community. Conversely, a bad loan sets us all back. We need to know our community and its residents firsthand. The only way to understand our community is to immerse ourselves in it -- and listen to it.

Each bank officer works closely with at least one local not-for-profit organization. The bank provided 618 hours of service to community organizations in 2000. Through community involvement, our officers participate in the diversity of the community and receive unfiltered real-time information that helps us anticipate and respond to community needs and concerns. And community involvement gives our lenders working knowledge of community loan and grant

programs. The more our lenders know about these programs the more likely they are to create financing solutions that get capital into the hands of our community.

There is, in short, no substitute for immersion in the community. It fosters trust, respect, and a greater comfort level between people of different cultures and the bank -- all of which, not coincidentally, brings new business to the bank.

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