Communities & Banking

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from the Editor...

Large forces are reshaping our economy. They are also affecting the well being of individuals and their communities. These developments have focused the attention of many municipalities and regions on the need to plan for economic growth.

One school of thought contends that regional planning entities, as opposed to federal, state, or municipal governments, can best position themselves advantageously in a global economy. Perhaps most important, a regional approach to economic development can marshall the resources of all sectors. It involves creating and attracting the resources (financial and otherwise) that flourishing communities often take for granted. It also involves the somewhat more abstract "community-building" — creating the social glue that binds people together in a shared sense of place and community well-being by strengthening the relationships among individuals, families, and organizations.

Successful pursuit of regional economic development requires effective coordination of myriad elements. Although resources may exist, they are almost always fragmented. Regional networks can effectively coordinate and utilize the resources that will capitalize on economic development endeavors. Networks that can tap into and make creative use of such assets have an improved potential for

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Strategic Approaches to Regional Economic Development

by Beth Siegel and Devon Winey, Mt. Auburn Associates

Mt. Auburn Associates, founded in 1985, is an economic development consulting firm based in Somerville, Massachusetts. The firm works nationwide in many facets of economic development analysis and planning, including regional strategic plans, community development plans, development finance program design, evaluations of federal, state, and local economic development programs, and sectorally targeted strategies.

Beth Siegel is co-founder and president of Mt. Auburn Associates. Devon Winey is an associate at Mt. Auburn. Together, Ms. Siegel and Ms. Winey have worked with over 20 communities and regions, assisting them in the development of strategic economic development plans.

A football team is unlikely to win a championship without a carefully crafted game plan, just as an entrepreneur is unlikely to build a profitable company without a business plan. As communities have grasped the importance of economic development, they have learned to respect the same need for planning.

While planning has been carried out at the local level for some time, communities have frequently taken a narrow approach to development planning by looking at either supply, primarily job placement concerns for local residents, or demand, primarily the concerns of the business community. A strategic approach to economic development considers both sides of the equation. A regional approach goes even further, by incorporating information about the broader economic environment in which a municipality functions.

Economic Need for Regional Planning

Over the past decade a sense of economic insecurity has cast a shadow over New England. A number of forces have contributed to this trend, including market globalization and increased capital mobility, rapid and constant technological change, and changes in public sector roles and resources. These forces are transforming the New England economy, and have led to a declining manufacturing sector; a bifurcated labor market that offers on the one hand low-paying, temporary, or part-time jobs and, on the other, knowledge-intensive jobs that require skills that many do not hold; and deepening gaps between rich and poor.

The Case for Regional Planning

Many communities react to eco-

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Communities & Banking explores viable roles for financial institutions in community economic development. The newsletter is produced by the Federal Reserve Bank of Boston's Public and Community Affairs Department.

For free subscriptions, write to Rebecca Carter, Public and Community Affairs, Federal Reserve Bank of Boston, P.O. Box 2076, Boston, MA 02106-2076 (617-973-3813). For additional copies, contact Sharon St. Louis at the same address (617-973-3459).

Readers interested in having community development programs or projects described in *Communities & Banking* should contact:

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from the Editor continued...

meeting regional economic development goals.

Financial institutions play a pivotal role in such a network. They can be invaluable participants in developing plans for economic growth. They may also participate as crucial partners with public agencies and nonprofit organizations to finance new and ongoing ventures. In short, they will supply the financial adhesive that will unify a region's assets to build an effective development effort.

This issue of *Communities & Banking* is largely devoted to the subject of effective planning for regional economic development. We also look at how one successful organization in Maine has undertaken economic development.

In their feature article "Strategic Approaches to Regional Economic Development," Beth Siegel and Devon Winey of Mt. Auburn Associates outline the benefits of regional planning and provide a template for undertaking a regional economic development effort. Carla Dickstein then profiles Coastal Enterprises, Inc.'s regional development efforts in southern and midcoast Maine.

In **Compliance Q&A**, Carol Ruben and Anthony Ricko of the Federal Reserve Bank of Boston's Bank Examination Department answer some of the most frequently asked questions about Home Mortgage Disclosure Act compliance and reporting requirements.

