

COMMUNITY *Connections*

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WINTER 2011

FEDERAL RESERVE BANK of KANSAS CITY



CAO'S NOTE

*by Tammy Edwards,
Assistant Vice President and
Community Affairs Officer*

KNOWLEDGE IS POWER

Noted writer Dr. Maya Angelou often says, "When you know better you do better."

This quote resonates with me because our job is to facilitate meetings that bring together the best resources and technical assistance providers to enhance programs for the low- and moderate-income (LMI) communities throughout the Tenth District.

One such issue that impacts LMI consumers is the overall stability of their finances. Although personal savings rates are rising, approximately 30 million U.S. households do

Continued on next page

Understanding the Underbanked

By Steven Shepelwich, Senior Community Affairs Advisor

Findings from a series of focus groups conducted by the Kansas City Fed have led to presentations to a wide range of local and national audiences on why millions of low-income families fail to use banks to manage their money.

The research is being disseminated to banking, community and nonprofit organizations as well as being used to enhance Bank On campaigns, which have been launched or are in the planning stages in Denver, Omaha and Kansas City.

Bank On campaigns are collaborative efforts by banks, community organizations, financial counselors and public leaders that seek to connect low-income families to improved financial choices and opportunities.

The complete report and targeted research briefs can be found at:

<http://www.kansascityfed.org/research/community/unbanked.cfm>.

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Oklahoma City Branch Senior Community Affairs Advisor Steve Shepelwich delivers a presentation on the Kansas City Fed's research on why many low-income families fail to use banks to help them manage their money.

CAO's NOTE *(Continued)*

not have a traditional relationship with a regulated financial institution.

In this issue of *Community Connections*, you'll read about initiatives we have developed for financial educators and consumers that we believe will lead to more informed financial decisions. You'll read about the information we share with bank leaders, and the lessons we've learned from our quarterly LMI Survey, which guides our community development work.

Once again, we have featured a member of the Bank's Community Development Advisory Council. Linda Capps, vice chairman of the Citizen Potawatomi Nation, is a two-term member of the Council.

Enjoy our regular features and let me know what topics you'd like to see in future issues. tammy.edwards@kc.frb.org

UNDERSTANDING THE UNDERBANKED *(Continued)*

An estimated 30 million households across the country, including an estimated 2.3 million in the Kansas City Fed's seven-state District, either lack a bank account or rely on nonbanks to meet all or some of their financial needs.

Through focus groups, the Kansas City Fed gained insights into how many low-income consumers manage their money and how alternative financial providers, including check-cashers and payday lenders, operate.

Many low-income participants told interviewers that checking and savings accounts with significant fees, potential penalties and nontransparent policies are less relevant to their financial lives.

But while some unbanked consumers were satisfied with how they manage their money from day to day, they said they realized that mainstream institutions offer greater access to long-term goals, such as building savings and accessing credit.

By understanding these concerns, financial institutions, policymakers and community organizations can seek to identify new services and products to meet the financial needs of this market segment.

For more information on the research, contact steven.shepelwich@kc.frb.org.

Citizen Potawatomi Nation Preserves Heritage While Looking to Future By Paul Wenske, Senior Community Affairs Advisor



The Citizen Potawatomi Nation's Cultural Heritage Center in Shawnee, Okla., celebrates the cultural contributions of Native Americans to U.S. history. The Nation's various enterprises contribute to the local economy and employment base.

Stepping into the Citizen Potawatomi Nation's Cultural Heritage Center in Shawnee, Okla., takes visitors back in time to a rich period in history.

Upon entering, one is greeted by a realistic, hands-on exhibit designed to resemble a traditional Potawatomi village that details daily tribal life, including family relations, social sharing and agricultural pursuits.

The center, built in 2006, attracts more than 20,000 visitors annually and has a reputation as one of the foremost tribal museums

Continued on next page

CITIZEN POTAWATOMI NATION PRESERVES HERITAGE WHILE LOOKING TO FUTURE *(Continued)*

in both Indian Country and the greater United States. The 36,000-square-foot center was envisioned “as a living history museum” to celebrate the cultural contributions of Native Americans, and the Citizen Potawatomi Nation in particular, to U.S. history.

But the Nation isn’t tethered to just a remarkable past. It is expanding into the future with profitable enterprises, social and health centers and construction projects that not only sustain the Nation, but contribute to the local and state economy.

