

Federal Reserve Bank of Boston
Communities & Banking

First Person

Interviews

**New England's Movers
and Shakers**

Federal Reserve Bank of Boston

Communities & Banking

The Federal Reserve Bank of Boston's *Communities & Banking*, a quarterly magazine, seeks out and interviews dedicated men and women working to promote the economic strength of lower-income people and communities, especially in New England.

Whether the interviewee is a leader in government, a think tank, a nonprofit, a university, or a bank, each one is energized by trying to make the world a better place. The ideas they share with readers are both inspiring and practical. That is why we decided to collect the 2006 to 2009 First Person articles in one place for easy downloading from our web site, www.bos.frb.org/commdev/c&b/index.htm. We know that, seeing them together, readers will be impressed with the caliber of innovative thinkers in our region.

For more information, contact the editor at caroline.ellis@bos.frb.org.

First Person

Denise Nappier State Treasurer of Connecticut



As an identical triplet and the first woman and African American elected State Treasurer of Connecticut, Denise Nappier is hardly typical. But in some ways her background fits the model of those who pursue a career in public service. It includes, for example, parents who emphasized contributing to the betterment of society. Nappier's father was an architect and a Tuskegee Airman, her mother a paraprofessional in the education field. A native of Hartford, Nappier went to Virginia State University for her bachelor's degree and received a master's from the University of Cincinnati. In 1989, she was elected to the first of five terms as Hartford City Treasurer. She was elected State Treasurer of Connecticut in 1998. Since then, her office has safeguarded and increased the state's financial resources while simultaneously working to be a force for good. *Communities & Banking* recently had the opportunity to speak with Treasurer Nappier.

C&B: How did your past experience prepare you for being State Treasurer of Connecticut?

DN: My years as the treasurer of Hartford were helpful. When I first assumed that role, the city was in the midst of difficult economic times. I was eager to begin work on my platform to consider the corporate-citizenship record of the banks that managed city funds. However, many local banks were on the verge of insolvency, and my primary obligation was to protect the funds under my trust. The experience was a valuable lesson on being a fiduciary. As conditions improved, I was able to fully consider a bank's community

Breaking New Ground

reinvestment performance and put money in banks that were not only financially strong but also had demonstrated a commitment to reinvest in Hartford. It's what we refer to in the industry as the "double bottom line."

C&B: Explain how you focus on that double bottom line now that you serve the whole state.

DN: As a fiduciary I have a responsibility to hire vendors that can manage our banking service needs and to invest in

portfolio companies that can protect and grow Connecticut's pension funds. But we also consider companies' role as corporate citizens—nontraditional financial or economic factors. For example, do portfolio companies have a commitment to workforce and board diversity? Do they treat their workers fairly? Do our vendors provide Connecticut jobs? This in no way conflicts with my fiduciary obligation. We've done our due diligence, and the pension fund has grown to \$21 billion. At the end of fiscal year 2004, it had grown nearly \$2 billion from the previous year, and in 2005, it grew another billion. Our investment performance is highly ranked within the industry.

C&B: So you use your investment clout to promote responsible corporate citizenship?

DN: Yes. When our portfolio companies are good corporate actors, it can go a long way toward improving the value of our shares. Connecticut is unique in that state law allows us to consider the social, environmental, and economic impact of our investments. This is not just a moral obligation: It's an economic necessity. Studies have shown that the way a company treats its workers and the larger community can have a direct effect on the bottom line.

C&B: I understand that when companies you invested in have broken laws, your office has not hesitated to sue.

DN: We go after the money. But litigation is a last resort after we have pursued all other avenues. We were the lead plaintiff in a class action suit against Waste Management, for example, and recovered \$457 million for investors, the third-largest securities class-action settlement in U.S. history.

C&B: What role should a state treasurer play in helping individuals move out of poverty and become self-sufficient?

DN: From the beginning, I have been about increasing opportunities for Connecticut residents and acting as a catalyst to encourage financial education. Improving financial literacy allows people to become economically self-sufficient. This is particularly important for our young people. I have visited schools and helped to implement initiatives that teach students the ABC's of finance. My office helped establish the first Youth Financial Conference. In addition, we have promoted individual development accounts, which help low-income people save for a goal such as purchasing a home or starting a small business. IDAs provide matching money from public and private groups to help the poor build and maintain assets. More than 1,000 people have been or currently are participants in the state IDA program.

C&B: What actions did your office take on individual development accounts?

DN: I appointed a statewide task force in 2000 (the first of its kind) to see how we could expand IDA availability in Connecticut. My office brought in outside experts to explore the economic benefit to the state. We assembled banks, community development corporations, and state agencies to assess the feasibility of expanding IDAs. There were several groups in Connecticut with IDA programs, but the state needed to endorse the initiative to be eligible for a federal matching grant. Once the report was complete, legislation passed rather quickly—people really embraced the program once they saw the benefits for families and communities.

C&B: Where else does the matching money come from?

DN: I have counted on banks to participate as part of their community investment responsibilities. In fact, IDAs were first funded through the community reinvestment commitment my office helped secure during the merger of Fleet and Bank Boston. IDAs have a financial-education component, which makes them a natural for banks. Individuals who start saving in a bank through an IDA usually form long-term financial relationships with those institutions.

C&B: Describe some challenges you have faced.

DN: When I was first elected, there was a perception that I didn't know much about managing money, or that I was going to focus my attention on social issues — perhaps because I am a woman and black. But I see my responsibility as making the money grow, and I had nearly a decade of experience as treasurer of Hartford. Does my office place high value on promoting programs that help Connecticut citizens build assets and improve their financial situation? Yes. But that is an economic necessity, not a "social issue."

C&B: Explain your program for letting local investment companies manage part of the Connecticut Retirement Plans & Trust Funds.

DN: We set up an investment program called the Connecticut Horizon Fund. We invest pension funds in a central money manager. The central money manager farms out part of the money management to women-owned, minority-owned, emerging and Connecticut-based firms, and oversees their investment work. That eliminates previous barriers such as requiring a state pension-fund money manager to have at least \$2 billion under management. And it lets us support smaller firms and the next generation of fund managers. We hope to invest between 2.5 percent and 5 percent of our retirement assets with these smaller money managers over the next few years and give them a chance to build a track record. With the playing field leveled, we expect them not only to generate solid performance, but to outperform some of the big money managers. We are all about growing the money.

First Person

Gerald Chertavian Year Up Executive Director



Year Up

Changing Minds

What makes a young, successful businessman decide to devote at least 10 years and \$500,000 to helping low-income youth get a leg up in the world? Was it the mentor at his Lowell, Massachusetts, high school who pointed him to Bowdoin College? Was it the satisfaction of helping boys through the Big Brother program—first at college in Maine and then while at Chemical Bank in New York? Perhaps it was selling a software company in 1999 before the downturn. But the main reason that Gerald Chertavian founded the nonprofit Year Up in February 2000 was to create a school where low-income youth could build career paths out of poverty. The program offers a year of skills training, a stipend, long-term mentoring, internships in local companies, and college credits. After several years of strong, measurable results in Boston, Chertavian is establishing Year Up schools in Providence and beyond.

C&B: Describe how your early experiences influenced the Year Up concept.

GC: I saw the power of mentoring both as a recipient and as a Big Brother. The boys in the Big Brother program had no adult male role model. Similarly, the young men and women Year Up works with lack career role models. Year Up gives them needed mentoring and helps them build career networks after graduation.

Being a Big Brother also showed me the barriers low-income people face every day. My Little Brother David lived on Manhattan's Lower East Side in the

Photographs courtesy of Year Up

Rutgers housing project. In 1987, when I met him, Rutgers was one of New York's most heavily photographed crime scenes. Going there Saturdays, I was exposed to the needs of David's brothers, neighbors, and friends. I learned how difficult it was for them to make positive transitions and how much my advice and support meant to them.

C&B: Is that when you thought of a way to give low-income youth a career boost?

GC: Yes. I was applying to business schools then, and I wrote an essay about starting a school to address the opportunity divide. Why should anyone's prospects be limited because they were born in the wrong zip code or educational system? I thought a direct intervention was the answer. Of course, I wasn't able to carry this out immediately. In 1992, when I finished Harvard Business School, I was married and in debt. I ended up co-founding Conduit Communications in London and helping run it until it was sold.

When we sold Conduit, I already had a clear sense of how I wanted to spend my time. I had continued being a Big Brother to David through the 1990s, and that experience made me want to help the men and women who don't get into our mainstream. I returned to Massachusetts to sound out local support.

C&B: How did you prepare yourself to run a school?

GC: I spent about six months researching programs for low-income adults in England and America. Initially, we got only 60 percent of the model right. We were right that we had to be market led—we had to understand what companies needed and train for skills they'd pay for. We also were right that we couldn't fast-track development of student attitudes and behaviors. And we were right to start the skills training with a good sector—technology. What I underestimated was how much time we should spend teaching professional communication. I also didn't appreciate the critical importance of a clear, consistent, and fair structure to manage behavior. We asked Stanley Pollack from the Center for Teen Empowerment to create a system to help us with that.

C&B: How does Year Up work on communications skills and behavior?

GC: Students spend the first six months in an environment that involves both strong support and high expectations. We do not dumb down the program. We expect people to show up on time, work hard, turn in assignments, and be professional. We provide support to help them overcome challenges they may face outside the program, but we screen for young people who will fully commit.

