Community Liaison

Volume No. 2001-02 April 2001

Why Might a Thrift Invest in an SBIC?

A Quick Summary

By Christopher Lane Davis

Fast Facts About the SBIC Program

The SBIC Program. The Small Business Investment Company or SBIC program was created in 1958 in response to a study by the Federal Reserve showing that small businesses were having difficulty getting the capital they needed to operate. The purpose of the SBIC program is to provide debt and equity capital to small businesses in the United States.

Structure and Licensing of SBICs. SBICs are privately owned and managed for-profit investment companies that make long-term debt and equity investments in small businesses. To be licensed as an SBIC, the qualifications and experience of each individual investment manager must be reviewed in detail and approved by the Investment Division of the SBA.

SBA Leverage. Once licensed, an SBIC is eligible for leverage in the form of either debt or preferred equity from the SBA in an amount of up to 300% of its private capital (in the case of debt) or 200% of its private capital (in the case of preferred equity). Debt (or "debenture") leverage is a 10 year loan with current semiannual interest payments and a balloon payment of principal at maturity. Preferred equity (or "participating security") leverage is a preferred limited partnership interest (issued by the SBIC and purchased by SBA) that has an annual accruing fixed "prioritized payment" plus a share in the SBA's net profits. Participating security leverage also has a 10 year maturity, but payment of the accruing prioritized payments and profit share are contingent on the SBIC realizing net profits.

SBICs that are wholly-owned subsidiaries of banks have customarily not used SBA leverage, although they could do so. In many cases, bank-owned SBICs have not used SBA leverage because the bank's

Licenses Outstanding and SBIC Program Capital Resources Fiscal Year 2000 *($ in millions)*

Type of SBIC	#	Private Capital	Leverage & Commitments from SBA	Committed Capital Resources
Bank-Owned Regular SBICs	91	6,196.4	38.5	6,234.9
Regular Debenture SBICs	116	1,368.3	1,520.4	2,888.7
Reg. Participating Security SBICs	129	2,698.9	3,346.2	6,045.1
Specialized SBICs	59	143.2	112.5	255.7
TOTAL	395	$10,406.8	$5,017.6	$15,424.4

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internal cost of capital has been lower than the cost of SBA leverage.

Current Status of the SBIC Program As of fiscal year 2000, there were 395 SBICs, with total capital of $15,424,400,000 *(see table on page 1)*.

Investments in SBICs Have Favorable Regulatory Treatment for Thrifts

SBICs are an Authorized Investment for Thrifts. As a result of a change in the law adopted as part of the Small Business Programs Reauthorization Act of 2000 in January 2001, thrifts now have the same statutory authority to invest in SBICs that national banks, bank holding companies and thrift holding companies have long had. Under their new authority, thrifts are authorized to invest up to an aggregate of 5% of their capital and surplus in SBICs. The authority permits a thrift to own minority or majority interests in SBICs, or have an SBIC as a wholly owned subsidiary. The authority authorizes thrifts to invest in limited partnership interests, membership interests (in a limited liability company), stock or debt securities issued by SBICs. This investment authority does not require OTS regulations, and became effective when adopted in January.

SBICs are Qualified Investments under CRA. SBICs are "qualified investments" for purposes of investment test under the Community Reinvestment Act regulations.

Investments in SBICs Have Favorable Risk and Return Characteristics

Federal Regulatory Oversight of SBICs. SBICs are regulated by the SBA. As part of its licensing process the SBA reviews the business plan, organization and the qualifications and experience of each individual investment manager prior to licensing an SBIC. Once licensed, SBICs are subject to on going regulatory supervision by the SBA, including comprehensive financial reporting requirements and regular field examinations. This level of regulatory oversight provides a level of protection to investors not found in most other types of "qualified investments."

Financial Performance of SBICs. The documented financial performance of both bank- owned and independent SBICs demonstrates that SBICs are investments that can be made without compromising a thrift's expectations for a profitable return on its capital *(see table on page 3)*.