Federal Reserve Bank of Kansas City President Tom Hoenig and other Bank officials were provided an inside look at the Nation’s heritage and economic growth initiatives this past October when the Bank held its Fall Community Development Advisory Council (CDAC) meeting in Oklahoma.

Linda Capps, the vice chairman of the Nation, is a member of the CDAC, which meets with President Hoenig and members of the Bank’s senior management to provide insight on economic and community development issues in the seven states of the Tenth Federal Reserve District.

As Bank officials and CDAC members learned, the Nation’s holdings are impressive and include two casinos, a grocery store, a golf course, a radio station, a community development financial institution (CDFI), and a bank, First National Bank & Trust Co. in Shawnee, which has seven branches in various Oklahoma communities.

More is underway. The Nation is constructing a 24-lane bowling alley, a health clinic and a 60,000-square-foot arena that will host concerts, livestock shows, motorcycle races and other popular events. Planned for later this year is a new youth council building, which will

include a gymnasium. The Nation also remains true to the earth, heating and cooling some of its buildings with an extensive geothermal energy system.

Nation Chairman John Barrett explained that wise management of its varied enterprises has allowed the tribe, which had \$550 in the bank 40 years ago, to be worth about \$400 million today. He said the enterprises employ about 2,000 people, making the Nation Potawatomi County’s biggest employer. Noting the impact on the local economy, Barrett explained that tribal members take “a great deal of pride in our community.”

In fact, the tribe has a history of entrepreneurship. Members owned one of the first dealerships to sell the McCormick reaper, a

machine that revolutionized wheat harvesting in the first half of the 1800s. Anyone visiting the Nation’s Cultural Heritage Center can plainly see the pride that tribal members hold for their history.

Interactive exhibits and touch-screen displays allow visitors to learn about ancestral Potawatomi lands, villages and genealogy, including the forced emigrations of Potawatomi from the Great Lakes to Indian Territory.

The center’s staff is also working with artisans, linguists, elders and scholars to create a series of short films focusing on traditional legends and teachings as the Nation continues to link its future with its past.

For more information, visit:
<http://www.potawatomi.org/>.



Kansas City Fed officials recently toured enterprises owned by the Citizen Potawatomi Nation in Shawnee, Okla. Pictured left to right are: First National Bank & Trust Co. CEO and President Larry Briggs; Potawatomi Nation Vice Chairman Linda Capps; Federal Reserve Bank of Kansas City President Tom Hoenig; and Potawatomi Nation Chairman John Barrett.

Q&A: Linda Capps

Linda Capps is the vice chairman of the Citizen Potawatomi Nation, which has nearly 30,000 tribal members and is headquartered in Shawnee, Okla. She has also worked in education for 20 years as a high school business teacher, adult education instructor, and as a government-contracting specialist with the Oklahoma Bid Assistance Program. She has worked at the Citizen Potawatomi Nation in conjunction with her duties as vice chairman since January 1999 and has been an elected official at the Nation since 1987.

Ms. Capps was honored by the Small Business Administration in 1997 as the "Oklahoma Minority Advocate of the Year," for her successful assistance to minority small business owners. She currently serves on the Tenth Federal Reserve District's Community Development Advisory Council (CDAC), which meets with the Bank president and members of the Bank's senior management to offer insight on economic and community development issues in the District's seven states. Community Connections periodically features CDAC members and other leaders committed to community and economic development. An edited interview with Ms. Capps follows:

HOW IMPORTANT ARE THE TRIBAL NATIONS TO THE OKLAHOMA ECONOMY?

The 38 federally recognized tribes in the state of Oklahoma have a huge impact on the state's economy. For those tribes that own casinos, continuing growth in gaming alone creates nearly \$3 billion in revenue per year. Profits stay in Oklahoma and are circulated back into the communities and state. Benefits can be seen in tribal housing and health services, roads and bridges, construction projects, and donations to schools and community organizations.

WHAT IS A UNIQUE CHARACTERISTIC OF THE CITIZEN POTAWATOMI NATION?

We are the only tribe within the United States that elects a portion of its officials outside of its jurisdiction. The Citizen Potawatomi Nation changed its constitution in 2007 by referendum of the voting members to extend representation from designated districts throughout the United States. It is fitting that tribal members from outside of Oklahoma (about two-thirds) now have governmental representation.



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WHAT MAJOR CHALLENGE IS THE CITIZEN POTAWATOMI NATION FACING?