Community Developments lists publications available for those interested in pursuing regional economic development; it also supplies information about other community and economic development resources. Finally, it offers a list of materials to help you understand the new Community Reinvestment Act regulations.

We hope you find *Communities & Banking* useful and informative and, as always, we invite you to complete and return the reader response card located at the back of this issue. C&B

In this issue

nomic problems rather than plan for economic opportunity. For example, when a local business closes, leaving an empty building, a community may undertake an economic development project without adequate attention to the community's economic needs, resources, or development goals. Another town may attempt to copy a neighboring community's strategy. However, a community is not likely to succeed at economic development by reacting rather than planning, or by copying another's strategy.

Regional economic development strategic planning is a systematic, broad-based effort to determine where a community wants to go and how it can get there.

By contrast, regional economic development strategic planning is a systematic, broad-based effort to determine where a community wants to go and how it can get there. Economic development strategic planning involves clarifying the community's concerns and goals, assessing its external environment and internal resources, identifying and evaluating economic development strategies, and designing and implementing an effective plan. Once a community has determined its goals and the barriers to achieving them, it can develop effective programs and efficiently allocate resources.

Increasingly, actors at the local and regional level look toward economic development to address the need for economic opportunity. As they do so, they should examine both their local and regional economies. There are many reasons for taking such an approach:

Labor force mobility means that communities are tied to one another. No community operates in a vacuum; it is tied to surrounding municipalities. A plant closing in one town is likely to affect its surrounding communities.

Local commercial sector vitality depends on the health of the regional economy. Put simply, local stores are unlikely to thrive if regional unemployment is in double digits.

Implementation of strategies requires tapping into regional resources outside a narrow geographic area. The resources on which local businesses draw are frequently located outside the immediate municipality. Financial, development, and educational institutions, for example, generally serve regional markets.

A regional approach allows local organizations to collaborate. Collaboration creates greater political visibility and builds economies of scale useful in both planning and implementation.

Undertaking Regional Strategic Analysis

Each step in analyzing a regional economy will answer one of three questions:

1. *How well is the economy meeting the needs of area residents?* This question examines whether the economy is producing an adequate number of quality jobs.

2. *What is the structure of the local economy and how does it affect the region's economic performance?* This analysis focuses on the business sectors that supply goods or services to customers outside the region, bringing new income to the region. Particular attention should be paid to the industries that fuel a region's economy — software development in Boston, fishing in New Bedford, biotechnology in Worcester.

3. *How strong is the region's economic resource base?* The resource base includes the labor force, education and training institutions, development institutions, physical infrastructure, financial resources, and technology organizations.

Benefits of Strategic Planning

Strategic planning has many benefits, all of which can lead to effective and efficient use of scarce resources. Besides helping communities to reach specific goals, additional benefits include:

- Building knowledge and awareness by offering greater insight into the strengths and weaknesses of the economy.

- Accurately diagnosing problems by presenting an objective assessment of the region's economic problems.

- Separating myths from truths by allowing for systematic testing of commonly held perceptions.

- Determining appropriate strategies by establishing an informed foundation based on the region's needs and opportunities.

- Building consensus, which yields cooperation among various constituencies that spills over into other regional activities.

Pursuing a Regional Planning Effort

Regional plans by definition include a number of communities. Experience has shown that such a planning effort needs to be shepherded by a regional entity, whether an existing organization or a group assembled for this specific purpose. Existing regional organizations that have successfully guided strategic planning efforts include councils of government, planning agencies, work force development boards, and community colleges.

Regional planning is particularly difficult in New England, where the political system is founded on municipal autonomy. Towns in New England have little history of regional cooperation, nor do they have an infrastructure of regional organizations on which to draw. Hence, communities wishing to pursue regional economic development generally must form new regional alliances. One benefit of forming a new entity is that it enables the region to involve a broad constituency of participants, which should include individuals from the public and private sectors, community-based organizations, and representatives of key resource organizations.

Among the resource organizations to be included in the planning process are financial institutions. Banks can provide valuable information in the strategic planning process. Lenders that can aggregate their experiences along with those of individual enterprises will add much to the regional planning effort. Banks can provide important information about the health of the regional economy, including business interest in expansion and trends in business formation and failure. Bank participation in regional strategic planning can also involve a healthy dose of self-interest, since in the short term the regional alliance provides an excellent opportunity for networking. And in the longer term economic growth will spur demand for bank lending.

