

COMMUNITY *Connections*

FEATURES:

3. *Oklahoma Coalition Promotes Power of Asset Building*
4. *Reserve Banks Provide Financial Insights to Youth in Washington, D.C.*
5. *Q & A: Tom Seth Smith*
7. *Lender Summits Address Tools to Assist Small Business Lending*

FALL 2011

FEDERAL RESERVE BANK of KANSAS CITY



CAO'S NOTE

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

LIFT AS YOU RISE

A few weeks ago I had the pleasure of sharing the importance of financial education with nearly 300 high school students.

After providing my insights on the basics of banking, budgeting and credit, I encouraged the students to return to their communities to teach what they learned. They were challenged to "lift as you rise." That same responsibility drives our community development work with underserved consumers, small businesses and the organizations that serve them.

In this issue of *Community Connections* you'll learn more about our efforts to lift

Continued on next page

Microenterprises Hold Promise for Economic Development

By Paul Wenske, Senior Community Development Advisor

Microenterprises play a key role in economic development strategies by creating jobs, a panel of small business experts told lenders at a Community Reinvestment Act roundtable hosted by the Federal Reserve Bank of Kansas City on Sept. 27.

The panel was one of several the Kansas City Fed has hosted across the Tenth District, which includes western Missouri, Kansas, Nebraska, Colorado, Wyoming, Oklahoma and northern New Mexico, to raise awareness of the economic promise posed by small entrepreneurships. Microenterprises are generally defined as having \$50,000 or less in start-up capital and five or fewer employees. Many microenterprises start small but blossom into large employers—think Apple and Microsoft.

Sherry Turner, president of the Women's Business Center in Kansas City, said lending to microenterprises is especially crucial now as many small businesses find it difficult to obtain traditional loans and as more women, minorities and displaced white-collar workers opt to start their own businesses.

"The need for micro-financing is there and the job creation benefits are real," she said.

Linda F. Bailey, a senior lender relations specialist with the U.S. Small Business Administration (SBA), cited statistics showing that a significant number of new jobs result from entrepreneurial efforts following a recession.

She said that 21 percent of the U.S. population, comprising about 32 million people, is now employed by a microenterprise.

The Kansas City Fed's panel stemmed, in part, from a year-long effort to explore creation of a micro-lending enterprise in the Kansas City metro area that could work with lenders, foundations and investors. Members of the exploratory group represent the Kansas City Fed,

Continued on next page

CAO's NOTE *(Continued)*

communities. An overview of the financial education programs delivered at the Congressional Hispanic and Black Caucuses are included, as well as examples of our Bank's work to help small businesses access capital

and consumers build assets.

Community Development Advisory Council member Tom Seth Smith is also featured. As the CEO of REI, a nationally recognized economic development organization based in Durant, Okla., Tom's

mission is to lift others each day.

Please review our calendar of upcoming events and visit our website often. Please contact me at tammy.edwards@kc.frb.org with your comments or article suggestions.



Pictured left to right: panelists Galen Gondolfi from Justine Petersen; Rose Jaspersen from the Nebraska Enterprise Fund; Maria Meyers from U.S. SourceLink; and Paul Wenske, from the Kansas City Fed, listen as Daniel Davis from the St. Louis Fed describes the economic value of micro-lending at the National Association of Government Labor Organizations conference in St. Louis on July 25.

MICROENTERPRISES HOLD PROMISE FOR ECONOMIC DEVELOPMENT

(Continued)

the FDIC, the SBA, the Women's Business Center, KCSOURCELINK, the UMKC-Small Business & Technology Development Center, the Johnson County (Kansas) Community College Small Business Development Center and the Hispanic Economic Development Center.

Micro-lending enterprises are certified by the U.S. Treasury and provide small startup capital from the proceeds of loans, donations and investments from public and private investors, including banks. Community Development Finance Institutions (CDFIs) and the Small Business Administration can also be sources of funding.

GROWING MOMENTUM

Many people equate microloans solely with tiny enterprises in developing countries. But the concept has grown far beyond that limited perception.

The Association for Enterprise Opportunity cites statistics showing that micro-sized businesses represented more than 80 percent of all U.S. businesses last year, a period that saw some of the highest growth in entrepreneurship.