First, we look for motivation, so the application process itself is challenging. People must submit an application, an essay, high school transcripts, and a reference. If applicants can get through that, they are probably motivated enough to arrive every day at 8:30 for classes. Second, applicants interview with a staff person, who tries to understand what's going on in their lives and whether this is the right next step. Finally, there's a learning assessment because we teach in a relatively standard way. We want to be sure we don't bring in individuals if we're not equipped to teach to their learning style. But we're all about support. If people make the effort and don't get in, we advise them on what they need to do next time. We're known for treating everyone with respect. When we started, we sought referrals through high schools, community-based organizations, and the *Metro* newspaper. Now more than 70 percent of students come through word of mouth.

C&B: I understand that Year Up has expanded to Providence.

GC: We wanted our first expansion to be in driving distance of Boston. Paul and Navyn Salem provided the start-up capital. Providence Mayor Cicilline welcomed us warmly. Companies including Textron, Citizens Bank, and Fidelity got involved. We've opened an office in Washington, D.C., too, with New York next.

C&B: Are you sticking with technology for your skills curriculum?

GC: Yes, but we recently launched a second curriculum, in financial-services operations. It's possible to do back-office financial services without a college degree, and the jobs are



The students, ages 18 and 24, apply their new skills in local businesses.

good—livable wages, health benefits, tuition reimbursement. Unfortunately, there is only one accepted job screen in this country—college. It doesn't have to be the only efficient screen. We must change mindsets. I have no problem with outsourcing, but there should be a concomitant strategy of “insourcing” in the inner city. At Year Up we partner with top executives—CIOs, CEOs. As our students build a track record without college degrees, executives may begin to wonder if their current job requirements make sense. Year Up must look beyond its direct impact and tackle systemic levers: changing mindsets, influencing policymakers, helping graduates build networks. By ourselves, we can't change the reality of 3.8 million young adults who are out of school and out of work.



Students get a year of training, a stipend, mentoring, internships, and college credits.

C&B: After students graduate, you stay connected?

GC: Definitely. They need networks to progress in their careers—and to reach back and pull others through. Seventy percent of low-income individuals have fewer than three people they can access for advice on jobs and college. Our graduates need a wider community.

C&B: You committed 10 years originally. Do you see yourself leaving?

GC: I don't. The question is, What's appropriate? There's a lot of work to do. If I were a bottleneck in building the leadership to make Year Up sustainable and scalable, that would be a mistake.

C&B: Is there a downside to scaling up?

GC: Sure—if you scale prior to developing the quality control and process control you need. Having financial capital, human capital, and process capital is as important as getting bigger. We made sure we had strong foundations before growing.

C&B: What help has Year Up received?

GC: Boston is an incredibly supportive community for social entrepreneurial programs. I could name individuals at the Boston Foundation, Trefler Foundation, Partners Healthcare, Boston Medical Center, Fidelity, State Street Bank—and all levels of government.

Today, with 89 percent of our graduates earning on average \$15 an hour within in four months of graduation, we have a track record. But before we had one, certain people took a chance on us. There is no shortage of strong concepts out there. It took courage to let us prove that Year Up was more than just an idea.

C&B: Can you evaluate your impact in ways corporate partners understand?

GC: Yes, we know how many students are working, how soon after graduation, and how much they are making. We're comfortable telling benefactors, “Don't fund us if we don't hit our numbers.” We are exceptionally measurable. The whole non-profit sector would benefit from holding itself accountable to outcomes. We've been fortunate to get funding from the state, but we've kept it to a modest level and leveraged it by getting private capital. The paid apprenticeships are another source. Students earn an education stipend from us, and our partner companies pay to participate. To government we can say, “We will pay back each dollar with incremental tax revenue within two to three years. And our graduates won't be drawing on your social programs.” Our students amaze visitors by how professional they are, how they dress, how they shake hands in the elevator. They're redefining people's view of who is talented and where talent resides in our community, and they're changing perceptions about low-income young adults. Together with our corporate partners we can close America's opportunity divide.

Sharon Conard-Wells

Executive Director, West Elmwood
Housing Development Corporation



Responsive Community Development



The abandoned Rau Fastener factory in Providence in 1996.

Sharon Conard-Wells has been a community activist practically from the cradle. She recalls that as a young girl she helped her mother and brother make posters supporting teacher pay during a school strike in the South Bronx. At night, she often guarded the front door while her mother, a door monitor and tenant-association floor captain, went to wake up Sharon's father for his night job. Neighborhood involvement is in her blood.

In 1980, Conard-Wells moved to Providence with her husband, working as a computer scientist and becoming active in the West Elmwood neighborhood. Although she now lives in Warwick, she is identified with West Elmwood for her many initiatives there. One project is perhaps the best known—the project that everyone said was impossible. That was the conversion of the abandoned Rau Fastener factory into mixed-income rental housing. It took years, but the journey demonstrates how responsiveness to a community can lead to miracles.

C&B: Let's start with West Elmwood Housing Corporation's history.

SCW: In the early 1970s, the neighborhood was suffering from neglect. Residents got together, formed the non-profit West Elmwood Housing, and fought for municipal services. They also tapped a federally funded program that provided down payments and closing-cost assistance for first-time homebuyers. After that program lost funding, the group disbanded, but one board member kept the corporation alive, paying fees and doing filings.

C&B: How did you get involved?

SCW: Soon after I moved here, people came around talking about issues, and I started going to meetings. I have a lot of opinions, and I found myself becoming block captain, secretary, treasurer of the West End Coalition. In 1986, business owners offered us neighborhood-improvement money, but we couldn't accept donations without a whole legal process. A priest remembered a parishioner with a corporation on paper and brought everyone to a meeting. Several members of the old group came, and we merged, becoming "West End Coalition doing business as West Elmwood Housing." Our goals were to improve city services, clean up the neighborhood, and influence the disposition of vacant buildings.

When our first director left, the board wanted someone energetic to help the new director. I became the administrative assistant in 1989. When the second director resigned in 1991, I applied.

C&B: What does community organizing mean to you?

SCW: It means "Meet 'Em Where They're At." I ask myself what individuals' needs are. How do I engage senior citizens knowing that they don't like to come out at night for meetings? How do I engage young people? What do parents need?

One Saturday I was in the office, and a local kid came to hang out. Then somebody else came, and before I knew it, I had a group of kids hanging out. A board member stopped by, and we were all sitting around talking. A kid asked about something, and the board member said, "Come back next week, and I'll help you with that."

Our Young Voices program grew from there. The kids were 7 to 16, which was a challenge. We ended up having the older kids come on Tuesday night and help plan for the younger kids. Parents were grateful. One parent asked us to help a younger child who couldn't read.



2006: The old Rau Fastener factory is now Westfield Lofts, attractive mixed-income rental units.

They began to see us as the answer to many things.

C&B: You responded to the needs parents brought you?

SCW: We don't try to solve everyone's problems ourselves. But when parents and others come to us saying, "I called the police six times, and they didn't come," we take the time to show them how to help themselves.

We serve three overlapping needs: community development, housing, and economic development. For community development, we get people engaged in block associations. We make calls about stop signs, potholes, etc. We also offer Summer Sweeps, a program for middle school

kids. They get a stipend for sweeping in front of businesses, removing graffiti, watering grass, planting trees. They must open bank accounts and deposit a certain amount every week before getting paid. At the end of the summer, they can take some out for school clothes. Rhode Island Housing helped us the first five years, and now Coastway Credit Union supports us, too.

C&B: Those activities address the community part of your mission. What about the housing and economic-development pieces?

SCW: Our loan program relates to both. We offer down-payment and closing-cost assistance and home-repair loans. We make character loans when banks won't.

Our loans can be sold on the secondary market. We service them in partnership with a CPA firm. We provide home-buyer education, one-on-one counseling, credit repair, mortgages, and foreclosure prevention. And we're announcing a program on predatory lending.

Another new program, ClearCorps, clears lead paint from homes in partnership with the city of Providence through a national lead-abatement grant. We train local people and get them certified. They assess, clean, test, and certify that buildings are lead safe. And we're working with Cranston Street merchants to start a business group. The city has offered a program called Neighborhood Markets, and Rhode Island Housing has raised funds for a façade program. So now we can say to neighborhood businesses, "Look, we have funding; tell us what to do with it."

C&B: Let's turn to the project that couldn't be done, the one your colleague in Woonsocket begged you to reconsider.

SCW: I was glad that a friend like Joe Garlick was the first person to give me the "Are you crazy?" look. A neighbor of the abandoned Rau Fastener factory had come to the board and convinced us we had to tackle the factory. So one day when Joe was here, I said, "Let me show you our next project," and we drove over. The look on Joe's face! He said, "Are you crazy? No, Sharon. Please! That project will put you under." I got accustomed to that look from people.

Rau Fastener was an operating factory up until the mid-1990s. It opened in 1892 to make jewelry and snaps. In 1996, the owner abandoned it. A neighbor kept asking me, "What are you going to do about the factory?" and I would say, "We don't do factories." She persisted: "Your job is to fix the neighborhood, and that needs fixing." She gave the board a petition from residents, and we said we'd try to

If we didn't take control of our destiny, we could become a bedroom community of Boston, and we might not be able to stay.

interest someone in the factory. I didn't really know how the game was played, but I knew there was a building, somewhere a business needing a building, and somewhere money. But no one bit.

