



Rural Economic Development



Please click on the title to view the full article.

SHAPING THE FUTURE OF RURAL AMERICA: BANKS AND ECONOMIC DEVELOPMENT

John D. Hawke, Jr., Comptroller of the Currency

This is the first of two issues of Community Developments exploring banking needs and opportunities in rural America. This issue looks at the role of banks in stimulating economic development; our next issue will focus on financing affordable housing and delivering retail financial services. As we look at what works in rural America, again and again we find public-private partnerships in action. Banks committed to investing in rural communities will discover many opportunities to leverage their own resources by partnering with targeted public programs.

AGRICULTURAL LOANS: RURAL ECONOMIC DEVELOPMENT COULD BE RIGHT OUTSIDE YOUR DOOR

John Blanchfield, Director, Center for Agricultural and Rural Banking, American Bankers Association

Although America is no longer a nation of farmers, agriculture still plays a vital role in strengthening and sustaining the rural economy. Farmers and ranchers often need credit, and banks willing to develop expertise in farm lending can make profitable loans at manageable risk even as they contribute to the well-being of their communities. A key step: become familiar with the guaranteed farm loan programs of the U.S. Department of Agriculture (USDA). This article provides an overview of these programs and how to make the most of them.

INVESTING IN SMALL TOWN DOWNTOWNS: "ART IN THE HEART OF BARRE"

Karen Winchell, Central Vermont Community Land Trust

Artists are dreamers and visionaries. When you

match them with community-minded bankers, good things can happen. In Barre, Vermont, as in so many small rural communities, the downtown commercial core was struggling, and efforts to revive its historic Nichols Block seemed stalled. But then a 'critical mass' of support developed — including a bank willing to invest in Federal Historic Preservation Tax Credits. Today, Barre's downtown community arts center functions as a vital support system for area artists, an attraction for tourists, and a catalyst for further revitalization initiatives.

FROM RURAL EMPOWERMENT ZONES TO COMMUNITY DEVELOPMENT VENTURE CAPITAL: PUTTING AN ARRAY OF FUNDING TOOLS TO WORK IN RURAL KENTUCKY

Michael Hayes, Kentucky Highlands Investment Corporation

Kentucky Highlands Investment Corporation (KHIC), a regional community development corporation, has been battling poverty and underdevelopment in rural Appalachia since the 1960s. KHIC has invested in more than 175 business ventures which have created over 7,500 jobs. Working with bank partners, KHIC uses a variety of funding tools available through designated rural Empowerment Zones and Enterprise Communities, and now aims to attract community development venture capital through the SBA's New Markets Venture Capital Program.

A COMMUNITY BANK'S EXPERIENCE WITH RURAL DEVELOPMENT LENDING

Julie Cripe, President and CEO, OMNIBANK, N.A.

Pursuing risk mitigation as well as profitability, OMNIBANK, headquartered in Houston, has successfully partnered with USDA's Business and Industry (B&I) loan programs — among others — to finance numerous business start-ups and expansions in rural Texas communities. The bank's experience illustrates the rural development lending opportunities that are out there — "if we're willing to educate ourselves as well as our customers."

LEVERAGING BANK FINANCING USING USDA'S COMMUNITY FACILITIES LOAN GUARANTEE PROGRAM

Rod Marshall, RCAC Loan Fund

The Rural Community Assistance Corporation (RCAC), a certified Community Development Financial Institution (CDFI) serving rural communities in 12 western states, provides training, technical assistance, and access to funding. RCAC's lending model typically combines a bank-originated USDA-guaranteed community facilities loan with RCAC

financing of the non-guaranteed portion of the loan — a partnership arrangement that has successfully financed rural health centers, a domestic violence shelter, and other much-needed rural community development initiatives.

PARTNERING WITH FARMER MAC TO PROMOTE RURAL DEVELOPMENT

W. David Hemingway, Executive Vice President, Zions First National Bank

Congress created the Federal Agricultural Mortgage Corporation — better known as Farmer Mac — for the broad purpose of attracting new capital to finance agricultural real estate and providing greater liquidity to rural lenders, principally by creating a secondary market for USDA-guaranteed farm and rural development loans. This article describes how banks can increase the liquidity of their guaranteed loan portfolios thus enabling them to re-lend to new borrowers.

INVESTING IN VALUE-ADDED AGRICULTURE

Barry Wides, Director, Community Development, OCC

Which makes more sense: to ship raw wheat to distant buyers or add value by building a local plant to convert the wheat into frozen pizza dough for the fast-food industry? For a bank in rural Oklahoma, the answer is clear. Investing in value-added agriculture boosts the rural economy and creates jobs — helping to stem outmigration. The Farm Security and Rural Investment Act of 2002 provides additional encouragement for banks to finance or invest in value-adding agricultural initiatives.

COMPLIANCE CORNER: CRA 101 – BASIC TRAINING FOR SMALL BANKS

Karen Tucker, Compliance Division, OCC

If your bank has a strong commitment to the communities it serves, you should have no difficulty meeting the Community Reinvestment Act's compliance requirements. This brief, user-friendly overview will help you understand what CRA examiners look for, how we measure performance, and how to gather the data needed to assure that your bank meets CRA criteria for satisfactory performance. We include some tips to help you maximize CRA results, and insights on how to receive positive CRA consideration for farming-related loans.

THIS JUST IN . . .

OCC'S DISTRICTS REPORT ON NEW OPPORTUNITIES FOR BANKS

OCC's District Community Affairs Officers report on innovative banking initiatives and partnership opportunities in each of OCC's six districts.