Promoting the link to jobs was the purpose of an earlier forum on July 25 co-hosted by the Kansas City and St. Louis Feds at the National Association of Government Labor Organizations conference in St. Louis. Event leaders wanted to learn how public workforce organizations can work with technical assistance organizations and use the microenterprise concept to spur job growth.

"The St. Louis event was pivotal," said Galen Gondolfi, a senior loan counselor with Justine Petersen, a St. Louis-based SBA micro lender who participated on the panel. "Micro lending is really gaining momentum now."

Justine Petersen is now working with the Women's Business Center in Kansas City to promote technical assistance through a five-year Program for Investment in Micro-Entrepreneurs (PRIME) grant from the SBA. One desired outcome is the creation of a new micro-loan enterprise that could build partnerships with area lenders.

Gondolfi said one advantage for banks is that by lending through a micro lender they can obtain CRA credit and also limit their risks, because the micro lender can provide a full or partial loan guarantee.

Gondolfi acknowledges not all micro businesses succeed and that you can't get rid of all risks. Still, he said, "Who was Steve Jobs at one point, but just another lone entrepreneur working away in his parents' basement?"

Dell Gines, Community Development Advisor, contributed to this article.

SELECTED SITES FOR MORE INFORMATION ON MICROLOANS:

Accion New Mexico:
www.accionnm.org

Association for Enterprise Opportunity:
www.microenterpriseworks.org

Grameen America:
<http://www.grameenamerica.com/>

Justine Petersen:
www.justinepetersen.org

One KC for Women:
www.onekcforwomen.net

U.S. Small Business Administration:
www.SBA.gov

USSourceLink:
www.ussourcelink.com

Oklahoma Coalition promotes Power of Asset Building

By Steve Shepelwich, Senior Community Development Advisor



Wealth disparities affecting underserved communities have grown worse in recent years, but an Oklahoma group of nonprofit leaders are collaborating on programs and policies to reverse that trend, at least in their state.

Oklahoma Assets was formally incorporated this summer with the mission to identify and strengthen asset-building programs that benefit minorities and other underserved populations. The group plans to review programs in the state and see where, and how, they might be improved to reach the most individuals and families.

The history of the group traces in part to 2009 when the Kansas City Fed's Oklahoma Branch helped facilitate a series of "listening sessions" across the state. The sessions validated the need for a statewide coalition to strengthen asset-building programs. Support followed from the Ford Foundation and the First Nations Development Institute to build the coalition and its programs.

Oklahoma Assets worked with the Oklahoma Department of Commerce and the Oklahoma Association of Community Action Agencies to update the Oklahoma Self-Sufficiency Standard, a key resource for developing asset-building initiatives.

The group's research led it to focus on key issues, such as:

- Access and support of savings and affordable credit
- Financial education services
- Housing and homeownership incentives
- Increased educational opportunities for low-income households

Recently, the group published a policy briefing on strategies for promoting savings. The group intends to produce a second briefing on credit by the end of the year.

TRANSFORMING LIVES

Asset development programs and policies are not new. The Homestead Act, GI Bill and allowance for home-mortgage interest deduction are federal policies that have contributed to individual asset building while promoting social and economic goals, such as education

and homeownership. However, these policies have often not benefited individuals equally, particularly minorities and those with low incomes.

Some 30 states have coalitions that vary in mission and structure but work to expand asset-building opportunities. The Denver Asset Building Coalition, for example, focuses on connecting low-resource families to free tax preparation, financial education, and financial services. The New Mexico Assets Consortium reaches out with services to underserved rural areas of the state as well as addresses state policies.

Asset poverty, defined as the proportion of households without sufficient net worth to subsist at the poverty level for three months, exceeded income poverty levels in all U.S. states and the District of Columbia, according to the 2009-2010 Assets and Opportunity Scorecard, conducted by the Corporation for Enterprise Development.

More recently, a Pew research study found that white households had 20 times the median net worth of African-American households and 18 times that of Hispanic households. These are disturbing statistics in light of the fact that assets play a fundamental role in building and leveraging wealth and in providing a cushion against financial shocks.

