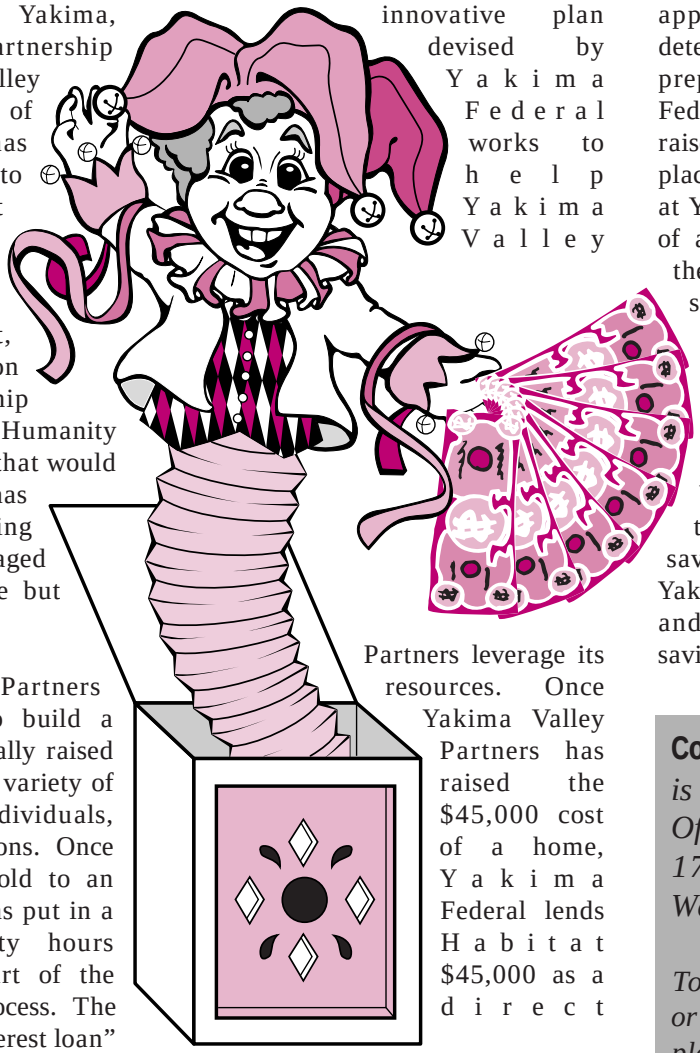
Community Liaison

Volume No. 99–03 November 1999

Institutions Thinking "Outside The Box"

Yakima Federal Savings and Loan Association, Yakima, Washington, in partnership with the Yakima Valley Partners, an affiliate of Habitat for Humanity, has devised an innovative plan to help the nonprofit organization leverage the donations it receives. According to Larry Marvin, Senior Vice President, Yakima Federal, "Building on our long term relationship with the local Habitat for Humanity affiliate, we devised a plan that would leverage the funds Habitat has available for housing construction. Those leveraged funds would build not one but two houses."

It costs Yakima Valley Partners approximately $45,000 to build a house. This money is typically raised by the organization from a variety of sources such as individuals, corporations and foundations. Once the house is built, it is sold to an eligible homeowner, who has put in a number of sweat equity hours building the house as part of the overall home purchase process. The borrower repays the "no interest loan" to Yakima Valley Partners.



Here is how the small but rather innovative plan devised by Yakima Federal works to help Yakima Valley Partners leverage its resources. Once Yakima Valley Partners has raised the $45,000 cost of a home, Yakima Federal lends Habitat $45,000 as a direct construction/permanent financing loan at a below market rate of about 5.50%, over 20 years.

The interest payments on this loan, approximately $23,000, are determined prior to closing. Habitat prepays the interest to Yakima Federal, using a portion of the funds raised from sponsors. That payment is placed in a restricted savings account at Yakima Federal, and earns interest of approximately three percent over the life of the loan. When Habitat sells the house to an eligible borrower, at a zero percent interest rate, the borrower makes principal-only payments on the Yakima Federal loan. Those payments are made to Yakima Valley Partners, which deposits the payments into the restricted savings account. Each month, Yakima Federal takes the principal and interest payment out of the savings account. Any interest earned

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on the funds in the restricted account will be paid to Habitat when the loan matures or is paid off.

To build a second home, the process is repeated. Yakima Valley Partners uses the remaining portion of its donated funds (about $23,000) to set up an interest reserve against a second $45,000 construction/permanent loan from Yakima Federal.

Under this program, sponsor contributions of $45,000 enable Yakima Valley Partners to quickly build not one but two homes for very low income families.

Buddy Cluck, executive director of Yakima Valley Partners, sees a number of advantages for his organization. In addition to being able to leverage donations,

- The program allows them to better plan and meet demand with less time devoted to fund raising.
- It enables them to expand their donor pool by soliciting half as much money from any given sponsor.
- They are able to recover some of the interest expense through earnings on the restricted account (estimated at $8,000 – $9,000 over the life of the loan).