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Weighted Realized Rate of Return on Invested Capital for Regular SBIC Program Licenses *(Fiscal Years 1991 to 2000)*

Fiscal Year	Bank Owned SBICs	Debenture SBICs	Participating Security SBICs	All regular SBICs
1991	5.31	(4.38)	--	3.54
1992	11.89	1.50	--	10.46
1993	17.01	14.09	--	16.66
1994	16.03	0.63	--	14.32
1995	8.55	5.34	(14.70)	7.96
1996	14.51	11.58	(6.70)	13.58
1997	19.78	10.00	7.32	18.05
1998	20.87	16.28	7.41	19.39
1999	10.98	4.85	24.15	11.32
2000	35.26	17.87	99.38	39.65

Realized Rate of Return on Invested Capital was calculated by dividing Net Income by the average of the beginning and ending balances of Paid-in Capital Stock & Surplus plus Partners Permanent Capital Contributed plus Undistributed Realized Earnings .

SBICs Provide Critical Benefits for Economic and Community Development

Financing for Small Businesses. SBICs fulfill a critical role in economic development by providing long term debt and equity capital to small businesses. In fiscal 2000:

- SBICs invested $5,466.3 million in 4,639 small business financings in 3,060 small businesses.
- SBICs invested in companies located in 47 states, the District of Columbia, Puerto Rico and the Virgin Islands.
- SBICs invested $1351.8 million in 1,318 businesses located in low- and moderate-income areas.
- 62.7% of the total amount invested by SBICs was in businesses three years old or less.
- 73.5% of the total amount invested by SBICs was in the form of equity.
- The average investment by an SBIC was $1,730,000, as compared with an average investment size of $11,840,000 for non-SBIC private venture capital firms.

SBICs Can Provide Business Development Opportunities for Thrifts

SBICs can assist thrifts with the development of new business:

- SBICs review a high volume of business plans from small businesses to identify those small businesses that have the potential for rapid and successful growth. These are businesses that are likely to have rapidly expanding needs for credit and other credit and financial services.
- SBICs provide these businesses with the additional equity they need for growth and expansion. This additional equity provides the base for these businesses' expanded use of credit services.
- SBICs can assist thrifts by providing subordinated debt and equity financing to thrift borrowers. This financing can allow a thrift to provide a broader range of financial products and to structure more complex commercial transactions.

Where to Find More Information

Information from SBA. The SBA Investment Division manages the SBIC program and maintains an Internet web site (www.sba.gov/INV) with a wide variety of information on the SBIC program.

Information from the SBIC Industry. The National Association of Small Business Investment Companies is the national trade association for the SBIC industry, and maintains a helpful Internet web site (www.nasbic.org).

Information on CRA. The Federal Financial Institution Examination Council Internet web site (www.ffiec.gov) contains a wide variety of information about the Community Reinvestment Act regulations and links to other CRA-related Internet web sites maintained by other federal agencies ■

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Returning Home

"Imagine what your neighborhood would look like without Credit, . . ."

. . . invites John Williamson, Executive Director of the Lower Elwha Tribal Housing Authority, when educating financial institutions about the need for access to credit for Indian Tribes and their members. Common wisdom in the banking industry says that tribal sovereignty and land status issues make housing finance in Indian Country next to impossible. Even federal guarantees programs, such as HUD 184, come with burdensome regulations and lengthy processing delays.

But when a community bank with a desire to serve its entire assessment area and the willingness to think creatively partners with a Tribe that has a serious demand for on reservation housing and the drive to assist its members in accessing traditional credit and banking services, frustration can breed innovation.

The Lower Elwha Klallam Tribe is a land-poor tribe with a large demand for housing. The Tribe's 443-acre Reservation sits at the mouth of the Elwha River on the northern tip of Washington's scenic Olympic Peninsula. At this time, approximately 400 of 700 tribal members live on reservation and that number increases as housing opportunities become available. Still, over 100 tribal members remain on the waiting list for housing. Based on Washington state demographics, which indicate an increasingly young population on Indian reservations throughout the state, the demand for housing will continue to grow.