Regions willing to invest the time and resources in a long-term strategic planning effort will reap years of rewards.

Regional strategic planning is by no means a "quick fix" for the economic problems facing New England. However, regions willing to invest the time and resources in a long-term strategic planning effort will reap years of rewards. While few have tried to quantify the benefits of strategic planning, anecdotal evidence suggests that communities that have completed planning efforts are more responsive to the needs of industry, enjoy greater coordination among existing organizations, target their efforts to attract new industry more effectively, and demonstrate improvement in the economic well-being of the business community and of working residents.

*We recommend several publications on regional strategic planning for economic development. You will find them listed in the **Community Developments** section of this issue.*

P R O F I L E

Coastal Enterprises Inc.: A Holistic Approach to Regional Economic Development

by Carla Dickstein, Coastal Enterprises, Inc.

Coastal Enterprises, Inc. (CEI) creates social and economic opportunities for Maine residents, businesses, and communities. CEI practices statewide with a special focus on regional development in southern, midcoast and central Maine. It is known for its targeted development strategies that support specific sectors of the economy through gap financing and technical assistance.

Carla Dickstein is Senior Development Officer for Research and Policy Development at CEI. She oversees new initiatives, such as CEI's Green Fund and the Maine Farms Project. Ms. Dickstein also directed the design and analysis of CEI's Social Economic Impact Assessment, which examined the outcomes of CEI's small business lending portfolio.

Why Regional Development?

Targeted regional development is a means to accomplish CEI's mission of helping Maine's people and communities, particularly those with low incomes, reach an adequate and equitable standard of living. Development is not an end in itself; it is not simply a question of creating jobs or wealth, or of increasing the tax base. It is instead a means to improve the lives of people. It should therefore be measured by its impact on people — especially on the poorest people.

When undertaking regional economic development, CEI approaches the task in a multi-faceted way:

- thinking holistically about a region's development needs and opportunities;
- creating assets that assist people and businesses;

• targeting businesses and sectors that create quality jobs or provide important services, especially in distressed sectors or communities;

• linking low-income people and AFDC recipients to jobs and resources;

• working in partnership with banks and others in the private and public sectors.

Thinking Holistically

The needs and resources of communities determine CEI's development strategies. A community's assets, rather than its deficiencies, figure prominently in CEI's bottom-up approach. Such assets include a community's natural resources, its businesses and institutions, and its people — particularly the unemployed and those on public assistance. In this model, business development takes center stage in CEI's work to help individuals and communities create employment and economic opportunity. Recently, our development strategies have added sustainable development goals that incorporate environmental criteria into the selection of specific sectors and development strategies. These added criteria have led to our financing sustainable fisheries, agriculture, and environmental industries.

Creating Assets

Creating assets is the most concrete way that CEI intervenes in regional development. Asset development is also an important part of institutionalizing economic development and achieving a long-term impact. To accomplish this objective, CEI has established an internal asset base that we utilize to help businesses and individuals create their own assets. Working in partnership with other finance institutions — particularly banks — CEI leverages other conventional and government financing. On average, every dollar leverages \$2.70 in initial financing and \$4.70 of total financing for the firm.[1]

CEI concentrates on furnishing gap financing and technical assistance. In 1982 we began to raise grants and loans that could be relent and invested as subordinated debt and equity capital to finance starting or expanding enterprises. Businesses of a variety of sizes — from microenterprises to job-generating small businesses — can now look to CEI for a continuum of financing, with loans and investment ranging from \$5,000 to \$750,000.

Targeting Sectors for Development

Targeting specific sectors has allowed CEI to access industry information, which in turn improves our understanding of markets, our underwriting, and our ability to meet industry needs through financial and technical assistance. CEI initially targeted natural resource industries such as fisheries, aquaculture, small-scale farming, and secondary wood products. Later we diversified our portfolio to include manufactures, child care, affordable housing, and environmental industries. We are now considering opportunities in decentralized health care delivery and adult family care.