From the lender's standpoint, this program enables them to help meet the housing needs of very low income families in their community in a way that also earns them a return on their funds and minimizes risk. The program also receives favorable consideration under the Community Reinvestment Act.

Buddy Cluck, notes that "It was great to participate with a local lender on developing the program. It's a bit outside the box."

The affiliate has initiated construction on two homes and anticipates building another five by the end of the year ■

General questions about this program may be directed to Wendy Pelle at (201) 413-7509.

Community*Liaison*

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FIRST TIME HOMEBUYERS BE THERE

Stephens Federal Bank Is Looking For You

Thinking Outside The Box is nothing new to Stephens Federal Bank. This $90 million federally chartered thrift in Northeast Georgia is traditional in only one respect — its southern hospitality. Stephens Federal's aggressive stance with its first time home buyer lending is remarkable for an institution of its size.

President Joe Ferguson says his management style reflects the community commitment conveyed by the bank's board of directors. That commitment is evident from the board room to the bank's lending staff, in striving to meet the needs of first time home buyers by offering a variety of loan products.

Established in 1933, Stephens Federal Bank is located in Toccoa, a town of 10,000 people located about 100 miles northeast of Atlanta. With offices in the small towns of Clayton, Hiawassee and Cleveland, its market area is primarily rural Northeast Georgia.

The resourcefulness of Stephens Federal was demonstrated in 1996 when the bank introduced a loan product of its own design, the ***Community Housing Initiative Program***, since dubbed "**CHIP**" for short. This in-house loan program offered first time home buyers 100 percent financing with reduced closing costs.

To get the ball rolling, **CHIP** was presented first to the realtor community in each of the bank's markets. To get attention in a competitive environment, Stephens Federal distributed information sheets about the **CHIP** loan program to each realtor, with a bag of potato chips attached. "We felt that if we could appeal to the realtors' stomachs and their pocketbooks at the same time, we would have a winning combination," Jane Pitts, marketing director for the bank, said.

Each **CHIP** loan is a fully indexed ARM loan, funded with Federal Home Loan Bank of Atlanta CIP funds at an adequate spread. The **CHIP** program was so successful it was featured nationally in the America's Community Bankers publication, "Models That Work," in 1997.

As Stephens Federal got its feet wet with its **CHIP** loan program, the bank realized that not always was the term "First Time Home Buyer" to be associated with extra paperwork or processing time. Delinquency and foreclosure rates have been no higher than those in traditional mortgage programs previously offered. "We found we could serve our total communities with a profitable program. That was a good feeling," Ferguson said.

This "testing of the waters" with **CHIP** made Stephens Federal more receptive to other first time home buyer programs. It also helped the bank gain a reputation for innovation with its lending products.

Before long USDA came calling. They had heard of the **CHIP** program through the Federal Home Loan Bank of Atlanta which had funded a portion of Stephens Federal's loan program with CIP advances. USDA wanted to know if Stephens Federal would be interested in participating in the USDA Leveraged Loan Program. They needed a financial partner in rural Northeast Georgia. A new subdivision was being developed by the city government in Hartwell, Georgia. The City of Hartwell and USDA were in need of a financial institution that was willing to "leverage" their loans to prospective purchasers, using a combination of first mortgage funds from Stephens Federal Bank, and second mortgage subsidized funding from USDA. This partnership between local government, USDA and Stephens Federal was the right vehicle to assist first time home buyers in Hartwell.

Stephens Federal's management realized that this was yet another way it could give back to the communities it served. Therefore, a partnership with USDA was formed, not only to assist with lots in the newly developed subdivision, but to provide "leveraged" financing to other USDA borrowers in several rural Northeast Georgia counties. "Sometimes it's not the size of the loan, but the community service you provide in the process that makes the difference," Ferguson said.

Stephens Federal's thinking outside the box didn't end there. Within the past year, Stephens Federal has been approved as a seller/servicer for the Georgia Department of Community Affairs' (DCA) first time home buyer programs. Home Buyer and OwnHome programs offer first time home buyers excellent programs to assist in financing their home purchase. Through this program Stephens Federal is able to offer a below market fixed rate 30 year home loan to qualified first time home buyers. The loans are originated and sold to DCA servicing retained or servicing released.

Recently, DCA invited Stephens Federal to participate in a pilot underwriting program. This program is designed to couple automated loan origination with automated underwriting to speed processing of mortgage requests for the Department of Community Affairs' Home Buyer Program. This is an important step in

the process of providing quick decisions to borrowers who are anxious about buying their first home.

Stephens Federal also has a strong relationship with the local Habitat for Humanity affiliate, having assisted in the development of a Habitat subdivision in Toccoa. Stephens Federal donated a portion of the land for the subdivision, and also covered the cost of surveying lots for the development. "Our board is very committed to the Habitat concept of providing a simple, decent place to live." For years we have strived to support our local Habitat affiliates and have employees who serve as officers within the volunteer organizations. We do this selfishly — because we want to better the communities in which we live and work," Ferguson said.