All Indian tribes within the state of Oklahoma face challenges inherent to sovereign nations. There are issues, and sometimes conflict, between states and tribal entities. At the same time, compacts, contracts and agreements have been used successfully to address these issues. In addition, our state has been in an economic slump similar to all parts of the country. We have done well to compensate by cutting back on expenses whenever and wherever possible within the governmental programs and enterprises.

WHAT ARE SOME RECENT ACCOMPLISHMENTS YOU ARE ESPECIALLY PROUD OF?

At a time when unemployment is up statewide, the Nation has maintained employment at a consistent level. In coming months, our Nation will be hiring for a new bowling center, an events center and for construction of numerous projects. We have more land in trust, more medical and social services, and more long-term employment than ever before. We are also reaching more tribal members. We are a blessed Nation!

WHAT MOTIVATES YOU?

I am very fortunate. Each day there is something new and exciting on my agenda. It might be the responsibility to research a new enterprise or the privilege to help a tribal member. I may have the opportunity to serve a young child, or it might be an elder with whom I have never worked before. The person who seeks my assistance on a certain day might live in the local area or reside in a state as far away as Alaska or Hawaii.

LMI Survey—Lessons Learned

By Kelly Edmiston, Senior Economist

The Kansas City Fed's quarterly Low- and Moderate-Income (LMI) Survey has over the course of the past year provided substantial opportunities to learn more about the LMI population and the challenges they face.

The LMI Survey supplies a resource severely lacking in the community development arena: information on real-time conditions observed through the eyes of the service providers. The alternative is to wait for official statistics to be released.

As a result, the survey has provided greater insight into the experience of the LMI community during economic recession and recovery. For example, the survey has provided evidence of a job lag for the LMI community; that is, the LMI community sustains job losses longer than the overall job market.

Service organizations surveyed have said much of the reason for this lag is because higher-skilled, unemployed workers have been filling openings in relatively low-skilled positions, which has crowded out low-skilled LMI workers.

The survey has also indicated that when recessions are long and pronounced, and when



recovery is weak, new clients, who formerly have never utilized any type of social services, surface. Among these are “middle-class” people who have exhausted their savings after long periods of unemployment.

As a result, virtually all of the organizations participating in the survey have faced considerably greater demand for services—a demand that has continued through the recovery.

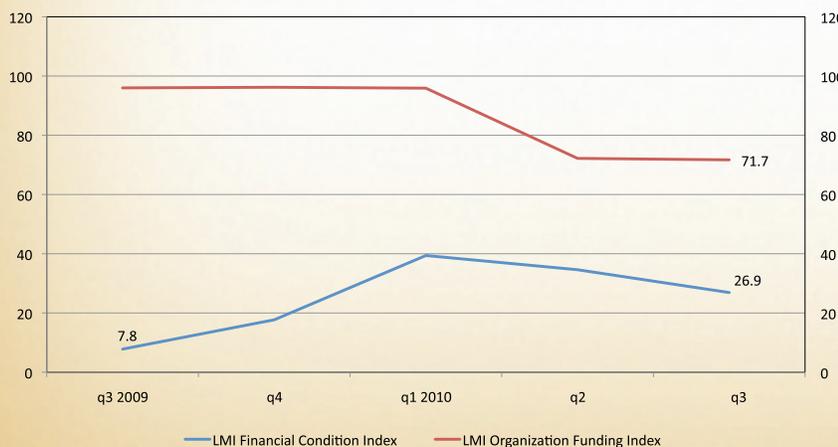
The survey has also provided insights into the relationships between indicators. For example, the survey has revealed an important link between the financial condition of the LMI population and affordable housing. As credit standing has deteriorated among LMI consumers, access to housing has been di-

minished as well because landlords are setting higher minimum credit standards for their renters.

The ability to gain specific information in “real time” gives the Bank’s Community Affairs staff greater flexibility to provide timely resources and relevant programs to our partners, allowing them in turn to make better use of their resources.

In response, the Bank’s Community Affairs staff plans to focus additional attention and resources on workforce development initiatives in 2011.

To see the latest LMI survey and to subscribe, visit: <http://www.kc.frb.org/research/indicatorsdata/lmi/index.cfm>.



The survey suggests that both the overall financial condition of LMI consumers and funding for LMI service organizations have continued to deteriorate. (A value below 100 indicates deterioration.)

Tenth District Money Smart Programs Expand

By Erika Ramirez, Senior Community Affairs Advisor

The Tenth Federal Reserve District's popular Money Smart Week programs will grow in number, size and personal finance topics in 2011.

The growth reflects the response from community organizations seeking additional tools to help consumers improve their financial knowledge, build awareness of new products and reshape their spending, budgeting and saving behaviors.