A significant number of middle-income tribal members live off reservation, often in over crowded and substandard housing. Many wish to return and to be part of the tribal community, but housing resources are scarce. It is not surprising that the Tribe wants to attract this group, "the model citizen who should be served," according to Williamson, "to set an example for future generations." The Tribe and the Housing Authority find it difficult to serve this population, however, because their incomes exceed program guidelines of government supported housing programs. At the same time, traditional mortgage financing is difficult, though not impossible, because the trust status of most reservation land does not allow liens to be placed on the property.

First Federal Savings and Loan Association of Port Angeles, a mutual savings bank in Port Angeles, WA, believes its mission is to serve the community and it wanted to provide mortgages for tribal members. Though it closed three HUD 184 loans and two FHA 248 loans, the bank found the programs to be problematic because of lags in processing time, mandatory downpayment requirements and required construction contingencies.

Williamson and Waggoner put their heads together, and in a true bipartisan effort, developed the Lower Elwha Tribal Loan Program, with no government programs or outside sources of funding involved. It wasn't always easy, and it wasn't as fast as they had hoped. When asked, both Waggoner and Williamson can rattle off the exact day on which the process started, February 19, 1999. They agree that relationships are critical and that all parties must have a comfort level to proceed. With some give and take on both sides, and a education process for both the bank's and the tribe's attorney, Waggoner and Williamson designed a product that would provide loans to individual middle-income tribal borrowers for the purchase and installation of manufactured housing units. The first loan closed May 1, 2000, and recently, the last of nine new housing units was occupied.

First Federal agreed to provide up to $750,000 the financing. In turn, the Tribe agreed to guarantee the performance of the individual borrowers on a monthly basis. In the case of default, the Tribe can assume the loan, make the payments or find a new borrower. All loans are assumable. Downpayments were not required.

The Tribe provided a limited waiver of sovereign immunity, for this project only, which allows First Federal to foreclose on the units. Both sides agreed to use the binding arbitration process with the state arbitrator. But such action would only be necessary if both the borrower and the Tribe walked away, and the thrift needed to fully foreclose.

Under Washington State law, manufactured housing is considered personal property, even if affixed to a permanent foundation. The loans are personal, not mortgage, loans, but they are structured as construction loans. Pricing was based on a blend of First Federal's personal property loan rates and USDA Section 502 (a federally insured product) rates: 8.875% for 30 years, fixed. While slightly higher than prevailing mortgage rates at the time the loans were approved, the rate was

Personal Financial Literacy Curriculum For Native Communities

The lack of financial literacy skills among both the banked and unbanked cuts across all income and ethnic groups. The need for financial literacy training is especially great in Native communities where access to credit and banking services historically has been limited. Most existing personal finance programs, however, lack culturally sensitive material that connects traditional Native resource management skills with managing money and credit in today's economy. *Building Native Communities: Financial Skills for Families* is a ground breaking financial literacy curriculum designed to teach personal financial skills to Native communities. Building on Native values as the foundation, the material introduces critical financial skills through "real world" situations.

The curriculum is aimed at adult members of Native communities in the United States. Ideally, the program's goal is to train a community member to provide training to others in his or her community. An Instructor's Guide provides detailed teaching instructions, learning objectives and a variety of activities to reinforce skills and to help students apply new knowledge. The Participant Workbook includes stories, visual aids, discussion activities and reference charts that support key money management concepts and help participants prepare for managing their own finances. Organized into six sessions, training topics include developing and using a spending plan, managing money with checking and savings accounts, understanding credit, and applying for a loan. The material is self-contained and can be taught as a stand-alone program or can enhance an existing curriculum.