The bank has realized the value of developing these long lasting commitments with borrowers who are purchasing their first homes, because they in turn come back to the bank for other products and services. "Relationship banking is a popular buzz term in the financial industry. I can't think of a better way to build those relationships than with a first time home buyer," Pitts said. "These programs have brought us an untold spin off of account activity. Borrowers come back for their checking accounts and other financial products, they send their family, friends and neighbors to see us for new accounts. Word of mouth from a satisfied customer, especially with the enthusiasm of a first time home buyer, is the best marketing tool you can have," Pitts added.

As a mutual financial institution, Stephens Federal is in a unique position to serve its communities profitably. The bank has discovered that thinking outside the box enables it to do just that while assisting fellow citizens along the way. That philosophy makes Stephens Federal Bank a friendly, hospitable place to bank and the communities in which it serves a great place to live-proving that "thinking outside the box" can be an excellent management approach no matter how large or small your market area may be ■

General questions about this article may be directed to Lynn Bedard at (404) 888-8443.

Thrift Revival

Some Bold Steps Forward For This Small Mutual

Universal Federal Savings Bank (FSB), one of the last remaining community mutual thrifts in Chicago, has been located in the Pilsen community for over 76 years. Pilsen is on the near southwest side of Chicago and has been home to many immigrant groups. Today, it is predominantly Latino.

Universal FSB, with $41 million in assets, is proactively embracing new products and programs to enable the institution to continue to compete in the industry. Recently, it switched to a new data service provider, and with that came new savings/mortgage software and computers for the entire office. They have also added an ATM machine, checking and statement savings accounts. In the past year, the thrift's mortgage volume grew 23% more than that of the previous year, attributable mostly to new management and acquisition of new technology.

Not only is the institution upgrading its technology, developing new loan products and trying to better capitalize on the "one-on-one" customer service it provides, it is also actively seeking mutually beneficial partnerships.

Recently, Universal FSB formed a partnership with the Federal Home Loan Bank (FHLB) of Chicago and The Resurrection Project (TRP). TRP is a non-profit organization that has built over 100 new homes in the Pilsen community. TRP's latest program is called "The Boulevard Homes", and calls for the construction of an additional 30 new homes in the Little Village and Pilsen communities. Universal FSB, with an AHP grant from the FHLB of Chicago, will provide $5,000 in down payment or closing cost assistance for eleven first-time single family home buyers whose income is 60% or less than the area median income. The FHLB of Chicago awards AHP grants on a comprehensive scoring system, and out of thirty approved applicants, Universal FSB ranked **second** on its first application submitted. The subsidized selling price by TRP, as well as the down payment/closing cost assistance from an AHP award from the FHLB, provide homeownership to those previously unable to afford it, demonstrating the need for these programs. The project alleviates overcrowding, increases homeownership, replaces vacant lots with new homes and most importantly, increases pride and hope in the community ■

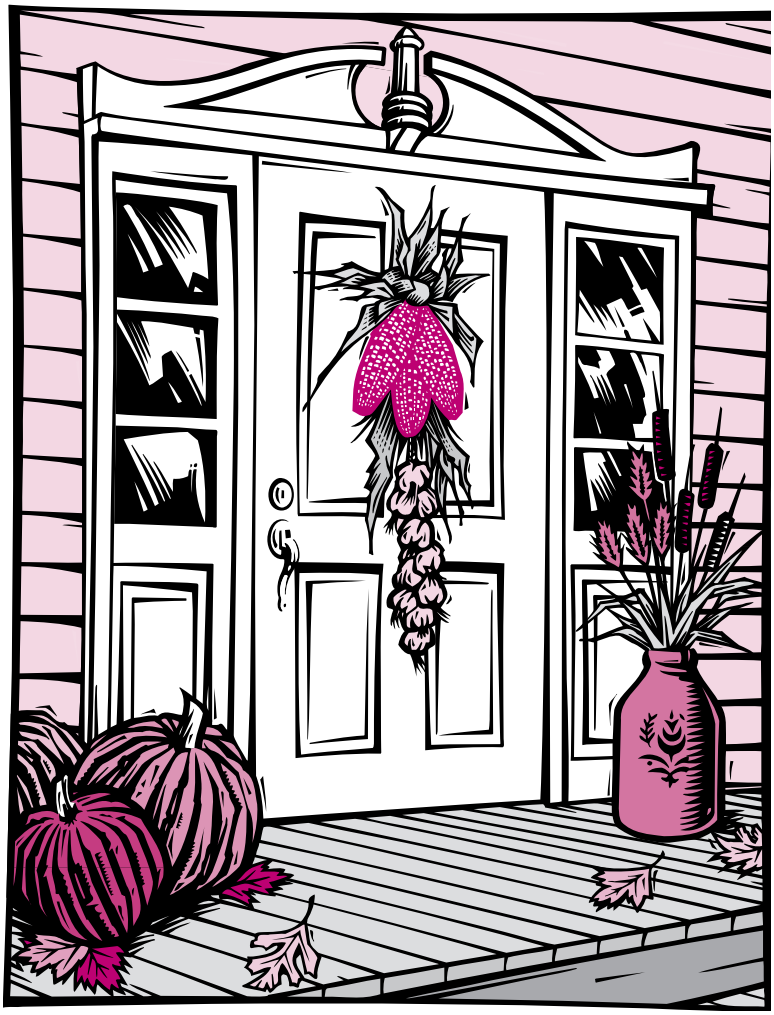
For more information about Universal Federal Savings Bank's partnership with The Resurrection Project, contact Antonio Romero, Chief Lending Officer, at (312) 421-3070 or call Claude Becker at OTS at (312) 917-5022.