A goal of Oklahoma Assets is to promote programs and policies that can contribute to a more inclusive economy. A guiding principle is that with appropriate support and incentives all individuals, regardless of income, can build assets that foster financial security for their families and a higher quality of life for their communities.

For additional information on wealth gaps and asset building programs, please visit:

- Pew Research: <http://www.pewsocialtrends.org/2011/07/26/wealth-gaps-rise-to-record-highs-between-whites-blacks-hispanics/>
- New America Foundation's Asset Building Program: www.assetbuilding.org
- Assets and Opportunity Scorecard: <http://scorecard.cfed.org/>
- Oklahoma Assets: www.oklahomaassets.org
- Denver Asset Building Coalition: www.deverabc.org
- New Mexico Assets Consortium: www.prosperityworks.net

Reserve Banks Provide Financial Insights to Youth in Washington D.C. By Paul Wenske, Senior Community Development Advisor

Boston Fed Economic Education Specialist Mark Lloret, and Kansas City Fed Assistant Vice President of Community Development Tammy Edwards address students at the Congressional Hispanic Caucus' "Ready to Lead" program in Washington D.C. on Sept. 12.



U.S. Rep. Emanuel Cleaver of Kansas City addresses students at the Congressional Black Caucus' Youth Leadership Summit in Washington D.C. on Sept. 23.

The Kansas City Fed joined with other Federal Reserve Banks to develop and provide financial education programs to students who attended Congressional Hispanic Caucus (CHC) and Congressional Black Caucus (CBC) events in Washington, D.C.

On September 12, staff from the Kansas City, Boston and Dallas Federal Reserve Banks led a one-hour financial education session at the Congressional Hispanic Caucus' "Ready to Lead" program for 200 Hispanic high school students from the Washington, D.C. area. The program was based on the Dallas Fed's "Building Wealth" curriculum. Federal Reserve employees also participated in mentoring roundtables with the students to provide professional and personal guidance.

On Sept. 23, the Kansas City Fed, in partnership with the Boston, Dallas, Cleveland and Philadelphia Feds, hosted a day-long Youth Leadership Summit for 85 students framed around Operation HOPE's "Banking

on our Future" curriculum. A student team from Kansas City's Ruskin High School was among the attendees. The team earned the trip by winning the Kansas City Fed's high-school video competition, which centered on the themes of hope, well-being and engagement.

Youth Leadership Summit attendees also heard motivational speeches on financial empowerment, leadership and entrepreneurship delivered by John Hope Bryant, founder and CEO of Operation HOPE; Sirena Moore-Thomas, CEO of Elohim Cleaning Contractors; and U.S. Rep. Emanuel Cleaver. Cleaver's staff provided a tour of the Capitol, including a visit to a session of the House of Representatives.

Kansas City Fed Assistant Vice President of Community Development Tammy Edwards participated in both programs. She encouraged the students to take the information and materials they received home to share with friends and family.

"Based on our research, 26 percent of U.S. households are either unbanked or underbanked, and to a large extent that is due to a lack of financial education," Edwards said. "It is our hope that the financial education we provided the students will help them make better decisions."

The Bank looks forward to continuing its partnerships with both the Hispanic and Black Caucuses. In addition to providing needed information to the students, the program is an example of how the Bank responds to Section 342 of the Dodd-Frank Act, which states, among other things, that regulators provide financial education to minority high school students.

For more information on the Bank's diversity and inclusion efforts, please visit www.KansasCityFed.org/Diversity.

Q&A: Tom Seth Smith

Tom Seth Smith has served as president and CEO of Rural Enterprises of Oklahoma, Inc., (REI) for more than 20 years. REI is a non-profit economic development firm that offers business and community assistance statewide. Under Mr. Smith's leadership, REI has diversified and earned national recognition as one of the most comprehensive economic development organizations. Mr. Smith also serves as chairman of REI New Markets Investment, LLC, which offers federal and state tax credits. He and his wife, Cynthia, live in Durant, Okla., and have six children. He is a graduate of Oklahoma State University.

Mr. Smith currently serves on the Tenth Federal Reserve District's Community Development Advisory Council (CDAC), which meets with the Bank president and senior Bank 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 Mr. Smith follows:

How would you describe the unique mission of REI?