Building Native Communities: Financial Literacy Skills for Families was developed through a partnership between First Nations Development Institute and the Fannie Mae Foundation. First Nations Development Institute, a nonprofit organization, helps Native communities build sound, sustainable communities. The Fannie Mae Foundation creates affordable homeownership and housing opportunities through innovative partnerships and initiatives. Free copies of the training curriculum are available by calling the Fannie Mae Foundation at 1-800-659-7557. You may request a copy of the Instructor's Guide and up to ten copies of the Participant's Workbook ■

substantially below the 10.75-11% offered by manufactured housing dealers. Amortized like a construction loan, the first six months required interest only payments and the loan then rolled over into permanent financing. First Federal also required an insurance reserve for each unit.

The Tribe elected to work with manufactured housing instead of stick built units for a number of reasons. Timing was a significant issue; the length of time to acquire and install the units was shorter. It is easier to perfect a lien; it is difficult to foreclose on stick built housing units on trust land. And there was a consensus amongst potential borrowers because of the affordability factor. For example, a triple-wide, three-bedroom unit with a den, installed on a permanent foundation, cost $124,000. In western Washington that is affordable. All units are taped and textured inside.

First Federal will retain the loans in its portfolio. This allows the bank to maintain contact with the borrowers, which it sees as a community bank function. Except for waiving downpayment requirements, the thrift did not bend its underwriting criteria in approving the loans, other than the standard flexibility it uses with all customers.

During the period in which First Federal and the Tribe were negotiating the program agreement, potential borrowers went through an extensive prequalification and education process by First Federal staff that included credit repair, Home-Buying 101 and a construction seminar. Borrowers qualified for the loans based on their own credit, regardless of the Tribe's guarantee. Many Native Americans, of all income levels, lack adequate credit histories, have no established banking relationships or have had previous credit problems. According to Williamson, "These folks have never had credit and can only get credit for things with wheels."

In addition to qualifying, the borrower selected a manufactured home dealer and chose a unit and upgrades within a budget. Several borrowers decided on units from a Canadian dealer because of the exchange rate; a local dealer worked with the Canadian company so that the thrift was able to avoid exchange rate issues. A number of local dealers opt not to deal with First Federal because the thrift won't pay the profit until a unit is complete.

Both First Federal and the Tribe are interested in future projects, but they will wait until this portfolio is seasoned about 24 months. In that period, potential borrowers can repair credit issues and accumulate a downpayment through a new, multi-county Individual Development Account (IDA) program that includes tribal communities. The Lower Elwha

Klallam Tribe is providing its own matching funds for members who participate. The goal is to get other qualified tribal members into the habit of saving. First Federal is one of two financial institutions providing savings accounts for IDA participants.

Both Williamson and Waggoner now look back on the past two years with a sense of satisfaction and humor. Nine families have been given the opportunity to return to the reservation. The thrift and the Tribe have established a partnership that, hopefully, will lead to future collaborations. According to Williamson, "The deal is a win-win situation for the Tribe and the bank. Waggoner concurs, adding, "The biggest sell for me was that they are profitable loans." ■

For further information about this program, contact Marie Friederichs, West Region Community Affairs Specialist at 206.553.5469; Kendra Waggoner at First Federal of Port Angeles at 360.417.3125; or John Williamson at the Lower Elwha Housing Authority at 360.457.5116.

First Federal Savings and Loan of Lake Charles, Louisiana Inc.

and the Southwest Louisiana Homeless Coalition Respond to Local Affordable Housing Needs

First Federal Savings and Loan Association of Lake Charles, Inc. was originally chartered in December, 1949, specifically to meet the savings and financing needs of the Louisiana communities it serves. Simple as it may sound, the mission statement remains the same today. The officers and board members of the Association continue to work together to assess and meet the credit needs of the community.

First Federal Savings and Loan is a mutual thrift with total assets of $363 million and nine branch offices. The main office and three branch offices are located in the City of Lake Charles, Louisiana. Additional branches are located in the cities of Sulphur, Westlake, Natchitoches and DeRidder.