Washington Mutual Opens The Door To Affordable Homeownership in Orlando

Homeownership Center Helps Organizations Educate Consumers On The Entire Homebuying Process

On June 8, 1999, Washington Mutual Bank, FA, and the Homebuyer Counseling Collaborative of Central Florida announced the opening of **The Homeownership Center,** a new concept in providing affordable homeownership opportunities.

The Homeownership Center supports organizations that provide consumers with vital information about homeownership. By standardizing the quality of community homebuyer education programs, the Center enables consumers to better determine if they are ready for homeownership, learn how to prepare for purchasing a home, and understand the importance of proper budgeting both before and after the purchase is made.



Washington Mutual has supported the Center by donating free office space and furniture, as well as providing a multi-year funding commitment. Initial funding has also been provided by the Fannie Mae Foundation and The Edyth Bush Charitable Foundation, Inc. of Winter Park.

Kevin O' Rawe, Washington Mutual Home Loan Center Manager, also serves on the Center's board of directors. "As I have viewed the homeownership counseling options in Orlando in general, I see room for more consistency in the quality. The Homeownership Center will strive to help the counseling sources maintain a standard of service levels that are only accomplished by the most professional of counseling services," says O' Rawe.

"There are many low- and moderate-income consumers in Central Florida who are eager to own their own home, but need additional preparation and education in order to achieve that goal," said Homeownership Center Executive Director Randy Sprayberry. "The Homeownership Center will provide those in Central Florida with the answers they need to move forward and get on the road to homeownership."

"Homebuyer education is such an integral part of the entire process, so we felt the need to pay particular attention to it," said Washington Mutual Vice President Patricia Braaf. "The Homeownership Center will take education one step further by ensuring that everyone who needs it receives the same high quality information. Supporting this Center is part of Washington Mutual's commitment to helping people successfully get into new homes. We're very proud to be associated with this initiative" ■

For additional information on the Homeownership Center you may call Patricia Braaf at (561) 638-3465, or you may contact Lynn Bedard at OTS at (404) 888-8443.

Beginning with this issue, Community Liaison will publish a series of articles highlighting federal government programs offering financial assistance or loan guarantees for housing and/or community development activities. These are programs in which financial institutions can participate or can leverage as a means of providing more credit to credit needy areas and people within their communities.

United States Department of Agriculture
Rural Development

The U.S. Department of Agriculture (USDA) **Rural Development** has the responsibility of helping the people of rural America develop sustainable communities and improve their quality of life. Ways in which USDA **Rural Development** helps rural communities meet their basic needs include:

- Financing decent, affordable housing;
- Building and improving community facilities;
- Creating and expanding rural businesses, including cooperatives, to spur job development;
- Supporting electric power, water and telecommunications services; and
- Supporting community development with information and technical assistance.

USDA created **Rural Development** in 1994 to administer rural economic and community development programs that had previously been splintered among various USDA agencies. As a result, programs administered by the Farmers Home Administration, Rural Development Administration, Rural Electrification Administration and Agricultural Cooperative Service were merged into one area. **Rural Development** programs are delivered through three divisions:

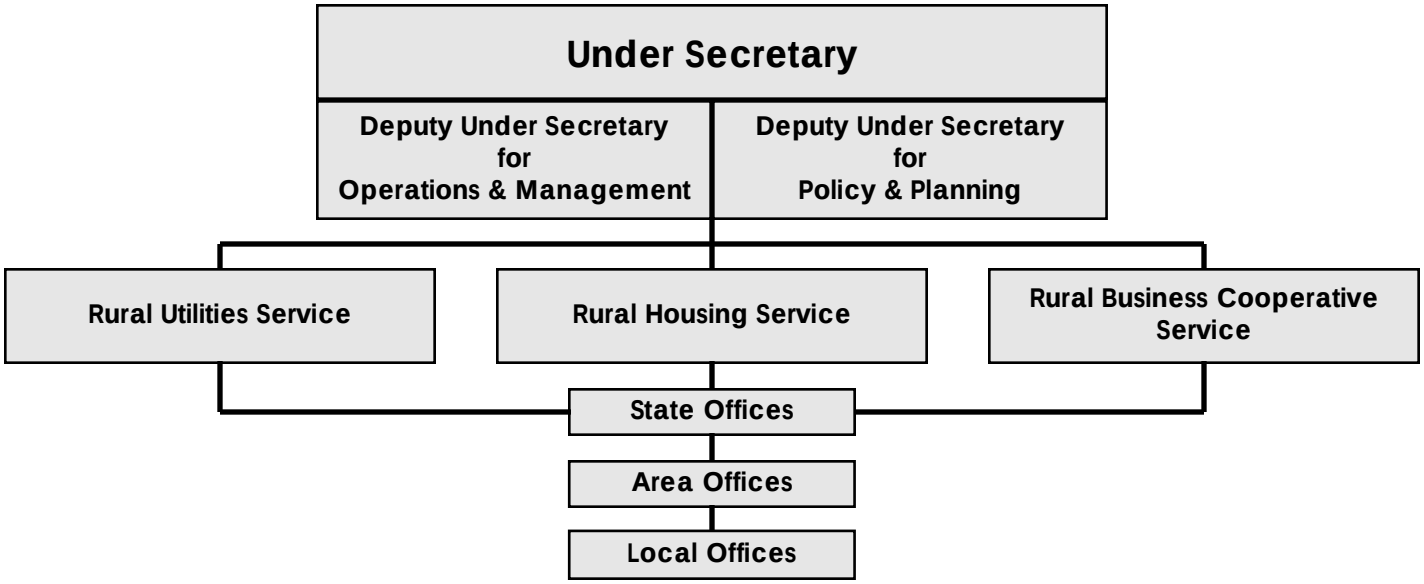
- The **Rural Business-Cooperative Service (RBS)** provides help to rural areas that need to develop new job opportunities, allowing businesses and cooperatives to remain viable in a changing economy.

- The **Rural Housing Service (RHS)** addresses rural America's need for single and multifamily housing as well as health facilities, fire and police stations, and other community facilities.

- The **Rural Utilities Service (RUS)** addresses rural America's need for basic services such as clean water, sewers and waste disposal, electricity, and telecommunications.

- A fourth branch, the **Office of Community Development (OCD),** is working with these three divisions to improve the economy and living conditions in the nation's rural Empowerment Zones and Enterprise Communities.

USDA Rural Development Mission Area — General Organization



Summarized below is a description of the loan products, guarantees and grants available through **Rural Housing Service (RHS)**. This summary is intended to present an overview of these products and does not provide detailed explanations of eligibility requirements. For additional information on these, and other loan products, please refer to USDA's website at http://www.usda.gov.

Rural Housing Service (RHS)

USDA's Rural Housing Service's programs fall into three general categories: Community Facilities (CF), Single Family Housing (SFH), and Multi-Family Housing (MFH).

Community Facilities Loans and Grants

- Direct and guaranteed loans as well as grants provided through the Community Facilities program are available to public entities such as municipalities, counties, special-purpose districts, Indian tribes, and not for profit corporations. Loans can be used to construct, enlarge, extend, or otherwise improve community facilities that are essential to the health and well-being of rural Americans in areas with populations of 20,000 or less. ***RHS guarantees community facility loans made by banks or other eligible lenders.*** Typically, the guarantee rate is 90% of the loan amount. Types of projects financed include health care facilities (hospitals, clinics, nursing homes, ambulatory care centers); public safety facilities (such as police and fire stations, jails, fire and rescue vehicles and communication centers); medical and educational links; and public services (such as adult and child care centers, jails, courthouses, airports, schools, fairgrounds, etc.).

Single Family Housing Programs

RHS offers two types of homeownership loans: guaranteed and direct loans. The purpose is to provide financing – with no down payment and at favorable rates and terms – either through a direct loan with RHS or with a loan from a private financial institution which is guaranteed by RHS, or supplemented with RHS funds.

- **Direct Single Family Housing Loans (Section 502)** provide financing for modest housing for lower income applicants. Through a loan made directly by RHS, applicants can buy, build, renovate, repair or relocate homes and related facilities, or refinance home debts under certain conditions. These loans are subsidized depending on the individual's or family's income and the cost of the housing.

- **Direct Single Family Housing Leveraged Loans (Section 502)** provide the opportunity for other partners to work with RHS in financing adequate but modest housing to very low- and low-income households. ***Through the leveraged loan program, RHS provides a subsidized second mortgage to cover a portion of the cost of a home. A local financial institution provides a conventional first mortgage, which can be sold on the secondary market, for the remaining portion.*** Applicants apply for financing through a participating lender. RHS works closely with other lending sources, state and local governments, private lending institutions or nonprofit organizations to provide financial assistance to eligible applicants. By leveraging – using both government funds and other financial assistance – available resources can stretch to assist more families in becoming homeowners.

- **Guaranteed Rural Housing Loans (Section 502)** enable eligible low and moderate-income (up to 115 % of median income) rural residents to buy modestly priced housing for their use as a primary residence. Qualified applicants should be without adequate housing and unable to obtain mortgage credit through conventional financing. ***Applicants can apply for financing from any participating lender. RHS provides a 90% loan guarantee.*** Loan terms are for 30 years and interest rates are negotiated between the homeowner and the lender. Guaranteed loans provide for 100% loan-to-value financing, and no private mortgage insurance is required. Loans for manufactured homes can be guaranteed when the unit purchased is new, the unit is built to Federal Manufactured Home Construction and Safety standards and Rural Development thermal standards, and when the unit will be purchased from a Rural Development approved dealer-contractor.