When examining and developing a specific sector CEI undertakes a variety of tasks: 1) we assess the opportunity and market; 2) we supply gap financing, often by creating

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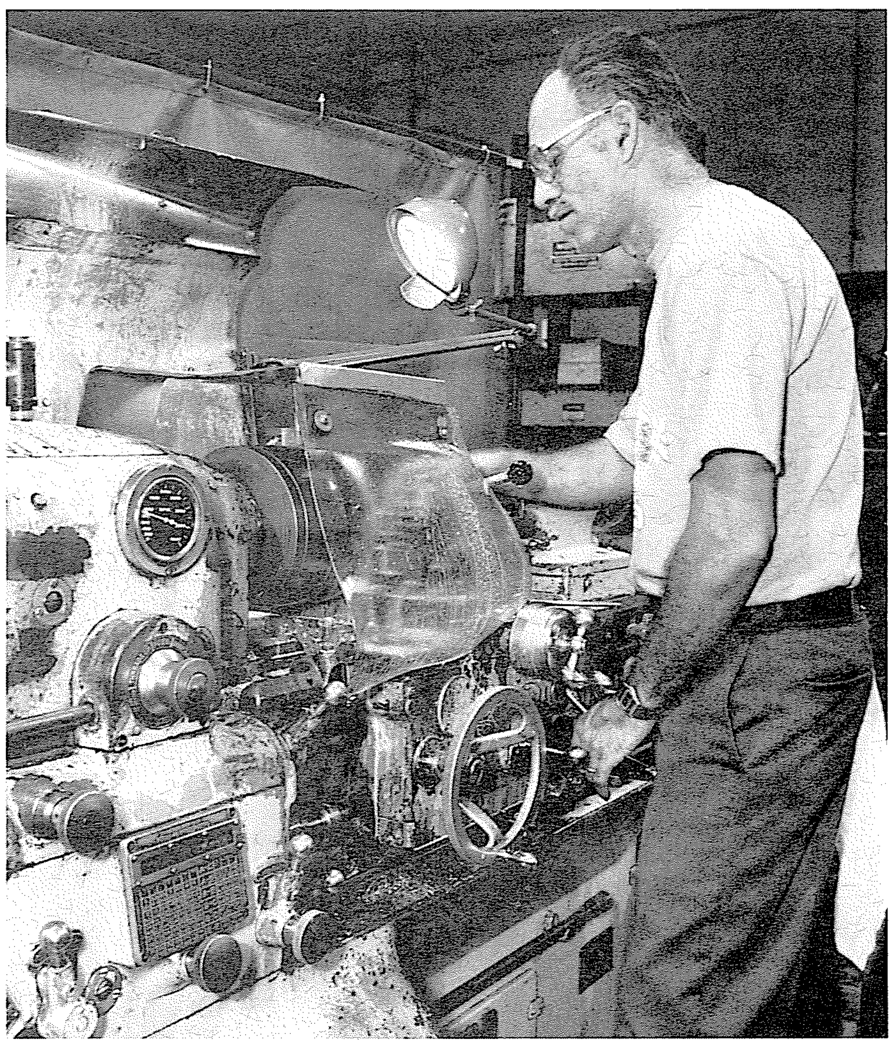

Roger Dugre, a machinist at Soleras, is one of many employees who joined the company as a result of Soleras' Employment Training Agreement with CEI.

a sector-specific loan fund; 3) we offer business technical assistance; 4) we finance infrastructure and institutional development (for example, fish piers and vegetable cold storage facilities, and assistance in developing trade organizations); and 5) we engage in policy development to better focus resources toward identified sectors.

Our experience has demonstrated the importance of sector diversification combined with a focus on industries that are important to local communities.

The fishing industry is a prime example of a long-term sector initiative. Since 1979, we have financed 50 loans and investments, including the industry's newspaper, to help foster economic benefit from the groundfish, pelagic, and shellfish resources. This financing has helped some 1,500 fishermen, crew, and processors. Another CEI-financed venture, Resource Trading Company, which markets Maine fisheries products to overseas markets, now claims sales of $10 million and supplies jobs to 250 workers and fishermen. With the current crisis in fisheries resources, we are working with fishermen, processors, and industry organizations to research new markets and to develop new products.

Linking Jobs to People

CEI does not believe that economic growth by itself "lifts all ships." Instead, CEI believes that a conscious effort must be made to extend job opportunities to people with low incomes and those on public assistance. We accomplish this objective by linking small business financing with job opportunities for the targeted groups.