Strongly committed to meeting the needs of the local community, First Federal Savings and Loan's Board of Directors and management are proud of the progressive lending programs they have created. The First Time Homebuyer Loan Program reduces costs and lowers down payment requirements. The Home Buyer Account program incorporates loan pre-qualification, a comprehensive down-payment savings plan and attractive loan incentives. In response to the special financial needs of low and moderate-income groups seeking home loans, First Federal developed the in-house First Federal Community Response Loan Program. In addition, they continue to be a lead participant in the Calcasieu Parish Bond Program which supports community development and housing. They also played a lead role in developing the Homeowner Counseling Center,

Before and after photographs highlight the dual benefits of transforming substandard units into decent, affordable housing, and the homeless into homeowners.

a community outreach and education project supported by various banks and public entities in Lake Charles.

Most recently, First Federal entered into a partnership with the Southwest Louisiana (SWLA) Homeless Coalition. The SWLA Homeless Coalition has formed a Community Housing Development Organization (CHDO) whose primary mission is to purchase and rehabilitate substandard houses and then sell them to low-income families. New owners are required to participate in the Coalition's Transitional Housing Program and must complete a homebuyer education course through the Counseling Center.

The first home is now complete. First Federal Savings and Loan provided an interim loan to the contractor and the permanent loan to the new homeowner. Due to the type of funds the Homeless Coalition used for this project, the contractor could not be paid until the project was completed and the lien period had expired. First Federal stepped in and provided a short-term working capital loan to the contractor; funds were disbursed in stages based on a percentage of completion.

First Federal worked closely with the Executive Director of the Homeless Coalition to create a financing package that would be beneficial to the new homeowner and acceptable to both the SWLA Homeless Coalition and First Federal. Since the applicant did not have a sufficient down payment, the Coalition agreed to hold a second mortgage and First Federal waived the origination fee, the documentation preparation fees, the title insurance and the underwriting costs. The permanent loan was placed into the First Federal Community Response Loan Program. The homeowner completed the Homeowner Counseling Center's Homeownership Program and is working with the Consumer Credit Counseling Center to improve her credit.

The SWLA Homeless Coalition hopes to rehabilitate 3-5 homes per year. First Federal Savings & Loan plans to continue its partnership with the Coalition and provide affordable housing opportunities for low-income families ■

For information on the program, contact Jason Sweat, Community Affairs Specialist in the Midwest Region at 972.277.9570.

Florida Thrifts Support Miami-Dade Community College's Mortgage Finance Program

Miami-Dade Community College (M-DCC) is one of three community colleges nationwide participating in the Fannie Mae Foundation's Mortgage Finance Program. The program grew out of research by the Foundation that demonstrates African Americans and Hispanics are less likely than non-minorities to become homeowners. The research also shows that mortgage approval rates for Hispanics and African Americans increase when a minority lending officer is involved in the loan application process. The Mortgage Finance Program is designed to prepare minority students for careers in mortgage lending, with a particular emphasis on the needs of minority and low- and moderate-income loan applicants. Launched with a $595,000 grant from the Fannie Mae Foundation through its Community College Initiative (CCI), the Foundation continues to provide financial support to the program.

The M-DCC Mortgage Finance Program is a 12-month certificate program within the Associate of Science in Financial Services degree program. Begun in 1999, M-DCC's first class enrolled twice as many students as originally projected. While the organizers expected to enroll 25 students per year, the program has averaged 60 students per year. The program is not confined to classroom lectures. Students are trained to use the most up-to-date mortgage industry software and other technology. During the year, each student completes an internship with a local area lender.

In 2000, 25 students completed the certificate program, and many now work in the mortgage industry. The program has been successful due to the efforts of its many local supporters. In addition to M-DCC and the Fannie Mae Foundation, the collaborative includes mortgage bankers, financial institutions, representatives of professional and trade organizations, community-based organizations, and public sector housing and community development agencies. Fortunately, area financial institutions, including several thrifts, play key roles in the success of the M-DCC program. **Gibraltar Bank, FSB** sits on the local advisory committee for the program, has hired a program graduate and sponsored scholarships for deserving students. **Citibank FSB** provided scholarships and sits on the advisory committee, as do **Washington Mutual** and **BankAtlantic**. **AmTrust**, a division of **Ohio Savings Bank** and **BankUnited** provided internship opportunities for program students. Ohio Savings Bank is also a partner in the Cleveland, Ohio program.