C&B: What turned the tide?

SCW: Mills became cool. To make a long story short, we bought the factory for \$2,500 after an auction where no one made an offer. The board thought deeply about the next step. What if we develop it and fail? What if we don't do it? What if someone is hurt and we're liable?

The board knew it was a great location, two blocks from major bus routes, close to two high schools, two minutes from Route 195, five minutes from downtown, a 20-minute walk to the hospital, with three banks nearby—Sovereign, Citizens, and Bank of Rhode Island. If we didn't take control of our destiny, we could become a bedroom community of Boston, and we might not be able to stay.

The board understood the project could put us out of business. But we were careful. We brought in environmental specialists, historic site experts. We knew we didn't know it all.

C&B: Were past funders supportive?

SCW: Not at first. I got lots of "Sharon, this is no reflection on you, but no no no no no." And then one day, somebody sighed and said OK. All I needed was one. I'd been working with a group of Providence CDCs interested in doing a test project on economic development.

With my first \$8,000, I could do a market study. And because mills were popular, there was a market to study. We learned we could get good rents. The Clean Land Fund got money from the Rhode Island Foundation and helped us get an EPA Region I environmental assessment grant. The most contaminated part fortunately did not meet historic standards, so we could tear it down. Without that, the project wouldn't have been feasible. Fleet Bank gave the CDC partnership some predevelopment money. LISC (Local Initiatives Support Corporation) pitched in.

The factory is now Westfield Lofts, mixed-income rental. We have three rental levels: 22 low-income units, units for people whose income is just over the low-income tax-credit guidelines, and market-rate units. Most units are in the affordable range (\$750 to \$1,000 per month). We're about 70 percent rented since launching in January.

C&B: I understand you're developing five acres in the area.

SCW: Yes, in addition to the mixed-income rentals in stage one, we'll have green space, commercial space, low-income homeownership, and market-rate homeownership.

C&B: And all this started with responding to a neighbor's complaint.

SCW: She convinced us. She said that if it was easy, someone else would have done it but that West Elmwood Housing was supposed to tackle neighborhood improvement. It took us a while, but we did it.

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Josephine McNeil

Creating Housing Opportunities

Josephine McNeil, executive director of Citizens for Affordable Housing in Newton Development Organization (CAN-DO), came to housing activism by way of her passion for education. While working as a teacher's assistant in an upstate New York city, she was shocked at how limited the educational opportunities were compared with what her own children enjoyed in a nearby suburban district. In 1984, she moved to Greater Boston for law school and chose to live in Newton so her teenagers could continue to access a quality education. It troubled her, though, that other families were shut out of towns like Newton by high housing costs. That is why today she dedicates herself to creating opportunities for families—educational and otherwise—through affordable housing.

Describe how your background has influenced you.

JMcN: I grew up on Long Island prior to government-supported student loans. So although I started at Hunter College after high school, I had to leave and get a job. I worked as a clerk for the U.S. Air Force Procurement Office in Manhattan, where I met my husband. After children came along, we moved to Wappinger's Falls, New York, where I became active in the schools and was elected to the school board. When my youngest went to school full-time, I became a teacher's assistant in Poughkeepsie. That was an awakening. Urban children didn't have anything like the educational opportunity of children in Wappinger's Falls. The inequality was shocking.

When my oldest went to college, I entered Vassar College's Returning Students Program, getting an education degree in 1984. But I kept thinking about the inequities I'd witnessed and decided I might have more impact if I became a lawyer.

Were you planning to use the law degree to promote equal education?

JMcN: Originally. But then I became interested in the connection between affordable housing and access to education. At Bos-

ton College Law School, I took a course in which I had to identify a piece of legislation and follow it through the Massachusetts legislature. I chose a housing bill. That was my introduction to housing.

After graduation, I worked first at the Massachusetts Appeals Court and then as an associate in Brown Rudnick's affordable housing group. I was there until 1993.

Real estate lawyers saw a lot of foreclosures in the early 1990s.

JMcN: Yes, the market tanked. But one of the first matters I worked on had to do with the expiration of affordability protection for an older HUD-subsidized housing development.

In the 1970s, the federal government provided low-interest loans to developers to produce affordable housing. Developers could prepay their loan after 20 years and end the affordability restrictions before the 30- to 40-year mortgage term ended. At Castle Square in the South End, the owner made a deal to sell to another developer. Although there was no requirement to notify tenants then, the tenants found out and inserted themselves into the process. The state's Community Economic Development Corporation (CEDAC, a quasipublic agency that provides technical assistance and funding to nonprofits) advised the tenants, and Brown Rudnick provided legal representation.

How did you like representing tenants?

JMcN: It was wonderful. The tenants really stood up for themselves. I continued doing outreach with tenant organizations with a for-profit developer after I left Brown Rudnick. While working for the developer (1994 to 1997), I learned useful skills like how to put deals together, how to work with professionals.

One thing I noticed: Many people were interested in providing affordable housing, but there was little focus on helping tenants better their economic circumstances so they wouldn't always be relying on subsidy. In 1997, I started a consulting business to fill that gap, but at the time developers couldn't see the value of helping tenants reach independence. Today everyone sees it.

How did CAN-DO come to be?

JMcN: CAN-DO (Citizens for Affordable Housing in Newton Development Organization) was incorporated in 1994. At the time, I was on the board of Newton Community Development Foundation (NCDF). Newton wanted to establish an entity to help it meet the federal HOME program's stipulation that jurisdictions receiving money allocate a portion to a community housing development organization

(CHDO). CHDOs are meant to empower lower-income people by requiring that one-third of the board be people eligible for the housing being created. They don't have to be residents, but they must be in the same income range.

Newton contacted NCDF for help creating a CHDO. With two other NCDF board members and residents of the foundation's properties, the first CAN-DO board was formed. I was elected as the first president, and in 1999, I became executive director.

Describe CAN-DO's housing.

JMcN: We develop both rental and for-sale housing. To date we have created 38 units, 31 of which are deed-restricted to preserve their affordability. We just completed two condominium projects, both in Newton Upper Falls. For the five-unit Linden Green Homes, we purchased an early 19th Century Greek Revival house that was in great distress. We created a one-bedroom unit and two units with two bedrooms in the existing building. We also constructed a duplex of two three-bedroom units. Three Linden Green units are affordable and two are market rate.

The Newton Zoning Board of Appeals granted a comprehensive permit in 2004 under the state's affordable-housing statute, 40B. The neighbors filed an appeal, but settled in 2005. They also tried to have our request for Community Preservation Act funding rejected.¹ The neighborhood resistance delayed construction.

How did the lawsuit make you feel?

JMcN: It was frustrating. The neighbors wanted four units instead of five. They couldn't accept that being able to sell a fifth unit at market rate was necessary to subsidize the affordable units. I finally said, "I don't understand how it is going to impact your life on a daily basis if one more family is able to live at this location." A neighbor replied, "We gave at the office, Josephine." The delays added time, and time is money. If we'd been able to list the market-rate units a year ago, I think they would have sold as

quickly as our affordable ones.

Who is eligible for the housing?

JMcN: Linden Green's affordable condos are priced by the Massachusetts Department of Housing and Community Development for families with incomes below 80 percent of area median income, adjusted for family size. The price for our one-bedroom unit is \$160,000, the two-bedroom unit is \$165,000, and the three-bedroom unit is \$185,000. Our market-rate units are priced at \$429,000 for the two-bedroom unit and \$599,000 for the three-bedroom one.

At another recent project, Millhouse Commons, we opted for modular (prefabricated) units to reduce costs. Our architect specified the units, though, so we have clapboard siding instead of vinyl, and we added porches. Of the six units, two are market rate, and one of those is a historic renovation. Among the affordable units there are two levels of affordability—one for those whose family income is below 80 percent of median income and one for those who are at 80 percent to 100 percent of median income.

In both projects, we had 124 applicants in the lottery for the units affordable to families below 80 percent.

Is the lottery only for Newton residents?

JMcN: No, in fact the state's Local Initiative Program requires outreach to ensure that all ethnic and racial groups have an opportunity to purchase affordable homes. We advertised in *Sampan*, *El Mundo Boston*, and *The Boston Bay State Banner*.

Where does CAN-DO get funding?

JMcN: Well, most foundations focus on cities, which is good, although it may be to the detriment of the hidden poor in suburbs.² The city of Newton has been supportive in providing Community Preservation Act funds. CAN-DO couldn't have managed otherwise. We do apply directly to the state for affordable-housing funds, but state programs favor towns with a lower

cost per unit. Newton doesn't have land to donate, so CAN-DO must buy property on the open market.

What concerns you most today—housing and otherwise?

JMcN: I'm concerned that America has neglected urban schools and has failed to educate everyone. For years, nobody cared what was happening to minority children in cities, and now we lack an educated workforce.

Similarly, I'm concerned about the lack of housing for low- and moderate-income families. Communities need to accept greater density at certain locations and increase their funding. Housing should be a human right. If more families can live in safe places and send their children to good schools, the children are more likely to grow up economically independent and give back.

