



Comptroller of the Currency
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E-zine CONTENTS



COMMUNITY DEVELOPMENT FINANCIAL INSTITUTIONS AND CD BANKS—Natural Partners for Traditional Lenders

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

In the aftermath of September 11, a CDFI stepped forward to secure funding for small business owners impacted by the disaster. This introductory overview describes CD banks and CDFIs, and discusses how investments from traditional banks have enabled CD banks and CDFIs to infuse capital into distressed communities and underserved markets. There has been remarkable growth in these investments. From 1999 to 2001, assets of CDFIs, in relative terms, grew nearly three times faster than assets of commercial banks.

BANK ENTERPRISE AWARDS AND NEW MARKETS TAX CREDITS: Two Tools to Increase the Flow of Private Capital in Targeted Markets

Tony T. Brown, Director, CDFI Fund

Among the CDFI Fund's incentives aimed at bank investors is the Bank Enterprise Awards program. This program makes awards of up to \$2 million to banks and thrifts that provide financial support to CDFIs. In December 2001, the Fund also released guidelines for the New Markets Tax Credit Program, an initiative that will provide \$15 billion in tax credits to banks and other investors to increase their investment in business growth in low-income areas. Over a seven-year period, investors will be able to realize a 39 percent tax credit.

CITY FIRST BANK SERVES NEGLECTED NEIGHBORHOODS WITH HELP FROM 'WIN-WIN' BANK PARTNERSHIPS

Cliff Kellogg, President and CEO, City First Bank

More than 80 percent of City First's lending is in lower-income neighborhoods, while suffering only one loss in over 145 loans originated. Assets have grown 370 percent in four years. This *de novo* CD bank and certified CDFI in Washington, D.C. opened its doors in 1998 and believes that its success rests on a focus aimed at high need market niches, targeted marketing strategies, hiring high quality staff, and developing banking partnerships.

SERVING CHICAGO'S MEXICAN-AMERICAN COMMUNITY

Pamela Voss, President, First Bank of the Americas

First Bank of the Americas, formed to serve a fast growing Hispanic community in Chicago, offers products and services that compete with currency exchanges, payday loan stores, and pawn shops. The bank has introduced branches at local high schools, developed a counseling program with the Archdiocese of Chicago that addresses predatory lending, and makes remittances to Mexico available at a low-cost.

USEFUL LESSONS FOR CD BANKERS

George Surgeon, Executive Vice President and CFO, Shorebank Corp.

Shorebank, the "grand dame" of community development banking, has acquired a wealth of knowledge about successful CD banking practices since its founding in 1973. Raising capital, growing the asset base, and attracting and retaining high quality staff and board members are challenges for these institutions. However, identifying a product niche enables a CD bank to address community needs, without setting an expectation that its arrival will be the cure for all of a community's ills.

BANK OF AMERICA'S STRATEGIC APPROACH TO INVESTING IN CDFIS

Bob Bidal, Senior Vice President, Bank of America

In this article, Bank of America describes how to effectively leverage CDFIs to reach into corners of markets that banks typically don't have the personnel and resources to serve. Operating through market-based Community Development Lenders who deliver CDFI products, Bank of America has been able to develop nearly 100 relationships with CDFIs representing 135 investments involving nearly \$190 million in funds committed or outstanding.

COMPLIANCE CORNER: Expanding Your CRA Reach with CD Banks and CDFIs

Karen Tucker, Compliance Division, OCC

This article describes the numerous options banks have for obtaining CRA credit from partnerships with CDFIs. Qualified investments in CDFIs may receive positive CRA consideration under the Investment Test or Lending Test, or both. Purchases of loans from CDFIs can count toward the Lending Test, and providing CD services, such as participating on a CDFI's board of directors, can be recognized by the Service Test.

SOUTHERN DEVELOPMENT BANCORPORATION: Making A Difference in The Delta

Phil Baldwin, President and Chief Operating Officer, Southern Development Bancorporation

When a bank closes its doors, small towns lose local business and civic leadership, and there are often no institutions left to fill the vacuum. That's where Southern has stepped in to strengthen rural banks in the Mississippi Delta — where nearly one-third of the population lives in poverty. In addition to establishing

a bank as a linchpin for rural economic development, this article describes how Southern's non-bank affiliates work to provide workforce training and tackle substandard housing.

GROWING OPPORTUNITIES IN BANK-CDFI PARTNERSHIPS

Mark Pinsky, President, National Community Capital Association

This article looks at the growth of CDFIs and the partnership potential that exists today. Since 1995, bank financing of CDFIs has more than quadrupled and the average size of bank loans to CDFIs has more than doubled to over \$270,000. Banks view CDFIs as credit enhancements, because their understanding of local markets and the technical assistance they provide their customers reduces bank risk. By working together, banks and CDFIs have demonstrated that financing non-conforming customers works — if it is done in a way that recognizes the market's and the customers' nontraditional characteristics.

NATIONAL COMMUNITY INVESTMENT FUND: Financing CDFIs Across the Country

Lisa Richter, Fund Advisor, National Community Investment Fund

NCIF is an intermediary that uses investments from banks, thrifts, and others to fund and provide technical assistance to well-managed, locally based CDFIs. These CDFIs have used these investments to leverage NCIF's funding more than 17 times. NCIF has also launched an initiative to develop replicable and profitable models for serving low-income and unbanked households through partnerships between small and large financial institutions. Essentially a fund that pools investments, NCIF benefits its investors by identifying qualified CDFIs, underwriting and structuring potential investments, and assessing financial and development impact.

PARTNERING WITH COMMUNITY DEVELOPMENT CREDIT UNIONS

Clifford Rosenthal, Executive Director, National Federation of Community Development Credit Unions

Since community development credit unions provide small loans and low-balance savings accounts in low-income areas, they can be ideal partners for banks seeking cost-effective ways to serve low-income markets. Support for these credit unions is recognized as an eligible CRA activity. Banks have assisted the start-up and expansion of community development credit unions through grants, deposits, and donations of closed branches. The National Federation of Community Development Credit Unions also has devised a mechanism to help banks manage substantial portfolios of deposits in local credit unions located throughout the bank's CRA assessment area.

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.