Before offering financing, CEI screens job-generating businesses to determine whether they offer equitable entry-level wages and benefits, a good work environment, and opportunities for career development. As a condition of a loan or equity investment the company signs an Employment Training Agreement (ETAG) in which it agrees to contact CEI to help fill targeted job openings. CEI then works with the firm to screen candidates for appropriate skills and to mobilize training resources from state agencies. By working in such partnerships, we have filled between 20 and 25 percent of job openings with low-income people and AFDC recipients.

One company that benefited from our ETAG was Soleras, Ltd., a metals fabrication shop and producer of compact disk stock. Along with Fleet Bank, CEI provided $750,000 to finance the expansion of the business. We then helped Soleras customize a training program through the area vocational school and placed people into field training for the new positions. Soleras management have found that they can now get motivated, well-trained workers; they have found it so effective that Soleras now works directly with the welfare and employment training systems.

Partnerships: The Key to Making a Difference

All of CEI's development projects are accomplished in partnership with other businesses, banks, and public and nonprofit agencies that share similar interests. The specific partners brought into a project always depend on the industry's needs. Targeted job development links businesses with an array of public and private resources, such as the Maine Department of Human Services, the Maine Department of Labor, or the Maine Center for Women, Work, and Communities. Our gap financing programs leverage additional bank financing from national banks, such as Key Bank, or local banks, such as Bath Savings Institution.

CEI's targeted development strategies have primarily benefited southern, midcoast, and central Maine. For certain sectors, however, our efforts have crossed regional boundaries. A recent study evaluating CEI's impact (LaPlante 1995) showed that communities that were economically distressed or dependent received the largest proportion of CEI's financing, and that one-half of the new jobs created were in communities needing reinvestment. The study also showed that CEI's targeted development strategies benefited many people in need of economic opportunity: 66 percent of microbusiness owners, and over one third of employees at small businesses, were previously either unemployed or without steady work.[2]

Our experience has demonstrated the importance of sector diversification combined with a focus on industries that are important to communities. After expanding our lending and sector initiatives from natural resource-based industries to small-scale manufacturing and social service sectors, we are currently revisiting sectors that are fundamental to the health of rural Maine's — fishing and farming.

Over the past 18 years, we have found that successful sector strategies require industry analysis to determine the potential for intervention, a great deal of political and stakeholder analysis to create solid partnerships, and finally, a willingness to experiment.

FOOTNOTES

1 These leverage figures represent firms with CEI investments of over $25,000.

2 See Josephine LaPlante, "Evaluating the Social and Economic Impacts of Small Business Development Assistance." Portland, Maine: Muskie Institute of Public Affairs, University of Southern Maine, 1995.

Community Developments

More Information on the New CRA and Community Economic Development

Economic Development

Understanding Your Economy: Using Analysis to Guide Local Strategic Planning. By Mary McClean, Kenneth Voytek, et al. For ordering information, call The American Planning Association at 312/431-9100 x6344.

Asking the Right Questions: A Guide to Assessing Your Local Economy. By Mt. Auburn Associates and Richard Schramm. From the Executive Office of Communities and Development. To order, call Arleen Tremblay at the Executive Office of Communities and Development, 617/727-7001x458.

Practicing Economic Development (2nd Edition), 1993. Edited by Robert Koepke. To order, call The American Economic Development Council Educational Foundation at 708/692-9944. $17 for members, $27 for non-members.

Strategic and Economic Development Planning: A How-to Manual for Local Government. Edited by Don A. Morrisson. To order, call the Local Government Institute at 206/565-6253.

Lending in Indian Country: Cultural and Legal Issues. From the Federal Reserve Bank of Minneapolis. This one-day seminar was designed to help financial institutions understand the cultural and legal issues involved in establishing a profitable lending program in Indian Country. The seminar is led by James L. West, an expert on Indian economic and business development, and Mark A. Jarboe, a leading authority on legal matters related to undertaking business in Indian country. The Federal Reserve Bank of Minneapolis has reproduced this one-day seminar in a series of videotapes and an accompanying manual. $135 for the video series and accompanying manual. For ordering information, call 1-800-553-9656, ext. 2290.