We need to stop accepting homelessness as a fact of life. It's a national scandal that so many children are homeless. The message we send children who live in shelters is, "You are not important." And we expect those children to grow up and conform to societal norms? It's not rational. If you have said to them all along, "It's not important where you live, it's not important what quality of education you get," why should they adhere to the norms most of us live by? The priority should be housing, not shelters.

Endnotes

¹ The 2000 Massachusetts law permits municipalities to assess a property tax surcharge of up to 3 percent to meet needs such as affordable housing. The state provides a matching grant.

² Alan Berube and Elizabeth Kneebone, in a December 2006 Brookings Institution report, say poverty in suburbia is rising. See http://www.brook.edu/metro/pubs/20061205_citysuburban.htm.

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Alice M. Rivlin

Senior Fellow
Brookings Institution



Targeting Urban Revitalization

Economist Alice M. Rivlin *has had many significant roles in Washington. She was vice chairman of the Federal Reserve Board, the director of the White House Office of Management and Budget, and the founding director of the Congressional Budget Office. Currently, she is a visiting professor at Georgetown University and a senior fellow in economic studies at the Brookings Institution, where one of her key concerns is urban revitalization.*

Rivlin was born in Philadelphia and raised in Indiana. She earned a bachelor's in economics from Bryn Mawr College and a Ph.D. from Radcliffe. A winner of a MacArthur Foundation Prize Fellowship, she has published numerous articles and books. In 2003, she wrote "Revitalizing Washington's Neighborhoods: A Vision Takes Shape" about targeting specific neighborhoods for public improvement efforts. Targeting, which is meant to make a splash that will ripple outward, is being tested in various forms around the country. In 2005, for example, the Federal Reserve Bank of Richmond measured the impact of a successful local targeting initiative called Neighborhoods in Bloom.

Because of a growing interest in this concept, *Communities & Banking* decided to ask Rivlin about the Washington experience and how it might apply to New England.

How did you get involved in efforts to revitalize Washington neighborhoods?

AR: From 1998 to 2001 I chaired the financial control board that the federal government created to help the city pull out of financial crisis. That assignment got me heavily involved in Washington's financial condition and its economic development.

What challenges faced the city as it recovered?

AR: A big challenge related to the fact that the city had lost more than a third of its population and much of its middle class. Washington had lost far more people than jobs. The loss of residents was especially crucial to Washington because the city is prohibited by Congress from taxing people who work in the District but live outside it. That is a serious prohibition. All states with income taxes tax nonresident income. In Washington, two-thirds of income is earned by non-residents. Increasing the number of resi-

dent taxpayers is essential to the city's fiscal future. Hence, we needed a focus on reviving neighborhoods and rebuilding a middle class.

You have written that improving schools is critical.

AR: It's the classic chicken and egg problem. People with children avoid the city because the schools aren't good, and the schools aren't good because the middle class population with children moved out. So the question is, How do you break this cycle? One answer is: try to do a lot of things at once in neighborhoods where the collective effort is likely to be successful. Public funds are limited, so if you can concentrate them in neighborhoods that have potential, maybe you can leverage those funds. Brookings and the D.C. planning office worked together to choose target neighborhoods that were neither the worst nor the best but had development potential.



What criteria did you use to identify suitable neighborhoods for targeting?

AR: The city identified "emerging" neighborhoods with generally positive characteristics (relatively stable population, few abandoned buildings, relatively low crime) that had not had much new investment yet and "transitional" neighborhoods that were already showing evidence of rising property values. The target neighborhoods were of both kinds, but they required different investment strategies. In retrospect, there were probably too many target neighborhoods.

How did people react to your recommendations?

AR: The first thing to recognize about targeting is that it has political risks. People who live outside the targeted neighborhood wonder why you aren't targeting them. There is pressure to broaden the area. After the planning office and Brookings selected neighborhoods, the mayor officially endorsed the policy. However, the city's implementation was uneven and not sustained. Some neighborhoods received considerable attention from city agencies. Money flowed in, and the strategy worked. Elsewhere, targeting worked less well, either because of community opposition or because the city didn't follow through.

Why would there be community opposition?

AR: Mostly because of fear of change and gentrification. Long-time low-income residents fear being pushed out by newcomers and rising housing costs. In recent years, the Washington housing market has taken off. There has been a lot of building and a disproportionate rise in both home-purchase prices and rent. The rate of growth in housing prices has tapered off in Washington's



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“The importance of educational institutions to the economy of cities cannot be overstated,” says Rivlin.

The more that people looked at high-crime areas, the more they realized that the problem was not just lack of law enforcement.

more affluent sections but is still rising in the lower-priced areas. The bottom line is that although Washington has put a good deal of money into creating and preserving affordable housing, it is disappearing.

It’s hard to tell how much of the recent economic growth results from targeting and other public efforts. In a strong market city, such as Washington right now, much development would have happened anyway. Possibly, targeting is more necessary for weaker market cities.

Has the economic development succeeded in adding middle-class residents?

AR: We haven’t had a census since 2000, but the decline in population appears to have been arrested, and the number of households is growing. However, the decline in household size continues. That adds up to more housing units, but not necessarily more people or more children in the schools.

Did the city follow your recommendations closely?

AR: Actually, Washington shifted targeting strategies in midstream. The impetus for the original targeting strategy was to jumpstart economic development. The impetus for the current strategy is reducing crime. But the two strategies are not really far apart. The more that people looked at high-crime areas, the more they realized that the problem was not just lack of law enforcement. It was neighborhood deterioration, lack of employment opportunity, poor schools—everything that goes with really bad neighborhoods. Out of that understanding came the New Communities Program, which focuses on high-crime neighborhoods that have revitalization potential.

Are there revitalization lessons that we could apply in New England?

AR: First, a city with a strong housing market can lose a lot of affordable housing quite quickly, and only a major public effort can counteract that. For example, a Washington task force that I recently co-chaired recommended doubling current efforts on low- and moderate-income housing.

Second, a targeting strategy is complex to implement. You can't just announce the targeted neighborhoods. You need a strong hand directing public spending to those neighborhoods and working hard to form public-private partnerships. Public money can only go so far, and you need the support of neighboring institutions, such as universities. It's quite hard to pull off.

Does Washington have a strong leader for New Communities?

AR: The city administrator, Robert Bobb, pushed it very hard. The first project is a major effort in an area with a badly deteriorating public housing project, Sursum Corda. The initiative is

best described as a local version of HOPE 6. HOPE 6 is a federal program that has been used successfully in Washington to transform deteriorating public housing to mixed-income communities. New Communities uses local money instead of federal to preserve subsidized housing while adding market-rate housing and big improvements in public services.

You mention partnerships. In Boston, the Federal Reserve Bank partners with a local high school to offer city youth mentoring and internships. What kinds of institutions do you think should help communities?

AR: The importance of educational institutions to the economy of cities—especially in New England—cannot be overstated. When I visited Worcester, I was impressed with Clark University's community partnering, and Trinity College has built strong partnerships in Hartford. In Washington, Howard University worked with Fannie Mae to help revitalize the neighborhood around the university and aid local home-buyers. George Washington University aided and mentored a high school. Since public dollars are usually focused on affordable housing, schools, and street improvements, other partners have to help in order to finance market-rate housing and retail.

Describe a targeted revitalization that is working.

AR: The Anacostia River waterfront in Washington is an exciting example of an major project that involves numerous public and private partners with the community itself. Federal agencies are moving their offices to the waterfront, and there will be mixed-income housing and mixed development, including a baseball stadium. Success breeds success. If a targeted area makes visible changes, the progress will spread.

Are there any downsides?

AR: First, economic development puts pressure on housing prices and rents, hurting low-income renters the most. And in Washington, which is segregated historically, the conflicts are seen as racial. As economic development moves from the west to the east, blacks fear that the city will become too white. Secondly, targeting is difficult politically. It's always easier to spread the money in a broader area, but then the impact is diluted. Right now we are pinning big hopes on the Anacostia waterfront, and it seems to be going well. As long as nothing occurs to disrupt the regional economy, Washington should continue to become a more attractive and livable city for a diverse population. An important goal is to grow, attract, and retain more middle-income families—and, with them, better schools and more prosperous neighborhoods. Attaining this goal involves both opening opportunities for low-income people to move into the middle class and stay in the city, and attracting more middle-income families with children. What we don't want to become is a city of upper-income families with few children.

Ken Maskell

Coordinator, University of Vermont Abenaki Outreach Program

Jeff Benay

Franklin County Director of Indian Education



Jeff Benay (left) and Ken Maskell flank Chief Grey Lock (c.1670 -1750) in Burlington, Vermont.

Photograph by Caroline Ellis

Ken Maskell, an Abenaki Indian, coordinates the University of Vermont's Abenaki Outreach Program and works closely with Abenaki youth at Missisquoi Valley Union High School in northern Vermont. He has dramatically reversed the drop-out rate at the high school and has convinced many students to pursue postsecondary education. One day a week he is based at the University of Vermont in Burlington, where for the first time in history Abenaki are students.

Maskell's longtime collaborator is Jeff Benay, Title VII Director of Indian Education. Originally from New York City, Benay has been involved with Vermont Abenaki for 30 years. In addition to working in Franklin County, he is a five-term appointee to the Governor's Advisory Commission on Native American Affairs.

Who are the Abenaki Indians?

Jeff: Vermont's Abenaki are off-reservation, rural Indians. Franklin County has the greatest concentration. Some Abenaki live in Maine. In Canada, there's a reservation.