- **Home Repair Loans (Section 504)** are for very low-income families (50% or below the median area income), that own a single family home located in a rural area that is in need of repair, and are unable to obtain financing from non-RHS credit or grant sources. Loans can be used to improve or modernize homes. The maximum loan amount cannot exceed $20,000. The interest rate is fixed at 1% annually. Terms are based on the borrower's ability to repay but will not exceed 20 years. Section 504 loans may be leveraged with other affordable housing products to maximize the number of families assisted.

- **Direct Rural Housing Grants (Section 504)** are available to qualified applicants 62 years of age or older. Grants may be used for repairs and improvements that will improve health and safety, or to repair or remodel homes to make them more accessible for household members with disabilities. To obtain a grant, the applicant must lack repayment ability for a Section 504 loan. RHS encourages leveraging with other affordable housing partners to maximize the use of funds and assistance to needy seniors.

■ **Direct Self-Help Technical Assistance Grants (Section 523)** provide financial assistance to eligible nonprofit organizations that will provide technical assistance to low- and very-low income families who are building homes in rural areas by the self-help method. Direct single family loans (Section 502) are provided to groups of six to ten low-income eligible families to help them build their own homes by financing construction costs. Grant funds are used for technical assistance and construction supervision, and may be used to pay salaries, rent, and office expenses of the nonprofit organization. State and local governments or nonprofit corporations may apply for this program.

■ **Rural Housing Site Loans (Section 523 and 524)** can be used to buy and develop building sites, including the construction of access roads, streets, and utilities. The sites must be developed and sold to families using an affordable mortgage product. The sale of lots developed by Section 523 loan funds is limited to mutual self-help participants.

Sites developed with a Section 524 loan must be for housing low- and moderate-income families, and may be sold to families, nonprofit organizations, public agencies, and eligible cooperatives which provide financial assistance for housing for low- and moderate-income families.

Multi-Family Housing Programs

■ **Guaranteed Rural Rental Housing Loans (Section 538)** assist low-and moderate-income rural families who need affordable rental housing. Under this program, ***RHS will provide credit enhancements to private and public lenders to make new loans for affordable rental properties that meet program standards.*** Lenders underwrite and service the loans. ***RHS will provide a guarantee of up to 90% of the loan amount.***

■ **Rural Rental Housing Loans (Section 515)** are direct mortgage loans that provide capital financing to develop rental housing for very low-, low- and moderate-income tenants. Loans are long term (30 years, amortized for 50 years), carry a basic interest rate of 1%, and can be combined with deep subsidy rental assistance. A wide variety of owners ranging from private nonprofit corporations to housing authorities to limited partnerships, can use the Section 515 program. ***The loans are most used in conjunction with funding from the Low Income Housing Tax Credit program.*** A percentage of state funding allocations for the program is set aside for nonprofit sponsors, who may also receive special consideration for tax credit.

■ **Farm Labor Housing Loans (Section 514) and Grants (Section 516)** have two components: (1) a loan only to farmers for on-farm housing to house domestic farm workers; (2) a loan or a combination of loan/grant for off-farm housing for migrant, seasonal or year-round farm workers serving the local agricultural market. Leveraging is an important component of the program.

■ **Congregate Housing and Group Homes** provide living units for persons with low- and moderate-incomes and for those 62 or older.

Lenders interested in making Rural Development loans should call their nearest USDA Rural Development state or field office for detailed information on how to become a participating lender. USDA offices are listed in the Government section of the telephone book under "Department of Agriculture." A list of state and/or field offices can also be obtained through their website at **http://www.rurdev.usda.gov** or you may contact the National Office of USDA Rural Development at (202) 720-4323 or write: USDA Rural Development, Stop 0705, 1400 Independence Avenue, SW, Washington, D.C. 20250-0705. General questions concerning how to contact the appropriate Rural Development state or field office for assistance may also be directed to Louise Batdorf at (202) 906-7087 ■

Source: Information for this article was taken from written material published by USDA or available through its website.

Electronic Transfer Accounts Ready for Rollout

In the July 16, 1999 Federal Register, the Treasury Department published a notice setting forth the attributes of Electronic Transfer Accounts (ETAs^{SM}), opening the door for millions of underserved and unbanked federal payment recipients to establish accounts with insured financial institutions.

The ETA^{SM} allows recipients to receive federal payments electronically in accordance with the electronic funds transfer provision of the Debt Collection Improvement Act of 1996. After months of consultations and opportunity for public comment, the Treasury Department has finalized

the attributes of the ETA^{SM}, which will be available to any individual who receives a federal benefit, wage, salary or retirement payment. Any federally insured depository institution is eligible to offer ETAs^{SM}.