REI has the unique mission to provide Oklahoma entrepreneurs access to flexible financing and business development services to help them start, grow and create jobs. At REI, no business is too small or too large for us to assist because we have such a great diversity of programs and an outstanding partnership base. Our services include business financing, a New Markets Tax Credit Program, down-payment and closing-cost assistance for low- and medium-income families, a Women's Business Center and Native American Business Resource Centers.

What current projects are you most proud of?

That would be our Leadership in Energy and Environmental Design (LEED) certified office facility, the first LEED building in our area. This "green" \$2.2 million, 10,000-square-foot facility will be constructed within Foreign Trade Zone 227, a 30-acre tract located in the International Business Park in Durant. It's an arduous process because the facility must meet specific construction regulations. We are proud of our partnership with the Choctaw Nation of Oklahoma in developing this project, which is projected to create 50 jobs.



*Tom Seth Smith,
President and
Chief Executive Officer
Rural Enterprises of Oklahoma,
Inc., (REI)
2912 Enterprise Blvd.,
Durant, Okla. 74701
(580) 924-5094
www.ruralenterprises.com*

How are you responding to challenges facing small businesses in Oklahoma?

Access to capital is still one of the greatest challenges faced by Oklahoma entrepreneurs, but through our lending programs and partnership with Oklahoma community banks, we can help meet that need for qualifying businesses. Other challenges include the need for a skilled workforce and how to adapt to a multi-generational workforce, because people are working longer and postponing full retirement. Our Women's Business Center offers a workshop on this very subject. Minority-owned businesses are also on the rise and we help meet their need to secure government contracts through workshops and a good network of resources. We have also been able to assist health care service providers this year to make affordable health care more accessible to underserved communities.

How are you taking advantage of new technology?

Our website is our greatest marketing and communications tool, and we are passionate about keeping it updated. Right on the heels of our website is our Facebook page. We have also implemented an electronic newsletter, blast e-mail marketing, and upgraded our accounting and database systems. Our Women's Business Center also provides Internet and social media marketing workshops to help small businesses maximize their marketing dollars.

What do you like best about your job?

Someone once said you never work a day if you enjoy what you are doing. That sums it up best for me!

Region Roundup

REFUGEE ENTREPRENEURSHIP PROMOTED

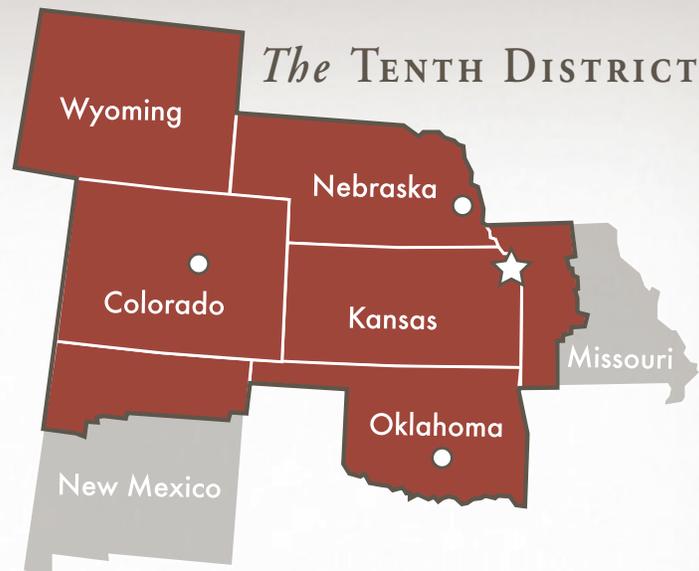
The Omaha Branch hosted a Refugee Entrepreneurship Pilot Training Program and Listening Session on July 7. The session looked at opportunities in which micro-business technical assistance agencies can more effectively help integrate refugees into Omaha's small business environment.

THIRD ANNUAL "SURVIVING IN TODAY'S ECONOMY" CONFERENCE HELD

The Omaha Branch helped plan an annual financial conference and luncheon called "Surviving in Today's Economy." The event drew 100 attendees on July 21. Tom Hoenig, then-president of the Federal Reserve Bank of Kansas City, provided the keynote speech. The event host was Family Housing Advisory Services, Inc. Other partners included Egermier Group Wealth Management and the University of Nebraska-Omaha.