In 1991, then-governor Madeleine Kunin established the Advisory Commission on Native American Affairs to support Indians in education, culture, and economic development. I've been on the commission since Howard Dean was governor. I've also consulted with the University of Vermont on native issues.

Ken: Jeff was responsible for getting UVM's Abenaki outreach started.

Jeff: In 1984, UVM was considering ways to improve diversity. I was in a meeting with the dean of students, the dean of admissions, and the provost, and I said, "You're spending thousands of dollars to send people out west to recruit Navajos who may last four months in our winter. And just north of here, 20 percent of the Missisquoi Valley Union High School population is Abenaki." They were amazed.

So UVM decided to focus on local Indians?

Jeff: Yes. Their first thought was scholarships. But the tribal council and the parent advisory committee had other ideas. Among Abenaki adults at the time, 70 percent had dropped out of high school. They weren't thinking about college or scholarships. An intermediate step was needed.

Seventy percent is an extraordinary

drop-out rate. Could they find jobs?

Ken: They were mostly laborers, seasonal workers. Some lived off the land, the lake—selling fish and furs, hunting muskrat. Some were on welfare. They were the poorest of the poor. We have made startling progress, though. Today fewer than 3 percent drop out of high school, and 38 percent pursue postsecondary education.

Jeff: But in 1984, fewer than 5 percent had any postsecondary experience. Parents decided that visits to UVM were needed before scholarships. They took a campus tour and helped develop the Summer Happening program for kids going into 7th, 8th, and 9th grade. Burlington can seem vast to kids from a town of 5,000, but the program gives them several days on campus. They see not just that there are academic possibilities for them but that Burlington is manageable.

Ken: We also wanted to change some past messages Abenaki kids would hear, like they weren't UVM material.

Jeff: Thanks to Ken and the outreach, nearly 40 percent of the Abenaki at the high school attend a college now.

Ken: We have had eight at UVM. Until the program, there had never been any Abenaki there. When I graduated from high school, we were encouraged to go into the trades. Now our students go to UVM, the University of New Hampshire, Castleton State College, SUNY Plattsburgh, Whitman State College, Johnson State College, University of Maine, Virginia's Tech Academy, among others.

At what point did expectations start changing?

Ken: Well, Jeff played an important role, as did the increased interest and involvement from parents, the Summer Happening program, and the extended outreach that I've been coordinating since 2001.

Jeff: Here's how much things have changed. In 1981, I'd been working in social services with the Abenaki Self-Help Association, when the tribal council said they needed me in the schools. I was hired as director of Indian education for Franklin County. As soon as I was hired, I paid visits to the schools. One principal came outside and blocked my path. He said, "Where do you think you're going?" I said, "I work for the school system now." He knew my connection to the Abenaki, and he shouted, "Over my dead body are you coming in and working with those Johnny-Come-Lately welfare bums." I told him to call the superintendent, and he finally let me in.

Ken: Abenaki kids and their parents and grandparents have suffered from prejudice for years. Overcoming that history is part of my job. I graduated from the school myself, had been employed there from 1991 to 1996 coordinating special education employment programs, and I'd worked for the tribal council since I was 17. So when UVM decided to expand its outreach beyond the Summer Happening, my background made me a natural candidate for the coordinator position.

Today I have offices at both the high school and UVM. I'm at the high school four days a week. I'm on campus one day a week, making connections with students

and with the various colleges. I meet with deans, faculty, and staff, and collaborate to develop programs the kids might be interested in.

During the school year, I do follow-up activities with the Summer Happening participants at the high school. Other Abenaki students have started coming to me for support. With 240 Abenaki students in a school of 1,200, they used to slip through the cracks. Many needs went unmet. Students seek out a caring person who can help them feel part of the school community. In the past, Abenaki kids lacked a sense of belonging, and the same was true for many parents.

What fields are students pursuing now?

Ken: A lot get involved in the sciences, particularly the medical field. The community has developed partnerships with IBM, and some students have gone on to become engineers. Others have started construction businesses.

Jeff: What's unusual is that Abenaki students want to return to the community and contribute. Many work in social services. Tribes west of the Mississippi have a brain drain, with youngsters leaving the reservation, not necessarily to complete college. Youngsters who work with Ken stay in college, but nationwide only about 18 percent of Native Americans stay in college.

Ken: Even the students who don't go to college do better because of the outreach program. I work with all the Abenaki kids. Youngsters who never would have gotten a high school diploma are graduating. They may work as laborers or on the family farm, but having the diploma gives them options if they later decide to pursue different opportunities. Without the program, close to a dozen students would have dropped out this year alone.

How did you keep them from dropping out?

Ken: By providing day-to-day support, a sense of belonging, a place where they can feel cared about. I work in close collaborations with their teachers, guidance counselors, and parents. Jeff's program pays for a tutor for 20 hours a week, and that has made a significant difference. My hope is that when things settle down in their lives, they'll consider college. I went through rough times, too, so I understand.

What improvements would you like to see?

Ken: I'd like to see a greater focus on the kids' innate leadership abilities and creation of opportunities for them to take control of their educational journey. I also hope they will get more exposure to technology—more computers in the school and possibly in homes.

Jeff: A needs assessment we conducted showed that about 38 percent of Abenaki don't have computers at home. Teachers

don't understand that and often assign computer homework. Many teachers commute from Burlington and don't know much about the Abenaki.

Ken: Another thing I'd like to see is more students going on to postsecondary education. I'm always trying to find that silver bullet that will motivate them. I try to get them settled down and focused on learning. They may not see the point of study when they have troubles at home. And often they don't feel smart enough to succeed. I'm trying to undo 40-50 years of things that happened to the Abenaki in the schools. I know where these kids are coming from. I tell them, "You will get through it. This isn't your whole life."

On my days at UVM, I meet with students, and that helps keep them on campus. If the kids go to other colleges, I stay connected through e-mail. They can get in touch with me about anything. Their parents can, too. They are all so appreciative of the program and my efforts that I feel the outreach work I do is making a difference.



Abenaki students with the University of Vermont's John Mejia in August 2007. The students were participants in the 24th Summer Happening, a UVM program to interest Indian youth in attending college.

Photograph courtesy of the UVM Abenaki Outreach Program

Deborah Neuman

Director, University of Maine Target Technology Incubator

YOUNG ENTREPRENEURS ARE THE FUTURE

Deb Neuman bought an inn in Bar Harbor, Maine, when she was 25. Then she bought a tour-boat company. After running numerous small businesses, she began sharing her expertise with Maine organizations: Washington Hancock Community Agency, Eastern Maine Development Corporation, and now the University of Maine's Target Technology Incubator. She also is a counselor with the Maine Small Business & Technology Development Centers, a columnist for www.themain-edge.com, and the producer and host of a weekly radio show for and about small businesses, "Back to Business." This year, the U.S. Small Business Administration recognized Neuman with the Small Business Journalist of the Year award for both Maine and New England.



Courtesy photograph

How long have you been an entrepreneur?

DN: I think I have always been one. As a child, I played store and gathered everything I could and put on price tags. I sold everything. I found out that selling my sibling's toys went too far. The lesson: Know if your inventory is legal.

I was born in California, grew up in Pennsylvania, and spent summers in Maine. Shortly after college in California, I decided to quit my job in a retail corporation and move to Maine permanently. I had a U-Haul and no idea what I was going to do. I just wanted to be in Maine.

I got a hotel job in Bar Harbor, was promoted to manager, and ended up running the place year-round for a couple years. Before long, I wanted to my own inn. I was 25 and didn't have any money. I found a local inn for sale, created a business plan, and worked out financing with the seller and the bank. It's great to be an entrepreneur when you have the energy and enthusiasm and nothing to lose. Young people haven't acquired much. They're used to eating Ramen noodles every night.

When did you begin advising other entrepreneurs?

DN: In the early 1990s while I was still operating a tour boat company, I took an additional job with the Washington Hancock Community Agency in Milbridge. Washington Hancock had started a micro-loan program for low- to moderate-income folks who couldn't access financing through conventional means. These were microbusinesses with five or fewer employees.

Washington County residents are natural entrepreneurs, although they don't call themselves that. They just want to live here, so they find ways to make it work—piecing together jobs like lobster fishing, blueberry raking, and craft-making.

The agency helped with creating business plans, finding financing, and getting technical assistance for people. Then in 1993, I sold my businesses and took a job with the Eastern Maine Development Corporation, a regional economic development agency that serves six counties. EMDC had just been awarded the SBA microloan program, which was something new for them, and they hired me to manage it.

While there, I partnered with Washington Hancock and other community action agencies to create Incubator without Walls. That initiative brings together very rural small businesses on a monthly basis, provides business education, and helps people connect to resources.

Five years ago, I was hired by the University of Maine, Orono, to run its Target Technology Center. The center is one of the incubators Maine created to assist early-stage technology companies. We work with tech-based businesses and entrepreneurs statewide. Sometimes I help students who want to stay here and work after graduation. Or I may assist faculty and other researchers who are trying to commercialize their innovations.

Certain challenges are sector-related, but many are the same whether you're starting a plumbing service or a high-tech company. You still have to figure out who your customers are, how you are going to make your offering known, what the competitive environment is. I spend much of my time connecting entrepreneurs to the resources they need at different stages—advice on patents, raising capital, and so on.

