Kansas City Fed Weighs Effect of Payday Loan Restrictions

By Paul Wenske, Senior Community Development Advisor

A Federal Reserve Bank of Kansas City forum on May 24 examined the timely issue of whether restricting payday lending can have a negative effect on the credit standing and access to credit for low-income consumers.

The forum, based on research by Senior Economist Kelly Edmiston, also featured a panel discussion on the merits of payday lending between Darrin Andersen, president of QC Holdings, a national payday lending company based in Overland Park, Kan., and Josh Frank, a senior researcher at the Center for Responsible Lending. The forum was held in Kansas City and videocast nationwide.

Edmiston’s research suggests that consumers with access to payday lending may be more able to maintain their credit standing than those without access to payday lending.

Continued on next page
Connecting Community Needs with Investment Partners
By Ariel Cisneros and Erika Ramirez, Senior Community Development Advisors

Nonprofits in Colorado, Missouri and Kansas got a unique chance to present their community development proposals to potential funders at two separate forums sponsored by the Federal Reserve Bank of Kansas City.

The Investment Connection forums were held in Denver on May 12, and in Kansas City on June 13. The purpose of each forum was to match financial institutions, corporate enterprises and community foundations with organizations that have worthy proposals that need an investment, grant or loan.

The grant proposal requests ranged from $50,000 to $2.5 million, and geographic target areas ranged from single community developments to statewide efforts. Though funding was a crucial component, the forums also provided opportunities to inform funders about critical needs facing low- and moderate-income populations.

The Denver forum included presentations by Habitat for Humanity, Colorado Enterprise Fund, Empowerment Program, Rocky Mountain MicroFinance Institute, Longmont Housing Authority, Community Resources and Housing Development Corp., International Center for Appropriate and Sustainable Technology (iCAST), and the Mile High Community Loan Fund.

Proposals in Denver included requests for a statewide revolving loan fund to acquire land, a capital improvement grant to build a 36-unit apartment, a statewide small business

Continued on next page
Collaboration and leveraging resources for positive change were common themes at an April 22 Leadership Summit hosted by the Federal Reserve Bank of Kansas City, featuring influential local and national leaders.

More than 120 corporate, nonprofit, community, economic, academic and public leaders from Kansas and western Missouri attended the event.

The summit featured four dynamic speakers, including Thomas M. Hoenig, president and CEO of the Federal Reserve Bank of Kansas City, who spoke about economic leadership. Kay Barnes, a former mayor of Kansas City, Mo., and currently Distinguished Professor for Public Leadership at Park University, shared strategies for working collaboratively in today’s public and academic arenas.

Both Hoenig and Barnes stressed collaboration and working together across sectors, industries and geographic regions, and the advantages of tackling issues collectively rather than individually when seeking positive change.

Ellen D’Amato, president and CEO of The Central Exchange, a business and support organization for women, provided attendees with information about the new Win/Win Kansas City campaign. The campaign seeks to increase the number of women serving on corporate boards and in top executive positions in Kansas City to 20 percent by the year 2015.

She stressed the advantages of corporations that embrace and promote women in leadership positions, saying they often enjoy higher stock prices, increased earnings and other improved financial indicators.

Operation HOPE CEO and author John Hope Bryant delivered an energetic keynote speech that focused on overcoming obstacles and growing as a leader. Operation HOPE is a national self-help, education and economic empowerment organization that was founded in 1992 to eradicate poverty.

Bryant referred to his bestselling book, “Love Leadership: How to Lead in a Fear-Based World,” in a wide-ranging message that addressed world economics, history, diversity, and personal and professional relationships.

Q&A: Tom Hoenig

Thomas M. Hoenig has been president and chief executive officer of the Federal Reserve Bank of Kansas City since Oct. 1, 1991. He is the longest serving of the Federal Reserve Bank presidents, and he is also the longest-tenured member of the Federal Open Market Committee, which has authority over U.S. monetary policy. In the spring, it was announced he will retire as president on Oct. 1 under the Federal Reserve’s mandatory retirement rules.

Mr. Hoenig is a long-time advocate for strong communities, and he believes in the important connection between Main Street and the national economy. He has been a strong supporter of community development efforts, leading many programs and meetings that bring together diverse groups such as developers, realtors, lenders and service providers to foster common understanding and approaches to community issues. During his tenure, he developed the Community Development Advisory Council (CDAC), which provides advice on issues in community and economic development.

The following interview captures his thoughts on the importance of community development.

What is the most enduring value of the Bank’s Community Development Department?

Our Bank’s Community Development Department’s mission—to promote community development and fair and impartial access to credit—is vitally important to the overall health of our economy. The recent financial turmoil has affected everyone, but it is the underserved and those in the low- and moderate-income (LMI) population who were especially vulnerable. This population is often the first to suffer during an economic downturn and the last to recover.

Our Bank has worked toward fulfilling this mission through partnerships with community organizations, with research to better understand the issues faced in our communities, and by hosting and sponsoring public programs. We do this with a small but effective staff who have leveraged their knowledge and connections to become leaders in the Federal Reserve System. I take tremendous pride that our Bank was the first in the System to develop a survey that measures the economic conditions of low- and moderate-income (LMI) populations and the organizations that serve them.

What are some of the biggest changes affecting the role of Community Development?

Community Development positions throughout the Federal Reserve System were created in the 1980s to help commercial banks understand their Community Reinvestment Act (CRA) responsibilities. I was at the Bank at that time and had a first-hand look at the formation of this function. While we still focus a great deal of time on CRA, it became clear that we needed staff focused on Community Development issues more broadly.

One of these issues is financial education. Regardless of economic conditions, we know that wise financial choices are linked to quality-of-life issues, such as the ability to gain additional education and retire. In our Bank, for example, we have looked closely at the issue of financial education in the workplace.