What does the ETA^{SM} look like?

Each ETA^{SM} must:

- be an individually owned account at a federally insured financial institution;
- accept electronic federal benefit, wage, salary, and retirement payments, and other deposits that a financial institution agrees to allow;
- be subject to a maximum fee of $3.00 per month;
- have a minimum of four cash withdrawals and four balance inquiries per month, to be included in the monthly fee, through any combination of proprietary ATM transactions and/or over the counter transactions;
- provide the same consumer protections that are available to other account holders at the financial institution;
- allow access to the financial institution's on-line point-of-sale network, if any;
- require no minimum balance, except as required by Federal or State law;
- be either an interest-bearing or non-interest-bearing account, at the option of the financial institution; and
- provide a monthly statement.

Financial institutions may not charge any other fee in connection with any required attribute of the ETA^{SM}, beyond the $3.00 monthly account fee. However, financial institutions may charge other account-related fees that the institution customarily charges to its other retail customers, except that overdraft fees may not exceed $10.00. Financial institutions may, for example, charge fees at its customary rates for additional withdrawals and balance inquiries or for lost cards. Because of concerns about the potential risks and costs associated with checking account features, ETAs^{SM} may not include check writing capabilities.

What should financial institutions do?

Participation by financial institutions in the ETA^{SM} program is voluntary. But any federally insured depository institution that chooses to offer ETAs^{SM} may do so by completing a Financial Agency Agreement that sets forth the responsibilities of the financial institution and incorporates the final ETA account features and other account criteria such as standards for closing accounts. Financial institutions will receive from Treasury a one-time reimbursement fee of $12.60 per ETA^{SM} established, to offset the costs of setting up the account.

Knowledge of where federal payment check recipients live can be helpful to financial institutions that are considering establishing an ETA^{SM} program. The Treasury Department has provided check payment information for the three largest benefit paying agencies: the Social Security Administration, the Department of Veterans Affairs, and the Office of Personnel Management. Specific state and zip code check volume information is available at the Financial Management Service's website: **http://www.fms.treas.gov/eft/zipcode.html**.

Financial institutions can receive favorable consideration under the Community Reinvestment Act (CRA) for participating in the ETA^{SM} program. According to the recent Questions and Answers issued by the Federal Financial Institutions Examination Council and published in the May 3, 1999 Federal Register, "…the ETA^{SM} is an account targeted to low-and moderate-income individuals and providing such accounts qualifies as a community development service."

Once a financial institution has started its ETA^{SM} program, it will be required to provide monthly reports on the number of ETAs^{SM} opened and closed during the previous month, and the number of open accounts at the end of the previous quarter. Financial institutions may also be required to provide other information as necessary for Treasury to verify the number and status of ETAs^{SM}, facilitate payment of set up fees, and ensure compliance with the terms of the Financial Agency Agreement.

The Federal Reserve Bank of Dallas is the Treasury Department's Fiscal Agent in the ETA^{SM} program. The FRB Dallas will execute Financial Agency Agreements with financial institutions, and will handle customer service inquiries from both recipients and financial institutions.

What happens next?

In response to a notification mailing in July, the FRB Dallas received inquiries from over 7,000 financial institutions for more information on offering ETA^{SM} accounts. Over 70 institutions are already offering ETA^{SM} accounts. Almost 90 others have enrolled and will be offering the accounts in the near future. The FRB Dallas is maintaining a list of participants that is available at **http://www.eta-find.gov**.

Once the Financial Agency Agreement has been signed by the financial institution and the FRB Dallas as agent for the Treasury Department, the financial institution may begin to offer the ETA^{SM} and advertise its availability to the public. Participating institutions will receive free marketing materials to help them advertise their programs and make useful information available to interested recipients. Accounts offered under the ETA^{SM} program must be so identified, but co-branding is permissible. For example, "First Federal ETA^{SM}" would be acceptable.

Over the next several months, the Treasury Department will continue its public education campaign to reach recipients with detailed information about their options for receiving their Federal benefits payments. Recipients are not required to open ETAs^{SM}, and may continue to receive paper checks at their option.

Financial institutions that offer the ETA^{SM} can expand access and services to their communities, helping to bring more Americans into the financial services mainstream. And many individuals who are currently unbanked may find that ETAs^{SM} provide them with a safe, reliable, low cost alternative to receiving their Federal benefits checks by mail ■

Financial institutions should call the Federal Reserve Bank of Dallas at (888) 382-3725 for information about enrolling in the ETA^{SM} program. General questions about ETAs^{SM} may be referred to Caryn Stein, at (202) 906-7020.

BusinessLINC

Helping Small Businesses Grow

Many inner city and rural areas are cut off from mainstream business networks that help firms access capital, information, sales opportunities and business advice so essential to a vibrant business community. This is the gap that BusinessLINC is designed to help fill.