What businesses are people interested in starting?

DN: We're seeing a lot of young people interested in new media. They not only do web design, but new-media-based trade-show displays and films that companies use for promotion.

One young entrepreneur used GPS to create a patented device that when held up to a building merges location information with public data. A voice then talks about the building. Another guy created a controlled lab for raising saltwater tropical fish indoors. He sells fish to retailers across the country. Unlike sellers who harvest fish in the wild, he doesn't impact any reefs, and his fish are healthier.

It is said that workers in Maine miss the large mills and don't want to go into business. How do you develop an entrepreneurial spirit?

DN: There is some large-company bias in Maine, but not everywhere. Most communities have small businesses. Millinocket was heavily dependent on paper-making mills. But today it promotes ecotourism and its proximity to Mt. Katahdin and white water rafting.

We do encourage self-assessment for potential entrepreneurs. If they want their 9 to 5 and their weekends and their two weeks' paid vacation, being an entrepreneur is probably not a good idea. It's going to be a generational shift—developing a community's entrepreneurial spirit starts with the young. Young people in Maine love to create their own opportunities.

Tell me about your radio show, "Back to Business."

DN: About two years ago, I met with Clear Channel management to develop a radio program that would educate entrepreneurs about business-related topics and resources. We thought a radio program with a positive tone that also addressed the challenges would be great. We would let the entrepreneurs themselves talk about the challenges. Today I produce and host a two-hour weekly talk radio program on 103.9 FM, which is heard north of Augusta and up through Piscataquis and Washington counties. Experts

come from Maine and around the nation. And we have entrepreneurs telling their stories and offering advice and lessons learned. A woman e-mailed me that the show made her aware of opportunities she never knew about. She often thought of starting a business but had been afraid. Hearing entrepreneurs on the radio made her feel hopeful, and she said, "If they can do it, I can, too." That felt good.

I reach even more people with my one-minute daily small-business tip—aired throughout the day on all eight stations that the company owns—very different audiences.

Expand on what you meant about positive messages.

DN: Too often the talk about going into business is negative—costs, taxes, insurance. We do need to have those discussions and work to improve the business climate. But what about the stories of the people who are making it? Positive stories make positive things happen. For example, even if young people are leaving, a lot are staying and others are coming back. We showcase what is working.

How do people get started in business?

DN: When anybody comes to me in my role as a counselor with Maine's Small Business Technology Development Center, we brainstorm first. I never tell anybody they have a bad idea. I get them to start thinking about the questions they should ask. I get them working on the business plan. The woman who contacted me at the radio show wanted to produce and sell baklava.

The group Women Work and Community helped her investigate the viability of the idea. She found out there weren't enough local people who would pay what she would have to charge to make a profit. So she went back to the drawing board. She had always made bread, and with a large family of willing workers, she started a bread business that has taken off.

What happens when entrepreneurs have gaps in their abilities?

DN: We do a lot of matchmaking. For example, we often pair up the person who has technical expertise with someone who has expertise in commercialization, marketing, and sales. I'm currently working with a company that is making a composite product by hand in a basement. Customers want to buy it, but it's taking too long to manufacture. The company has now partnered with a successful serial entrepreneur. He will connect them with people in industry and share what he knows about manufacturing processes.

What are the chances that the start-ups will stay in Maine?

DN: People I work with want to stay. I had a web designer who tried New York but came back. Now he flies down once a month to see clients, but his business is based here in Orono.

There's always a chance companies will leave, but the state has strong programs to encourage folks to stay. The Maine legislature realized the state lacked the right type of financing for a tech-based economy, so it created the Maine Technology Institute to encourage commercialization of innovation (www.MaineTechnology.org). It can take years to move an innovation from the lab to the market. So the Technology Institute set up the SEED Grant program. A company can get up to \$25,000 in grants to move an idea forward through market research, filing a patent, or perhaps developing and testing a prototype—whatever is needed. Later the company can apply for a development loan of up to \$500,000 that doesn't need to be repaid until the offering is fully commercialized.

There are many exciting entrepreneurial things happening in Maine. Individuals are starting tech companies, universities are spinning off research, people who have left are coming back because now they can work from anywhere. Mainers are supportive of any effort to strengthen the state's economy.

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Pedro Arce

CEO of Veritas Bank



We Just Knock on Doors

Pedro Arce is chief executive officer of Veritas, a new bank in Lawrence, Massachusetts. He immigrated to Lawrence in 1970, joining the city's supportive Ecuadorian community. After graduating from Greater Lawrence High School, he attended UMass, Amherst, earning two undergraduate degrees. He received graduate business degrees from Boston University and Cambridge College.

Arce was director of economic development for Boston-based nonprofit Nuestra Comunidad, a community development corporation, in between longer stints at Bank of Boston and TD Banknorth. He is positioning Veritas to serve the Lawrence community and its 70 percent Latino population and to participate from the ground up in development opportunities.



Textile mills, Lawrence, Massachusetts, 1941. A goal of Veritas is to be a development bank and help the former mill town flourish once more. Photograph: Jack Delano, courtesy of the Library of Congress

You have experience in both banking and community work?

Yes. I worked for Bank of Boston from 1990 to 2000, at Nuestra Comunidad community development corporation for a year and a half. Then I went to TD Banknorth for 4-1/2 years. At Nuestra Comunidad I supervised projects such as the kitchen incubator, some technical-assistance and financial-literacy programs, and our pushcart program. I packaged small business loans and submitted them to banks or nonprofit agencies for funding. I managed a neighborhood business-development center so organizations doing similar work could collaborate—Jewish Vocational Services, Urban Edge, This Neighborhood Means Business, Acción, and so on. I'd noticed competitiveness among some Boston-area nonprofits and wanted to enable more cooperation. For the kitchen incubator, we rented space from the Jamaica Plain Neighborhood Development Corporation, which owned the ideal location, Sam Adams Brewery.

Did nonprofit experience enrich your work as a banker?

I think so. I always wondered how CDCs could accomplish all they did with so few resources. I value my time at Nuestra Comunidad, but I was ready to return to the private sector and a bigger market. At TD Banknorth I was community development manager for the whole state, working with nonprofits to create development projects and then to offer the bank a financing plan. I really love development. That's why I'm positioning Veritas as a development bank for Lawrence. I realized that a large regional bank couldn't do everything a small bank could. TD is a very well-run bank, but its headquarters was in Toronto, its regional headquarters in Maine. I saw a gap in urban areas like Lawrence, which is dominated by large banks. Large organizations understandably have non-Lawrence, non-urban,

priorities. For Veritas, Lawrence and urban gateway cities are the priority.

How is Veritas Bank different?

Veritas is a for-profit, state-chartered savings bank with a double bottom line: profitability and social impact. It's Latino because that's what 70 percent of Lawrence is today. Most of our board members are successful Latino professionals. But immigration patterns change, and we aim to serve all immigrants. We're also a development bank. Individuals, nonprofits, or municipalities can bring us ideas on community improvements. We want to work on both the financing and the early planning.

Are you interested in other Latino locales?

We're looking at East Boston and Chelsea, but we won't just focus on Spanish-speaking communities. Framingham is high on our list, even though Framingham's immigrants are predominately Portuguese-speaking. We're also exploring Asian communities. When we see distressed areas and no big banks, we see opportunity.

Isn't it difficult to attract unbanked immigrants?

Not really. Sometimes banks cite regulations as a barrier, but that's an excuse. If you want to do it, you can. You need to bring in products that match the community. Large banks are looking at a smaller segment of customers, maybe 2 percent. For them, a targeted product may not make sense. A small bank with the same product may help 40 percent of clients. Veritas will offer specialized products: one is a payroll debit card that lets customers who work two jobs withdraw paychecks from ATMs at any hour; another is a more efficient, safer, and less expensive way to wire funds overseas. Eventually, we'll move people into the financial mainstream.

How do you attract the unbanked?

Easy: knock on doors. When I was at Bank of Boston in 1998, we were concerned about being last in market share in Lawrence. Although we did great projects in Boston, we had no promotion budget for Lawrence. One door I knocked on was Lawrence Community Works, which was not the premier CDC it is today. I arrived at 2 p.m. on a weekday, and the doors were closed. I thought, "The only CDC in town? It should be abuzz with activity."

I became a board member, and we brought in new leadership. Since then Lawrence Community Works has had an impact on hundreds of lives through housing projects, youth development, financial literacy training, and more. I liked working with LCW, and I hope that people who know me from there may one day come to Veritas.

When you knocked on doors, did you speak Spanish?

Absolutely. We went on the radio, joined nonprofits, got involved. We put a sign in front of the bank, "Hablamos Su Idioma"—"We speak your language."

But reaching the community is a two-step process. It's not enough to hire Spanish-speaking tellers. You must give some of those hires decision-making authority. Among the 11 people on our board, for example, are seven Spanish-speaking members, and seven Lawrence residents. We have more women than other banks—three prominent Massachusetts businesswomen originally from Latin America.

What could banks have done about irresponsible mortgage brokers?

Banks are famous for being reactive. Active planning from a community development perspective is rare. Instead of living quarter to quarter, bankers need to think long term. If Veritas had been open, we would have

gone directly to the neighborhoods and counteracted brokers with seminars, ads, radio. We won't be reactive. Our plans are built around three-year intervals.