Wichita, Kan., will host its first annual Money Smart Week, April 25-30, with a goal of offering more than 25 free sessions on personal finance topics. The effort includes a collaboration of financial institutions, businesses, schools, libraries, nonprofit organizations, government agencies and the media as partners.

In addition to the launch in Wichita, the fourth annual Money Smart Week of Greater Kansas City is expanding its menu of events through the entire month of April, including more weekend sessions to accommodate work schedules.

Money Smart Weeks in Colorado, Nebraska and Oklahoma are also reaching out to new partners and adding new topics that keep pace with changing economics and address consumer needs.

Money Smart Weeks typically offer free financial education classes and informational resources provided by a collaboration of public and private organizations. Topics include credit and debt repair, retirement planning, wealth building, avoiding identity theft, budgeting secrets and successful investment strategies.

To learn more about how you can get involved, visit the websites below.



MONEY SMART MONTH



KANSAS CITY

• • • APRIL 2011 • • •

- *Money Smart Greater Kansas City (April 1 – 30, 2011) www.moneysmartkc.org*
- *Jump\$tart Your Money Oklahoma (April 23 – 29, 2011) www.kansascityfed.org/OkFinEd/JYMWeek*
- *Money Smart Colorado (April 23 – 30, 2011) www.moneysmartcolorado.org*
- *Money Smart Wichita (April 25 – 30, 2011)*
- *Money Smart Nebraska (November 7 – 13, 2011) www.moneysmartnebraska.org*

Region Roundup

COMMUNITY REINVESTMENT

Community Reinvestment Act (CRA) roundtables for financial institutions were hosted by Community Affairs staff in Albuquerque, N.M.; Denver, Colo.; Kansas City, Mo.; and Omaha, Neb., during October, November and December. Events included updates on CRA investment opportunities, economic overviews and performance context training. To learn about upcoming locations and dates, visit: <http://www.kc.frb.org/community/>.

BANK ON

Denver Mayor John Hickenlooper, now governor of Colorado, delivered the keynote address for the Bank On Denver Kick-off Event on Oct. 4 at City Hall. To get involved in Bank On Denver, visit: <http://bankondenver.org/>.



Denver Mayor John Hickenlooper helps kick-off Bank On Denver.

COLORADO and NEW MEXICO AFFORDABLE HOUSING CONFERENCES

Attendees picked up expert tips on developing affordable housing, foreclosure prevention and help-for-the-homeless pro-

grams at the Colorado Housing Conference on Oct. 12-15 in Vail, Colo., and the New Mexico Governor's Housing Summit on Nov. 3-5 in Albuquerque, N.M. Each conference drew more than 500 attendees. For more information, visit: <http://housingcolorado.org/?section=Conference> and <http://www.housingnm.org/>.

OKLAHOMA HOMEBUYER EDUCATION CONFERENCE

The Oklahoma City Branch co-sponsored the eighth annual Oklahoma Homebuyer Education Conference on Oct. 13 in Oklahoma City, Okla. National experts addressed a range of topics involving the impact of federal and regulatory reforms on Oklahoma's affordable housing industry. For more information on the agenda and speakers, visit: <http://www.kansascityfed.org/eventinfo/community/2010-10-13-ohba-agenda.pdf>.

TAPPING NEW SOURCES and EXPLORING NEW MODELS

The Kansas City office hosted a videocast community dialogue on Nov. 10 sponsored by the Federal Reserve Bank of St. Louis. The program featured a panel of national experts discussing trends in community development

finance and new models to support community, economic and social development. For more information about the topics and presenters, visit: http://stlouisfed.org/community_development/events/?id=197.

SMALL BUSINESS ADMINISTRATION (SBA) TRAINING

The Denver Branch hosted an SBA training session for lenders on Nov. 15-16 that focused on recent changes for underwriting, completing applications and ensuring the loan guarantees stay in place. To find more training opportunities, visit: www.sba.gov.

RURAL AFFORDABLE HOUSING INITIATIVE

The Kansas City office co-sponsored a forum on Nov. 15 in Topeka, Kan., to explore ways to address affordable and workforce housing needs in rural Kansas. Participants included the Kansas Housing Resources Corp., NeighborWorks, LIISC, the Federal Home Loan Bank and Midwest Equities Fund.



Roundtables Put CRA Performance in Context

By Ariel Cisneros, Senior Community Affairs Advisor



Representatives of lending institutions talk with regulators at a Community Reinvestment Act (CRA) roundtable about the benefit of developing a strong performance context in preparation for a CRA review.