BusinessLINC is a new partnership between the Treasury Department, the Small Business Administration, and America's business community to encourage larger businesses to work with smaller businesses and entrepreneurs, especially in America's inner cities and rural areas. The goal of BusinessLINC—Learning, Information, Networking, and Collaboration—is to help smaller firms grow and succeed by increasing their access to technical skills, business advice, market knowledge, and business contacts. Larger firms report that these relationships are "win-win", helping them to reach new markets, partner with agile companies, cultivate a strong supplier base, thrive in industries that call for inter-firm collaboration, and create stronger communities.

In July 1998, Vice President Gore asked Treasury Secretary Rubin and SBA Administrator Alvarez to co-chair the first stage of BusinessLINC. In order to learn about cutting edge private sector business practices in this area, Treasury, SBA and other federal agencies held six regional meetings attended by over 500 small businesses, large businesses, and government officials. As a result of those meetings, a report was released late last year documenting the key factors for success, providing dozens of examples and case studies, and listing current resources. The *BusinessLINC: Business-to-Business Relationships that Improve the Economic Competitiveness of Firms* report identifies 14 different strategies that firms use to form these relationships, including one-on-one technical advice and consulting, classroom and group training, peer group consulting, strategic alliances, and supplier and marketing development for small businesses.

Financial institutions and other businesses can learn about BusinessLINC strategies and potential partners through national and local BusinessLINC coalitions, which will 1) encourage companies to build BusinessLINCs into their core business strategies, 2) disseminate best practices, 3) create forums for businesses to exchange information, and 4) support an Internet website.

The National Coalition includes the Business Roundtable, the National Minority Supplier Development Council, the National Black Chamber of Commerce, the U.S. Hispanic Chamber of Commerce, the National Association of Women Business Owners, the Women's Business Enterprise National Council, and the National Congress of Community Economic Development.

Around the country, local BusinessLINC coalitions will encourage more BusinessLINCs in distressed areas. Some cities will build on existing programs, others may focus on supplier networks, and others may emphasize minority business development. The goal is to increase partnerships that meet local business needs, rather than pursuing a single uniform approach. BusinessLINC chapters are in formation in:

District of Columbia — co-chaired by Patrick Swygert, President of Howard University and David Rutstein, Senior Vice President of Giant Food, and housed at the Greater Washington Board of Trade.

Dallas — chaired by John Appel, President of GTE Network Services under the auspices of the North Texas Commission and the Dallas-Ft. Worth Minority Business Development Council.

Boston — led by the Boston Business Collaborative and co-chaired by Marsh Carter, CEO of State Street Bank and Ed Dugger, CEO of UNC Ventures and Director of the Federal Reserve Bank of Boston.

Chicago — led by the Civic Committee of the Commercial Club of Chicago, whose President is Eden Martin, Managing Partner of Sidley & Austin.

Mississippi Delta — chaired by Wayne Leonard, CEO of Entergy Corporation, in conjunction with the Enterprise Corporation of the Delta, whose President is William Bynum.

New York City — chaired by Donald Boudreau, Vice Chairman of Chase Manhattan Corporation and housed at the New York City Partnership, chaired by Bob Kiley.

Many financial institutions are already assisting small businesses, both borrowers and suppliers, with more than financing and traditional pre-loan counseling. Some large and small lenders are experimenting with promising new approaches that are helping to strengthen their borrowers. The National BusinessLINC and Small Business Technical Assistance Conference, held on September 15, 1999 in Washington, D.C., featured financial institutions and small businesses sharing their successful efforts, including:

- small business counseling by CDFIs and loan pools
- partnerships with specialized nonprofits
- targeted supplier development and mentoring programs
- mini-MBA programs
- civic leadership to promote inner-city business connections
- direct assistance through full-time small business counselors ■

Copies of the BusinessLINC report are available on the SBA's website at ***http://www.businesslinc.sba.gov****, or by calling Don Graves at (202) 622-4042.*

Questions about BusinessLINC may be referred to Caryn Stein, at (202) 906-7020.

Community *Notes*

Bridging the Affordability Gap, a workshop on financing affordable homeownership in rural communities was held in Manchester, New Hampshire on June 16-17 and in Columbia, South Carolina on July 20-21. The workshops demonstrated how RHS' leveraged loans can help open the door to affordable home ownership for low-and moderate-income families in rural America. OTS — along with RHS and other members of the Rural Home Loan Partnership (RHLP) — is a co-sponsor of these workshops. The next workshop is planned for Oakland, California on November 17. For additional information on future events, you may call Roberta Youmans, Federal Housing Finance Board, at (202) 408-2581.

Upcoming Events and Training Opportunities . . .

November 18 -19: ***Serving Emerging Markets,*** at the Hilton, Twin Knolls Road, in Columbia, Maryland. The OTS Southeast Region will sponsor training for thrifts operating in the State of Maryland. For more information, please call Lynn Bedard at (404) 888-8443.

Future editions of the Community Liaison will highlight thrift industry community development activities and related issues and regulatory initiatives. We welcome your comments, as well as information about your institution's community development activities. Please contact your regional OTS Community Affairs Liaison, or write to us at our email address: community@ots.treas.gov. We look forward to hearing from you.