How has immigrating as a child helped you understand clients?

I know how hard immigrants work. My mother worked in a factory. My father had three jobs simultaneously. Immigrants work long hours, so Veritas will be open at times they can get there and will have a drive-through, unlike other banks in downtown Lawrence.

Some Americans don't seem to appreciate how hard immigrants work.

But, you know, with three jobs, my father was as happy as can be. Once immigrants get that check, they forget how tired they are. They want to work. Interestingly, the Ecuadorians I grew up with *despised* social programs. My family had one bad year, and we technically qualified for welfare. I heard grownups around the kitchen table saying they would never ever accept a welfare check. I was a little kid, and it sounded like free money to me, but for them it was a matter of pride.

When I hear about long-time citizens getting laid off and demanding good jobs, I sympathize on one level. But I can't help thinking of my parents and my wife's parents, who couldn't speak English and took whatever jobs they could find and made sure that the kids had Christmas gifts and went to college. My father passed away when I was 14, but he instilled in me the idea that I had to go to college.

What does the future hold for Lawrence?

It used to be a transitional city—people came, worked, and moved on. Now with the decrease in crime and improvements in the school system, it's becoming a permanent home. The mills in Lawrence are being developed for workforce housing and for businesses squeezed out of Boston. We have four highways and an intermodal transportation center—commuter rail, vans, buses, and taxis going to the airports.

And Lawrence is growing through collaboration. When I saw that Lawrence had the lowest percentage of college graduates in Massachusetts, I thought that if we had a college, some graduates would stay and contribute to our growth. So when I was at TD Banknorth we convinced Cambridge

College to create a satellite campus, and we helped finance it.

And Veritas is partnering on a new hotel. Experts said no one would build hotels in Lawrence, but I met a man who has built good hotels in challenging communities. Now he's coming to Lawrence.

Another partnership arose from discussions about revitalizing downtown. We had the idea that a cooking school might eventually translate into start-up restaurants. I called Cambridge School of Culinary Arts out of the blue, and they invited me over. Later they called back and said, "We did some research, and a large percentage of our students come from the Merrimack Valley," where Lawrence is. Mayor Sullivan is very good at convincing businesses to set up shop, and now we have a culinary arts campus.

Veritas will continue to think creatively. We'll do straightforward, sound banking, but we'll have a development approach with a heavy emphasis on partnerships. We don't need to reinvent the wheel.

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Anne Perry

Maine State Representative, Washington County

Poverty and Health

Anne Perry, Washington County's representative to the Maine State Legislature, grew up in Winterport, a small town on the Penobscot River near Bangor. She trained as a nurse and worked in northern New York, where she raised a family, served on school boards, and helped to organize health-care initiatives.

Returning to Maine, Perry attended Bangor's Husson College for her nurse practitioner degree and decided she wanted a rural practice. She searched the Northeast and fell in love with Washington County, the "sunrise" county at the easternmost tip of the United States. As the second person in a two-person practice, she was soon organizing residents to tackle public health problems. Her activism led to an invitation to run for the legislature, where she has added statewide health initiatives to her portfolio.



Rep. Anne Perry with Stuart Arnett (left) and Will Armitage of the Federal Reserve Bank of Boston's Community Development Advisory Council at Southern Maine Community College, South Portland, July 2008. Photograph: Caroline Ellis

What made you choose Washington County in 1998?

Both the rural feeling and the cultural diversity. We're 6 percent minority. We have Native Americans on two reservations and Hispanics who originally were migrant laborers. We have Canada across the river, with its Acadian and British cultures. There's also the fishing industry culture and the wilderness culture.

And soon you were doing community organizing?

Yes. In my first two years, we diagnosed four people with drug-related hepatitis C; three were symptomatic in their 20s, very unusual. I asked the state people, "Do you have any hepatitis C statistics?" They said, "You're from Washington County? Boy, have you got a problem!" Around the same time, the U.S. attorney out of Bangor told us we had OxyContin abuse. Concerned citizens got together to consider the options.

In December 2000 four of us created NADA, Neighbors Against Drug Abuse, and organized a workshop. We invited every Washington County medical provider in the phone book, counseling agencies, state agencies, representatives from city and town government and the district attorney's office, the county sheriff, the police, the schools. A coalition formed to bring in treatment services. We got drug counseling from a federally qualified health center and later a for-profit methadone clinic. Some people were unhappy with that part, but by the time the clinic opened, the community was ready. Then NADA applied to Maine's Office of Substance Abuse for prevention assistance and received an \$81,000 18-month grant.

How does your support for gambling mesh with improving health outcomes?

The Native Americans have been trying since the early 1990s to bring in a casino or a racino (harness racing with slots). People are poor here and need some kind of the economic development. Statewide voters keep saying no. Some say gambling brings in drug abuse. They have it backwards. All you have to do is be poor for a long time and lose all hope of making any progress, and you've got drug abuse.

Why did you run for the legislature in 2002?

I was visible because of the drug-abuse fight. U.S. Senator Susan Collins asked a NADA member to present before the Congress about rural OxyContin abuse. Another group I was involved with talked to the governor, the Office of Substance Abuse, and the Maine DEA to encourage the governor to work with the Canadian premier on cross-border drug issues.

One day, after that meeting, I was seeing a patient, and our receptionist knocked on the door, her eyes as big as saucers. "The Speaker of the House is on the phone!" So I'm thinking, "Uh-oh, maybe I missed some protocol." I felt I was being sent to the principal. But the Speaker just said, "Would you consider running for the state house of representatives?"

All you have to do is be poor for a long time and lose all hope of making any progress, and you've got drug abuse.

My first response was, "I can't. I've got to work." Then I started thinking about important issues that could be addressed on a state level. I said I'd think about it. I was in a practice with one doctor. I couldn't take six months off. The doctor was great. She looked at the floor, she looked to the side, she looked at me, and she sighed. "I'll probably vote for you and hope you lose."

A nurse practitioner agreed to fill in, with me working one day a week while we were in session. But after my reelection, which I won with 70 percent of the voters, my substitute was no longer available, and I felt I had to resign from the practice. Calais Regional Hospital set up a rural health clinic not long after, so I did get a job after the session.

What has been your legislative focus?

I was appointed to what is now called Insurance and Financial Services. We worked on health insurance among other things. I was on the health-care reform committee that

helped create the Dirigo health-care legislation to reduce the number of uninsured. I also was appointed to Health and Human Services. The biggest concern was what medical costs were doing to businesses and to consumer access.

Where do things stand with state health insurance?

Dirigo is a three-legged stool—cost, quality, access. First, we have the Advisory Council on Health Systems Development, which looks at all areas, but especially costs. Second, the Maine Quality Forum gathers data on quality and outcomes. Third is access—increasing the percentage of people with insurance—so the state negotiated with an insurance company to administer the Dirigo product. The idea was that insurance companies and hospitals would subsidize the product by making donations equal to their savings, and savings would be calculated as the decrease in growth of health costs as a result of the Dirigo legislation. The concept of these "savings offset payments" came about because insurance companies and third-party administrators opposed paying for Dirigo with an assessment on premiums.

Has the savings-offset concept worked?

The day it went through, the parties who negotiated for it started litigation against it. The Dirigo process involved having the director of the Bureau of Insurance determine whether the savings claimed were the actual savings.

The Bureau has been remarkably impartial and has backed up its decisions. But inevitably, funding Dirigo through "savings" is not a sustainable solution. The first year a hospital might economize and have good savings. But the next year's expenditures get compared to those of that first year. So every year the benchmark is at a different place and the savings are smaller.

Dirigo has had a limited run because funds that would have expanded it were diverted to litigation. We've been fighting for financing from Day One. Recently, a blue ribbon commission looking for sustainable financing recommended, among other things, new taxes on tobacco, alcohol, and sugar drinks, which impact health. But a new campaign may get the taxes

rescinded. That would hurt other worthwhile aspects of the legislation, such as a program enabling reinsurance for high-risk individuals and a pilot project to get young, single adults buying insurance.

Massachusetts now has mandatory health insurance.

We're looking closely at Massachusetts. States know that something has to be done. States will push national policy.

What drives our economic engine is the middle class. They're our consumers, our workers, the people who hold the economy together. And we're losing them. Businesses offering good jobs and good benefits are leaving the country. There are many reasons, but we won't get companies back until we abandon business-financed health care. Business can't afford it. The U.S. medical system has the world's highest cost per capita, but out of the 19 industrialized nations, it is dead last in preventable morbidity and mortality.

Describe the new mortality study.

The study came out of Harvard in spring 2008. In the Northeast, the only statistically significant *decrease* in life expectancy was for women in Washington County.¹ Washington County has twice the unemployment of the rest of Maine and the lowest family income. And poverty affects health outcomes. People who are just scraping by struggle to follow through on health-care requirements.

Washington County women have a 191 percent greater incidence of cervical cancer than the rest of the state and a 234 percent greater incidence than the nation. What's going on? Are women not getting preventive care? Do they lack access? I learned from one Eastern Maine Health Systems needs assessment that 19 percent of Washington County residents were uninsured in 2003. My patients with \$5,000 and \$10,000 deductibles might as well not be insured.

How are you addressing the mortality rates?