SIXTH ANNUAL KANSAS HOUSING CONFERENCE HELD IN WICHITA

More than 600 developers, city planners, business leaders, housing advocates, property managers and community development professionals gathered in Wichita for the sixth annual Kansas Housing Conference, Aug. 9-11. The Kansas City Fed helped plan and market the event. The three-day event covered a wide range of topics, including property management, affordable housing, green building and the future of rental housing. Bank economists led discussions on foreclosures and the economy. For more information, visit: <http://kshousingconference.org>.



KANSAS CITY FED EVENTS BUILD CAPACITY OF CDFIs

Events in support of Community Development Finance Institutions (CDFIs) were held in Denver on Aug. 23 and Sept. 13-14, and in Okmulgee, Okla., on Aug. 30. The two Denver events were part of an ongoing effort to build the capacity of CDFIs throughout Colorado. The Oklahoma event marked the first statewide meeting of senior leaders from nine of the state's 17 certified CDFIs. Attendees at the Oklahoma event unanimously supported creation of a statewide coalition.

ESTHER GEORGE NAMED PRESIDENT AND CEO OF KANSAS CITY FED

Esther George was named the Bank's new president and CEO on Sept. 15. She succeeded Tom Hoenig, who retired from the bank as required by mandatory Federal Reserve retirement rules for presidents. George, 53, joined the Bank in 1982. She had been first vice president of the Bank since August 2009.

MORTGAGE ASSISTANCE PROGRAM REACHES OUT TO STRUGGLING BORROWERS

On Sept. 17, the Kansas City Fed hosted a public event for borrowers facing foreclosure. More than 150 attendees received housing advice and assistance from housing counselors and representatives from five major loan servicers. The event was held in conjunction with KC Black Expo and HOPE Now.

CRA ROUNDTABLES HELD IN KANSAS CITY AND CASPER, WYO.

Community Reinvestment Act (CRA) roundtables that focused on a range of topics, including access to capital and micro-lending opportunities to small businesses, were held in Casper Wyo. on Sept. 21 and in Kansas City on Sept. 27. The FDIC and the Office of the Comptroller of the Currency also participated in addressing CRA issues. For more information on upcoming roundtables, contact: Ariel.Cisneros@kc.frb.org.

To see upcoming events, please visit www.KansasCityFed.org/events.

Lender Summits Address Tools to Assist Small Business Lending

By Ariel Cisneros, Senior Community Development Advisor



Danny O'Neill, founder and "Bean Baron" of The Roasterie gave the keynote address at the Kansas City Lenders Summit on Aug. 19.

Small business lenders in Colorado, Oklahoma, Missouri and Kansas received updates on lending enhancements offered by state and federal government agencies at three lenders summits hosted by the Kansas City Fed.

Representatives from the Small Business Administration, USDA-Rural Development and the Federal Home Loan Bank, along with various state economic development departments, provided updates on lending tools available to bankers at the Federal Reserve Bank of Kansas City's Denver Branch on July 7, at the Kansas City office on Aug. 19 and at the Oklahoma City Branch on Sept. 28.

The summits are part of an ongoing Kansas City Fed effort to provide information about ways bankers can guarantee and leverage lending, while reducing risks, to ensure small businesses have access to credit and capital. Lending programs typically focus on needs ranging from \$250,000 to \$5 million.

At the Denver event, Colorado Governor John Hickenlooper recalled his own history as a small business owner and his search for lending to keep his business growing. Dwayne Romero, director of the Colorado Office of Economic Development and International Trade, described the Bottom-Up Economic Development Plan, an ambitious statewide effort to create a blueprint for spurring business development in the state.

In Kansas City, where the event attracted lenders from Missouri and Kansas, Danny O' Neill, owner and "Bean Baron" of the Roasterie, Inc., described his efforts in the 1980s to acquire capital while starting his coffee business in the basement of his home. He related his own success in developing a thriving retail coffee operation to the needs and efforts of other entrepreneurs. He also spoke of the value of his ongoing relationship with his banker.