This past year, the Federal Reserve Bank of Kansas City in partnership with other regulatory agencies—the Office of Comptroller of the Currency, the Federal Deposit Insurance Corp. and the Office of Thrift Supervision—conducted roundtables throughout the Tenth Federal Reserve District, sharing with bankers the benefits of developing a strong performance context to assist in their Community Reinvestment Act (CRA) reviews.

What is a performance context?

A performance context is an analysis of a bank's market or assessment area. And a thorough performance context indicates how well a bank understands its market for the purpose of the Community Reinvestment Act (CRA).

The performance context includes three main components:

- **A DESCRIPTION of THE INSTITUTION**—background about the institution, including when it was established, its business strategies, products, services, offices and assessment areas, size and capacity, financial data, and lending focus.
- **DESCRIPTION of THE ASSESSMENT AREA**—a depiction of the market served by the bank, its physical description, demographics, economic data, and trends, along with community contacts and resource information.
- **OTHER PERFORMANCE CONTEXT CONSIDERATIONS**—possible CRA-related complaints and discriminatory or illegal credit practices.

A STRATEGIC TOOL for SHARING INFORMATION

A strong performance context can be more than just a document to show to consumer bank examiners to better understand an institution. It can assist banks in strategically identifying new business opportunities and can be used as a tool to share information with bank management about credit and development needs in communities that include low- and moderate-income populations.

Examiners suggest it can be more advantageous for bankers to be prepared with this detailed information about their communities rather than having the examiners assume information based on their own reviews.

Bankers have responded positively to the Bank's CRA roundtables. They leave with a better appreciation of how to help their examiners understand their institutions and the communities they serve, and how they can track new developments in their assessment areas.

The Kansas City Fed offers CRA roundtables throughout the year on topics relative to banking and consumer issues.

To find a Community Affairs roundtable that offers CRA training opportunities near you, contact ariel.cisneros@kc.frb.org.

For more information on developing a performance context, visit: http://www.frbsf.org/community/craresources/performance_context.html.

UPCOMING EVENTS

FEBRUARY 2011

- *February 2:* Money Smart Week

Wichita Partner Recruiting Meeting,

Wichita, Kan.

Contact: Erika.Ramirez@kc.frb.org

- *February 3:* Bank On New Mexico

Meeting, Albuquerque, N.M.

Contact: Ariel.Cisneros@kc.frb.org

- *February 4:* Loan Modification

Scam Alert and Foreclosure Programs,

Albuquerque, N.M.

Contact: Ariel.Cisneros@kc.frb.org

MARCH 2011

- *March 1-3:* Southwest Tribal

Leadership Conference,

Albuquerque, N.M.

Contact: Ariel.Cisneros@kc.frb.org

- *March 2:* Community Reinvest-

ment Act (CRA) Officer Roundtable,

Kansas City.

Contact: Erika.Ramirez@kc.frb.org

APRIL 2011

- *April 1-29:* Money Smart Month

Kansas City.

Contact: Erika.Ramirez@kc.frb.org

Cultural Differences Impact Financial Education

By Steven Shepelwich, Senior Community Affairs Advisor

Financial educators in Oklahoma examined the role culture plays in shaping financial preferences and attitudes at the seventh annual Financial Education in Oklahoma Conference held on Nov. 3, 2010.

Culture, or the shared beliefs, attitudes and meanings held by a group of people, has important implications for financial educators, said Kelvin Boston, a financial journalist and host of the public television series, "Moneywise with Kelvin Boston," who was the conference's opening keynote speaker.

Boston said culture helps define for a group of people what has value, what tradeoffs are acceptable when making decisions and who are the respected role models—all issues that directly affect financial decisions. He noted that effective financial education programs exhibit a strong understanding of the particular needs of a defined audience or group and are able to turn that understanding into action.

Conference sessions following Boston's speech focused on specific influences, including age and gender, which can affect financial education.

Joyce Serido, assistant research professor at the University of Arizona's Take Charge America Institute, discussed recent findings on the financial behavior of college students. She said work experience, education and social influences, especially from parents, were important factors in the backgrounds of students with healthy financial behaviors.

Participants left the conference with a better understanding of the need to address cultural differences in developing effective financial education programs.

For more information about the conference and to view the full agenda, visit:

<http://finedu2010.kcfed.org>.

COMMUNITY CONNECTIONS Winter 2011

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