First, locally. When I saw the report, I thought, "Somebody ought to do something." Then I realized that maybe that somebody is me. I called the liaison for



Photograph: Caroline Ellis

Health and Human Services and said, "I'm calling a meeting, and I'd like the Commissioner of Health and Human Services, the director of the Maine Center for Disease Control, the director of the minority health portion of the HHS, someone from the Department of Economic and Community Development, and someone from the department of labor."

At the meeting, I laid out the statistics and said, "This is unacceptable. We need to work together. It's a recession, and I'm not asking to throw money around. It took 20 years to get here, and it's going to take time to get out. We need a sustainable process and a way to address the health and socioeconomic aspects together."

What did the state leaders say?

They were absolutely great. They committed to having a meeting with stakeholders in Washington County. I'm organizing the event with the help of Maine Healthy Partner (part of our public health infrastructure) and a group called Washington County: One Community.

We're one of the few counties in rural Maine to have experience working on initiatives countywide, and having collaborated on economic development, we'll now tackle mortality rates. I believe that building sustainable initiatives depends on state government being in touch with the workers on the

We must work together. We need a sustainable process and a way to address the health and socioeconomic aspects together.

ground. We can do that. And if Washington County can do a focused, coordinated effort within available resources, the state can take what is learned and target similar communities. With our statewide health plan and a new public health infrastructure, we're in a position to do this. Washington County can become a model for the state, and I will do all I can to make that happen.

Endnote

¹ See <http://www.plosmedicine.org>.

Reverend Don Steinle

Christian Activities Council, Hartford



Photograph: Jeff Sobiach of Richard Daley Studios

Breaking Barriers & Building Communities

From his youth, Don Steinle felt a calling to ministry, but his passion for urban ministry in particular took him by surprise. Having grown up in rural Kansas, he hadn't even visited a city until he attended Northwestern University in Chicago. It was love at first sight. After four years in Chicago, he attended Yale Divinity School, eventually serving on the faculty. An ordained minister in the United Church of Christ, Rev. Steinle has served in the cities of New Haven, Passaic (New Jersey), and Hartford. For 27 years, he has been the executive director of Hartford's Christian Activities Council, a faith-based, non-sectarian organization with a major focus on affordable housing and empowering the poor.

What made you choose ministry?

My family can't figure it out. They were mostly lawyers and judges. But I attended many church youth camps. Some ministers became role models. I particularly liked the emphasis on compassion and justice. While on the faculty at Yale Divinity School, I helped launch a community-based program in "practical theology." We placed divinity students in the public health department, a taxi company, the mayor's office, places where future ministers could experience the obstacles the poor often face.

Have you always sought out urban churches?

Yes. After New Haven, I went to Passaic to serve as pastor at First Congregation Church, UCC. At the time, President Carter had an initiative called "public service employment." It gave people who were out of work—often professionals—an opportunity to be employed in community service. With the full support of the congregation, we formed Neighborhood Resources Passaic, with at one point 22 public service employees. We started a food co-op, a food-delivery program, a home-repair program, a legal aid clinic, and more. There were lawyers, doctors, laborers on the staff. It was a wonderful 10 years.

What brought you to Hartford?

In Passaic, we got very involved with a program called Neighborhood Self-Help Development, but the Department of Housing and Urban Development was our only funding source. After the 1980 presidential election, funding was frozen. Then I got called to the Christian Activities Council and continued my urban ministry in Hartford.

CAC has a long history. It was founded in 1851 as the Hartford City Missionary Society, with an outreach to poor immigrants, an outreach that continues today. Affordable housing had been a longstanding priority, and I wanted to continue that tradition. When I arrived, there was a half-time secretary and a budget of about \$150,000. Today we have a staff of 12, a budget of \$1 million, 36 sponsoring churches (up from 15), and diverse funding sources.

When did you start partnering with city government?

After I had been here about 10 years, a great local visionary, Hartford Housing Authori-

ty's John Wardlaw, issued a challenge to area churches to help him begin moving people from public housing to homeownership. He and I first collaborated in the early 1990s when the condominium market collapsed. There was a state program to purchase troubled complexes for resale to lower-income families, and we traveled the region looking for opportunities. We discovered a small, partially built condo complex in West Hartford's Elmwood section and received state funding to purchase 11 units.

Eleven families from public housing were selected to buy the units. They attended intensive homeownership training, put in extensive "sweat equity," and finally purchased their homes, each priced affordably depending on family needs and resources.

Our focus is on the so-called "invisible poor," the working poor — people who don't have many opportunities for affordable homeownership.

Our next project was a scattered-site ground-lease program. The idea was for CAC to purchase the land under an existing house for \$15,000 to \$30,000. Families earning 80 percent of median income would purchase the houses and rent the ground from us. It worked fabulously. We have since helped 250 families and have received more than \$3 million in additional state money to run the program.

Our focus is on the so-called "invisible poor," the working poor—people who don't have many opportunities for affordable



Rev. Don Steinle, right, with Federal Reserve Bank of Boston President Eric Rosengren in Hartford, February 13, 2009. Photograph: Andrea Pereira

homeownership. A typical buyer might hold a college administrative position, work as a correction officer or for a property management company, or deliver flowers. All families receive homeownership training, and we work with them every step of the way to ensure their success. Upwardly mobile lower-income families have a stake in the outcome and can strengthen a neighborhood.

Do you ever encounter local opposition?

In the mid-1990s, we ventured into an affluent suburban community, where the metropolitan district water company was willing to sell us a 34-acre parcel. We proposed to develop 28 starter homes. Some town residents fought so fiercely that the hearings took 30 hours. Our church groups attended in numbers equal to the opposition, but they weren't as ferocious. One opponent called our plan nothing but "an attempt to transport the social pathologies of Hartford into [our town]."

We lost a close vote. Connecticut has an affordable housing appeals procedure in which the burden of proof is on the town to prove that the project would have a significant negative impact. We appealed, eventually ending up the State Supreme Court. Unfortunately, we lost. Later, when a blue-ribbon commission assessed Connecticut's



Visitors from the Federal Reserve touring the Upper Albany section of Hartford, where Christian Activities Council works to improve the housing stock.

affordable housing appeals process, it recommended that the legislature make modest clarifying changes in the law. Those changes affirmed our argument, but it was too late.

Is Hartford more welcoming than that suburb?

It depends. The neighborhood around our headquarters, Upper Albany, was the only one that welcomed our HIV/AIDS residence. But with a HUD grant for a pilot program, we purchased two vacant brick buildings, rehabilitated them, bought a vacant lot in between, and built a matching building. We now have 18 two-bedroom apartments for families with an HIV member who can live independently.

Our board realized that with most of our assets in Upper Albany, we should make the area our focus. They voted to lend up to \$1.5 million of the endowment for what we call the Upper Albany Revitalization Initiative—a combination of housing redevelopment and neighborhood organizing. We started with Deerfield Avenue because there was already some homeownership strength despite signs of decline and deferred maintenance. We bought four abandoned two-family houses and three vacant lots, amassing funding from diverse sources. We rehabbed the four existing properties and on the vacant lots built two-family houses designed to reflect the prevailing architecture. A resident organization was formed, and we even replaced a vandalized deer

statue at the corner of the block.

Since then, we have worked on three additional blocks, producing nine two-family houses. And we've begun a six-unit condo project. When that is completed, we will have invested over \$7 million and produced 22 homeowner units and 16 rental units. Additionally, we have hired a full-time community organizer to work with residents on issues such as public safety and streetscape improvements.

Funding for all these efforts has been provided by the Local Initiative Support Corporation, Connecticut Housing Investment Fund, Connecticut Housing Finance Authority, the State of Connecticut and the City of Hartford, with corporations such as Northeast Utilities assisting through the purchase of various tax credits.

Does Christian Activities Council run other programs?

Yes. Our overarching theme is to serve and empower the poor and seek social justice in the Hartford area. Under that umbrella are youth education, mission education, neighborhood revitalization, universal health care, and affordable housing.

We are almost a one-stop shop for homeownership, with a down-payment assistance program, our own property development, and a HUD-certified housing counseling program that does financial literacy training and foreclosure prevention. When Hartford receives its neighborhood

stabilization money (about \$2.8 million), we hope to get resources to purchase foreclosed properties, do modest repair work, and resell.

How has the current economy affected your work?

It's hard times. Fear has taken over the country, especially lower-income homebuyers. CAC does need to recoup development costs, so it's a worry. But when the working poor are having difficulty with winter heating bills and feeding their children at the end of the month, they think, "Maybe we shouldn't take on a mortgage. What if we lose our jobs?" And they hear the stories about how people were taken advantage of by unscrupulous mortgage brokers. Although we work with very good banks—such as First Horizon Mortgage (Bank of Tennessee), Bank of America, and TD Banknorth—people are afraid of mortgages.

Have your properties had any foreclosures?

In our scattered site program comprising 250 families, we have far fewer foreclosures than nationally. Our homeowners are well prepared, but no one can avoid a crisis like an illness, a job loss, or divorce. We are trying to let people know we can assist with foreclosure prevention.

We want to empower people. We have a deep-rooted commitment to working with the poor. Our activities are backed by a religious community, a diverse staff, an endowment built up over 155 years, and wonderful funding partners. In spite of the difficult times, we will find a way.

We have far fewer foreclosures than nationally. Our homeowners are well prepared, but no one can avoid a crisis like an illness, a job loss, or divorce.

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