M-DCC Program Director, Teddie Laing, is grateful for the active participation of the local lenders.

Without their cooperation and support, the program would be much less successful. Laing notes, however, that plenty of opportunities still exist for other financial institutions to support the program and for existing supporters to expand their involvement. Her "wish list" highlights the wide range of opportunities available for financial institution participation:

1. Encourage employees to enroll in the program
2. Become an instructor
3. Be a guest industry expert in the classroom
4. Serve as a mentor
5. Provide internship opportunities
6. Sponsor a student by providing a scholarship
7. Hire graduates

The Fannie Mae Foundation supports two other Mortgage Finance Programs, one at Cuyahoga Community College in Cleveland, Ohio and one at the Los Angeles Trade and Technical College in Los Angeles, CA ■

For more information about the M-DCC program, contact Teddie Laing at (305) 237-3733 or by email at tlaing@mdcc.edu You can find more information about the other programs at the Fannie Mae Foundation's website at www.fanniemaefoundation.org. Other questions can be directed to Lynn Bedard, Community Affairs Liaison at (404) 888-8443.

Raising The Red FLAG

In the September 2000, issue of *Community Liaison* we discussed the growing, yet seldom reported, problem of domestic financial abuse of the elderly. Our article, *Domestic Financial Abuse of the Elderly*, described steps that financial institutions could take to help prevent elder financial abuse and highlighted several West Coast programs designed to educate bankers and their customers about the signs of such abuse. Similar efforts are underway around the country. Chicago and Cook County, Illinois, are home to FLAG, one of the first groups to raise awareness in the banking community.

FLAG, which stands for Financial Institutions, Law Enforcement And Government, is a non-partisan partnership committed to protecting the elderly and persons with disabilities from financial exploitation. Its goals are to raise public awareness of the problem, to standardize and streamline response and reporting procedures, to develop training products and to coordinate efforts between agencies and institutions. FLAG was initiated in 1997 by representatives of Bank One, N.A. (formerly First Chicago NDB Corp.), the Chicago Police Department, the Office of the Cook County Public Guardian, and the Elder Abuse Unit of the Cook County State's Attorney's Office.

The list of FLAG partners has grown to include the Chicago Office of the FBI, Northern Trust Bank, LaSalle Bank, and other financial and governmental organizations. The Chicagoland Chamber of Commerce acts as the distribution channel and information center for the FLAG training product. A FLAG Task Force meets once a month; it is open to all interested groups. Jan Carroll, President of the Chicago Main Office Branch at Bank One, is president of the FLAG Task Force. The Office of Thrift Supervision's Central Regional Office is a member.

FLAG's focus has been public awareness and training. Because it has neither the staff nor the resources to provide onsite training, FLAG developed a "train the trainer" course and manual that can be adapted to different audiences. The manual contains modules for law enforcement, financial institutions and government agencies; the modules illustrate the role each group plays in the coordinated effort to combat elder financial exploitation. Materials include a video, case studies, overhead slides and power point presentations. To offset production costs, financial institutions are charged $125 for the training manual.

Representatives from banks and thrifts attend a "train the trainer" class and, in turn, train front line personnel at their institutions. FLAG developed sample documents to facilitate recognition and reporting of elder financial exploitation including policies and procedures for reporting suspected financial abuse, a profile of victims, a list of warning signs, and a manager's report form.

Initially designed to serve the City of Chicago and Cook County, FLAG now offers its program throughout the state of Illinois. Staff from 49 financial institutions, ninety police departments or sheriff's offices, and 26 other government or nonprofit agencies have completed the training program. FLAG's model is being replicated in the state of Ohio.