New CRA Regulations

Community Reinvestment Act Regulations, Joint Final Rule, issued by the Office of the Comptroller of the Currency, U.S. Department of the Treasury; Board of Governors of the Federal Reserve System; Federal Deposit Insurance Corporation; Office of Thrift Supervision. Revisions provide guidance to financial institutions on the assessment of their CRA-related activities. To receive a copy, contact Becky Carter, Federal Reserve Bank of Boston, Community Affairs Department, P.O. Box 2076, Boston, MA 02106-2076; 617/973-3813.

Examination Procedures for the New Community Reinvestment Act Regulation, issued by the Office of the Comptroller of the Currency, U.S. Department of the Treasury; Board of Governors of the Federal Reserve System; Federal Deposit Insurance Corporation; Office of Thrift Supervision. Procedures outline guidelines for compliance examiners to follow when conducting a CRA examination. To receive a copy, contact Becky Carter, Federal Reserve Bank of Boston, Community Affairs Department, P.O. Box 2076, Boston, MA 02106-2076; 617/973-3813.

CRA Examination Schedule, Third Quarter, 1996, issued by the Office of the Comptroller of the Currency, U.S. Department of Treasury; Board of Governors of the Federal Reserve System; Federal Deposit Insurance Corporation; Office of Thrift Supervision; and the Commonwealth of Massachusetts, Division of Banks. This schedule specifies which institutions will be examined for CRA performance by their respective regulators. To receive a copy of the schedule, contact Becky Carter, Federal Reserve Bank of Boston, Community Affairs Department, P.O. Box 2076, Boston, MA 02106-2076; 617/973-3813.

Community Reinvestment Act: Understanding and Implementing the New Requirements, from Sheshunoff Information Services Inc. This comprehensive CRA manual instructs the reader in working effectively with the new regulation. It is organized into four sections: New CRA and Fair Lending Regulatory Requirements; Implementing Your New CRA Compliance Program; The CRA Examination Process; and Appendices. For price and ordering information, call 512/305-6600.

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HOME MORTGAGE DISCLOSURE ACT

by Carol Ruben and Anthony Ricko
Department of Supervision and Regulation, Federal Reserve Bank of Boston

Q. What is the definition of "dwelling" under the Home Mortgage Disclosure Act (HMDA)?

A. A dwelling is not limited to the principal residence of a mortgage applicant; it also includes vacation and second homes, rental properties, mobile homes, multi-family structures (apartment buildings), and condominium and cooperative units. Recreational vehicles such as boats or campers, and "use" interest purchases of time shares are not considered dwellings.

With respect to structures such as dormitories or nursing homes, an institution need not treat these structures as dwellings. If an institution wishes to report the transactions, it must determine that the structure is a residential structure under state or federal law.

Q. Are institutions required to report home equity lines of credit?

A. No. Such reporting is optional. However, an institution that reports home equity lines of credit must report dispositions of all applications, not just originations. If the institution chooses to report them, only the amount used for a covered purpose is reported. Reporting refinancings of home equity lines of credit is also optional.

Q. When should an institution report home improvement loans?

A. An institution reports such loans only when they are made for purposes of home improvement and are classified by the institution as home improvement loans. Home improvements include improvements both to a dwelling and to the real property on which the dwelling is located.

Q. What if only a part of the loan proceeds is for purposes of home improvement?

A. The entire loan amount may be reported as a home improvement loan even if less than 50 percent of the total loan proceeds will be used for home improvement, provided the institution has classified the loan as a home improvement loan.

Q. Are prequalifications or preapprovals reportable on the Home Mortgage Disclosure Act Loan Application Register (HMDA-LAR)?

A. No. For 1996 data collection, institutions need not report prequalification or preapproval requests on the HMDA-LAR. Even if an institution treats a prequalification request as an application under Regulation B, its prequalifications and preapprovals are not reportable on the HMDA-LAR.

Q. How should a loan used for both residential and commercial purposes be reported?

A. When a loan falls within a covered purpose under Regulation C, it may be reported on the HMDA-LAR.

A loan to improve property used for both residence and commerce satisfies the purpose requirement if the loan proceeds are primarily to improve the residential portion of the property. If the property is primarily residential the loan also satisfies the purpose requirement if it is used to purchase or improve the entire property. An institution may use any reasonable standard to determine the primary use of the property, such as square footage or income generated.