In addition, just in the last year, we have conducted research on payday lending, partnered with stakeholders on finding solutions for vacant homes, launched resources to assist nonprofit executives maximize their LMI-focused resources and continued our efforts to help underbanked and unbanked residents find safe and affordable financial products and services.

How would you describe the value provided by the Bank’s many stakeholders and partners?

Today, it is well known that the 12 Reserve Banks and their branches play an important role in giving the Federal Reserve a truly national perspective on policy and banking issues, and our partners and stakeholders are critical to our understanding of these issues. Our stakeholders’ perspective on the challenges faced by the LMI and

Continued on next page
Q&A: Tom Hoenig (Continued)
underserved communities provides valuable input for our research and programs. In addition, members of the CDAC give us a “front-line” look at the challenges faced across the Tenth District. Their views are crucial as we continue to seek solutions to improve access to credit and information about financial products.

How do you see the role of Community Development evolving?
The marketplace continues to introduce new financial products and innovative services for consumers. Examining how these will affect access to credit among the underserved and LMI communities will be an important goal of Community Development. For example, we recently hosted a forum for bankers, employers, payroll processors and community organizations to discuss and learn more about payroll cards—debit cards that are increasingly being issued by some employers instead of paychecks. The forum highlighted the need for future discussions and analysis of this new product.

I am confident our Bank will continue to seek these kinds of opportunities for dialogues on new financial services and other issues with stakeholders across the District.

Bank On Save Up Kansas City Launches with Festive Feel
By Erika Ramirez, Senior Community Development Advisor and Maurice Roper, Community Development Intern

More than 1,000 people gathered at Ilus Davis Park in downtown Kansas City, Mo., on June 4 for the launch of Bank On Save Up Kansas City.

The family-friendly event featured financial information booths, interactive activities for children, food and entertainment. The event provided an informal opportunity to raise awareness about the community program among the general public, and unbanked and underbanked consumers.

The goal of Bank On Save Up Kansas City is to encourage residents to connect with affordable financial products and services provided by regulated financial institutions, and to promote a culture of savings.

The event included a press conference featuring remarks by Kansas City, Mo., City Councilwoman and Mayor Pro Tem Cindy Circo, City Manager Troy Schulte, United Way of Greater Kansas City President and CEO Brent Stewart and United Way of Wyandotte County President and CEO Wendell Maddox. The press conference concluded with the launch of the Bank On Save Up Kansas City hot air balloon.

The event was well received and generated greater understanding among participants of the advantages of opening checking and savings accounts.

For more information about Bank On Save Up Kansas City, visit: www.bankonsaveupkc.org.
Affordable Housing Roundtable

The Omaha Branch in partnership with HUD and NeighborWorks America hosted a housing roundtable on May 2. The event drew lenders, nonprofits and neighborhood housing organizations. Panelists addressed the challenge of affordable housing and provided resources on avoiding foreclosure-rescue scams. For more information, contact: Dell.Gines@kc.frb.org.

Business Development Opportunities

The Denver Branch hosted a business development program on May 5 that gave small business owners an informational overview of lending, technical assistance and procurement resources available at the Kansas City Fed and throughout the state. For more information, contact: Ariel.Cisneros@kc.frb.org.

CRA Roundtables

Community Reinvestment Act (CRA) roundtables were held across the Tenth District focusing on a range of topics, including small business lending, microlending and assisting unbanked and underbanked consumers. Events were held in Tulsa, Okla., on April 5; in Las Cruces, N.M., on May 3; and in Omaha, Neb., on May 25. For more information on upcoming roundtables, contact: Ariel.Cisneros@kc.frb.org.

Spurring African-American Entrepreneurship

The Omaha Branch gave a presentation on encouraging entrepreneurship in the city’s African-American community at a forum on June 3. The event was sponsored by the Empowerment Network, a coalition of business and community leaders. More than 200 attendees discussed next steps to promote small business growth. For more information on the Empowerment Network, visit: http://empoweromaha.com.

Homebuyer Education Forum

The Kansas City Fed, in partnership with NeighborWorks America, hosted a Homebuyer Education Forum on June 23. The event focused on challenges and opportunities facing low- and moderate-income homebuyers. Attendees also discussed the need to raise awareness of the importance of homeownership education programs. For more information, visit: http://www.kansascityfed.org/publicat/community/Nonprofit-Executive-Succession-Planning-Toolkit.pdf.

Marietta Rodriquez, NeighborWorks America National Director of Homeownership.
Community Development Intern Learns the Ropes

The Federal Reserve Bank of Kansas City welcomes Maurice Roper as its INROADS summer intern in the Community Development Department.

INROADS is a national organization that helps businesses gain access to ethnically diverse talent through placement in internships at top corporations, firms and organizations. INROADS has been a community partner with the Bank for 20 years.

Maurice is from Raymore, Mo., and will be a junior at Saint Louis University in the fall, where he is majoring in Finance and Communication. Maurice has assisted Community Development advisors with outreach and taken on independent tasks, such as designing financial education summits for youth.

Maurice says he didn’t know what to expect from the Fed culture but was soon put at ease by the friendly support he’s received. “I knew the Fed was conservative, but the people here are extremely nice and really want to help you succeed. This experience has exceeded my expectations.”

Getting a Fed internship is not easy. The process is very competitive and those chosen have to be ready to assume a busy workload.

“It was important for me to recognize that although the internship process might not be easy, it would play an integral role in my educational and professional development,” Maurice says. “One of the biggest lessons that I have learned is that there is never only one way to do something. If you take the time to observe and think a problem through, you will reach a solution that is worth the time spent to get there.”