For more information on FLAG, how you can participate in the program, or to find out when the next "train the trainer" class is scheduled, call either Joyce Soto at (312) 732-6053 or Rita Tabor at (312) 732-5625 ■

For information about this story, contact Marie Friederichs, Community Affairs Specialist, OTS West Region, at 206.553.5469 or Claude Becker, Community Affairs Liaison, OTS Central Region, at (312) 917-5022.

Low-Income Housing Tax Credit Database

Since its inception in 1987, the Low Income Housing Tax Credit (LIHTC) program has become the principal Federal subsidy mechanism for supporting the production of new and rehabilitated rental housing for low-income households. In March, the U.S. Department of Housing and Urban Development's (HUD) Office of Policy Development and Research released an update of the Low-Income Housing Tax Credit (LIHTC) Database. The only comprehensive source of information on LIHTC projects, the existing database has been expanded to include LIHTC-financed projects placed in service from 1995 through 1998.

Although HUD has no direct administrative responsibility for the LIHTC program, it collects and provides information from the 58 state and local agencies approved to issue federal tax credits under the decentralized program. The new HUD report adds basic data on 4,833 projects and 300,891 units. Information includes project location, contact information for sponsors, number of total units and tax credit-eligible units, unit distribution by number of bedrooms, construction type, credit type, sponsor data, and other pertinent information.

A summary of the report is available in the Winter 2000 edition of U.S Housing Market Conditions at www.huduser.org/periodicals/ushmc/winter2000/summary-2.html. The complete 52-page report, Updating the Low-Income Housing Tax Credit (LIHTC) Database, can be purchased through HUD USER by calling 1-800-245-2691 or can be downloaded from the Internet at http://www.huduser.org/datasets/lihtc/report9598.pdf.

With the decline of federally sponsored rental housing construction, the need for low-income rental housing has grown. To mitigate the increase in housing development costs and the decline in low-income rental housing stock, the per-capita allocation of credit authority of a state will increase from \$1.25 per capita to \$1.50 in 2001, to \$1.75 in 2002, and will be indexed to inflation in subsequent years. Tax credits, which reduce federal income tax obligations, are generally syndicated and sold to investors through development funds or equity funds. Over the last several years, intense competition for tax credit awards has increased the price investors are willing to pay for the credits. Many financial institutions purchase LIHTC's, which qualify for credit under the CRA investment test ■

Upcoming Events and Training Opportunities . . .

May 14-15: New York City, New York. ***"Helping People Overcome Barriers and Build Careers"***, the Second Annual Ready, Work, Grow Conference sponsored by the Enterprise Foundation.

July 22-25: Duluth, Minnesota. ***"The Times They Are A Changing: Working Partnerships for Viable Communities"*** an international summit on community and rural development sponsored by the Community Development Society, the Minnesota Rural Partners, and the National Rural Development Partnership. For more information visit www.minnesotaruralpartners.org or call Marcie Mclaughlin, Minnesota Rural Partners at (507) 829-5636.

July 22-26: Cleveland, Ohio. ***2001 National Community Development Lending School*** sponsored by the Federal Reserve Bank of San Francisco, the Federal Reserve Bank of Cleveland and the Case Western Reserve University. For program and registration information, contact Fred Mendez at (415) 974-2722.

August 20-24: Washington D.C. Neighborhood Reinvestment Corporation's ***Washington Training Institute***. For more information call (202) 220-2454 or visit www.nw.org

September 17-19: Baltimore, Maryland. ***2001 National Community and Economic Development Conference*** sponsored by the American Bankers Association and the Office of the Comptroller of the Currency.

October 18-22: Jackson Hole, Wyoming. ***Helping Small Towns Succeed***, a program sponsored by the Heartland Center for Leadership Development. For more information, call (402) 474-7667 or (800) 927-1115.

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.

The Office of Thrift Supervision (OTS), a bureau of the U.S. Treasury, regulates and supervises the nation's thrift industry. OTS's mission is to ensure the safety and soundness of thrift institutions and to support their role as home mortgage lenders and providers of other community credit and financial services.