Q. When must an institution report a refinancing?

A. A refinancing of a loan consists of the satisfaction and replacement of an existing obligation by a new obligation by the same borrower. The term "refinancing" refers to the new obligation.

If the existing obligation is not satisfied and replaced, but is only renewed, modified, extended, or consolidated, the transaction is not considered a refinancing for purposes of HMDA. Institutions must report all refinancings of loans secured by one- to four-family residential dwellings regardless of the purpose of the transaction. The regulation now specifies that if an institution knows that the original loan was not intended for home purchase or home improvement, the refinancing need not be reported.

There are three methods of determining when the new loan is considered a refinancing.

1) An institution can determine the actual purpose of the existing obligation.

2) An institution may rely on a statement of the applicant as to the purpose of the original transaction.

3) The new obligation is a refinancing of a home purchase or home improvement loan if either the existing or the new obligation was secured by a lien on a dwelling.

Q. May an institution report as a refinancing a loan secured by an applicant's unencumbered principal dwelling?

A. This transaction may not be reported as a refinancing. The new transaction must always meet the definition of a refinancing, which requires the satisfaction and replacement of an existing obligation with a new obligation.

Q. When must property location be reported on the HMDA-LAR?

A. Generally, property location information is required for loans or applications relating to property located in a Metropolitan Statistical Area (MSA) where an institution has a home or branch office.

Q. How should an institution report a property location on the HMDA-LAR when it is outside the MSA?

A. For loans on property located outside the MSAs in which the institution has a home or branch office (or outside any MSA), the institution may enter the MSA, state, county and census tract numbers or it may enter the code "NA" in each of these columns. At its option, an institution may report property location by using a Block Numbering Area (BNA) as established by the U.S. Bureau of the Census.

Note: Banks and savings associations with total assets of $250 million or more and banks and savings associations that are subsidiaries of a holding company whose total banking and thrift assets are $1 billion or more must enter the location of property located outside the MSAs in which it has a home or branch office, or outside any MSA.

Q. Should HMDA data reflect partial interests in loans?

A. No. An institution that originates a loan and then sells partial interests to other institutions reports the loan as an origination. An institution that acquires only a partial interest in such a loan does not report the transaction, even if it has participated in the underwriting and origination of the loan.

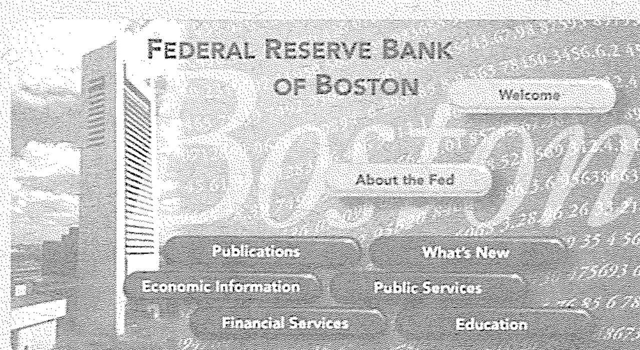
The Boston Fed Now Has a Home on the World Wide Web

The Federal Reserve Bank of Boston has established a site on the World Wide Web(WWW). The new "home page" is a gateway to information on the functions and purposes of the Boston Fed and the Federal Reserve System.

Guests to the site will be able to find up-to-date information on what's new at the Boston Fed, read and download Public & Community Affairs and Research publications, and learn more about the Federal Reserve System and its operations in Boston.

The following are featured on the new site:

- The new series 1996 U.S. currency
- Treasury Information
- Community Affairs updates
- Economic Education programs
- Boston Fed tour information



World Wide Web address: http://www.bos.frb.org

E-mail address: 102521.740@compuserve.com

Community Developments

More Information on the New CRA and Community Economic Development

Affordable Housing

Housing Guidebook for Massachusetts: A Comprehensive Guide to State and Federal Housing Programs and Resources. This guide provides information on affordable housing programs in Massachusetts, including current resources, needs and policy issues. From the Citizens' Housing and Planning Association, Boston, MA. To order, call 617/742-0820. $30 for members, $45 for non-members.