The Oklahoma City summit featured Dave Lopez, Oklahoma Secretary of Commerce and Tourism, who described the state's supportive environment for business and incentives to encourage small business lending.

For more information on the Colorado Blueprint, please visit: <http://www.colorado.gov>

For more information about Danny O'Neill and the Roasterie, please visit: www.TheRoasterie.com

For more information on the Oklahoma Department of Commerce and Tourism, please visit: <http://www.okcommerce.gov>



Colorado Gov. John Hickenlooper addresses the Denver Lenders Summit on July 7.

UPCOMING EVENTS

NOVEMBER 2011

- **November 2:** Financial Education Conference, Oklahoma City, Okla.
Contact: Steve.Shepelwich@kc.frb.org
- **November 2:** Financial Education in the Workplace, Denver Colo.
Contact: Ariel.Cisneros@kc.frb.org
- **November 9:** Loan Modification Scam Workshop, Denver, Colo.
Contact: Ariel.Cisneros@kc.frb.org
- **November 15:** Nebraska CRA Roundtable, Omaha, Neb.
Contact: Dell.Gines@kc.frb.org
- **November 16:** Oklahoma CRA Roundtable, Oklahoma City, Okla.
Contact: Steve.Shepelwich@kc.frb.org
- **November 16-17:** Rural Opportunities Conference, Salina, Kan.
Contact: <http://www.kansascommerce.com/>
- **November 29:** Colorado CRA Roundtable, Denver, Colo.
Contact: Ariel.Cisneros@kc.frb.org

DECEMBER 2011

- **December 10:** Biz Day, Omaha, Neb.
Contact: Dell.Gines@kc.frb.org
- **December 13:** New Mexico CRA Roundtable, Albuquerque, N.M.
Contact: Ariel.Cisneros@kc.frb.org
- **December 14:** CRA Qualified IDAs and the New Mexico Tribal Housing Coalition, Albuquerque, N.M.
Contact: Ariel.Cisneros@kc.frb.org

Community Affairs Releases Quarterly Consumer Credit Reports

By Kelly Edmiston, Senior Economist

In August, the Federal Reserve Bank of Kansas City released the first in its series of quarterly consumer credit reports, which highlight the credit status of consumers in each of the Tenth District's seven states.

The reports are available at: <http://kcfed.org/publications/community/ccr/index.cfm>.

The reports, designed for a broad readership, provide data on consumer debt, loan delinquency rates, personal bankruptcy filings and mortgage delinquencies, including maps showing serious mortgage delinquencies county-by-county.

In general, Tenth District consumers are in better credit shape than consumers in the United States overall. Second quarter reports showed that average consumer debt was mostly lower in Tenth District states than in the U.S. as a whole.

Consumer debt includes credit cards, student loans, auto loans, installment loans (e.g., for furniture), and equity lines of credit. It excludes first mortgages and business loans. Consumer debt ranged from about \$11,000 per consumer in Nebraska to just under \$20,000 in Colorado. The national figure was about \$17,000.

Some 7.7 percent of home mortgages were past due in the Tenth District, more than half of which were 90 or more days past due or in foreclosure. Comparable national figures were about 11 percent past due, of which nearly two-thirds were 90 or more days past due or in foreclosure. Significant variation was evident across Tenth District states and metropolitan areas, but as a whole, all were below national levels.

Delinquency rates on consumer debts were mostly in line with national figures, though again there was substantial variation in some cases. For example, student loan delinquencies were very high in Oklahoma and Wyoming. Bankruptcy rates in the Tenth District generally were at or below national rates.

COMMUNITY CONNECTIONS *Fall 2011*

Diane M. Raley, Senior Vice President

Krissy Young, Vice President, Public Affairs and Community Development

Tammy Edwards, Assistant Vice President and Community Development Officer

Editor: Paul Wenske

Copy Editor: Sarah Kemp

Contributors: Ariel Cisneros, Kelly Edmiston, Dell Gines, Steven Shepelwich, Paul Wenske

Designer: Casey McKinley

Photography: Gary Barber, Ariel Cisneros,
Maurice Roper

COMMUNITY
Connections
FALL 2011 • PAGE 8