Affordable Housing Loan Consortia Sourcebook. This guidebook introduces loan consortia and instructs lenders in establishing and operating them successfully. By sharing risk with other lenders, a consortium can allow a financial institution to tap into market niches it might not otherwise reach. The sourcebook also profiles more than thirty loan consortia of varying types and sizes around the country. From the National Association of Affordable Housing Lenders. To order, call 202/861-5770. $45 for members, $59 for non-members.

Partners. A computer software program designed to serve as an analytic tool for financial institutions, community groups, and other community development professionals in counseling low- and moderate-income applicants. The program can quickly determine if potential homebuyers can qualify, mathematically, for a home purchase loan. The program also identifies ten qualifying alternatives to help applicants who may not qualify for a loan based on current financing criteria. *Partners* includes loan amortization schedules, equity build-up calculations, and secondary market considerations. From the Federal Reserve Bank of Boston. To order, call 617/973-2130.

Home Mortgage Disclosure Act

HMDA Data Providers. The Massachusetts Bankers Association provides mapping and data analysis services, which may be of particular benefit to smaller banks. For information call 617/523-7595. Selected HMDA software providers include the following: CFI ProServices, Inc., Lawrence, MA. For information call 508/682-1131. Geosegment Systems, Cambridge, MA. For information call 617/494-0020. PCI Services (makers of CRA Whiz), Boston, MA, 617/227-0090. Tactician Corporation, Andover, MA. For information call 508/475-4475.

Video Seminar Highlights
Issues Relevant to Lending in Indian Country

In an effort to help financial institutions address the intricacies of lending to Native Americans, the Federal Reserve Bank of Minneapolis recently sponsored a series of seminars entitled *Lending in Indian Country: Cultural and Legal Issues.* The one-day program was designed to help financial institutions understand the cultural and legal issues involved in establishing a profitable lending program in Indian country. The seminars also drew other organizations that were equally interested in establishing effective working relationships with Indian tribes. James L. West, an expert on Indian economic and business development, and Mark A. Jarboe, a leading authority on legal matters related to undertaking business in Indian country, conducted the seminars.

> *"The complexities of Indian law, and the implications of tribal sovereignty create legal and political uncertainties for lenders and investers....In fact, these continuing uncertainties may represent the greatest barrier to mobilizing capital for Indian economic and business development."*
>
> Timothy J. Smith, in a paper for the Northwest Area Foundation, St. Paul, Minnesota.

The Federal Reserve Bank of Minneapolis has reproduced this one-day seminar in a series of videotapes and an accompanying manual which address the various cultural and legal concerns that a financial institution must understand and address in order to establish a profitable lending program in Indian country.

Cultural differences present an initial challenge as financial institutions consider establishing a tribal lending program. The program begins by describing Indian traditions and the history of federal legislation.

Capital formation in Indian country is a particularly difficult undertaking for many tribes, even when they have a successful track record.

West and Jarboe address how financial institutions may assess creditworthiness by taking into account income from tribal trust assets and government credit enhancements, both of which can make lending in Indian country more attractive.

Lending in Indian country presents other challenges for financial institutions — such as identifying collateral and secondary sources of repayment, sovereign immunity, working with Section 17 corporations — all of which, with sufficient knowledge and foresight, a lender may address effectively. The seminar describes how financial institutions should approach these issues, including asking the right questions (such as "Who is the borrower, the tribe or an individual?"), defining the terms of tribal waivers of sovereign immunity, obtaining explicit agreements with the tribe regarding what can be used as a secondary source of repayment, and securing the Bureau of Indian Affairs' Section 81 approval for all contracts involving the use of land.

This is a comprehensive package. It includes supplementary materials such as articles exploring, among other issues, the nature of tribal sovereignty; state, civil and criminal jurisdiction over Indian lands; and the principal legal issues involved in lending in Indian country. It also includes sample legal documents and an example of a Bureau of Indian Affairs Economic Development Grant proposal. Finally, the package includes resource information from the Federal Home Loan Bank and the Bureau of Indian Affairs, all of which help guide financial institutions as they establish lending programs in Indian Country.

This videotape series is available by mail order through the Federal Reserve Bank of Minneapolis. Please see **Community Developments** on page 7 for ordering information.

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