

# COMMUNITY *Connections*

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WINTER 2013

FEDERAL RESERVE BANK of KANSAS CITY



### CAO'S NOTE

*By Tammy Edwards,  
Vice President, Community  
Development*

### STRENGTHENING PUBLIC AWARENESS

The Kansas City Fed has long been committed to strengthening the public's understanding of the role and functions of the central bank through research, presentations, programs and other resources.

Community Development, like most functions at the Kansas City Fed, assesses the needs of key stakeholders in order to develop research, programming and resources that address community and economic development issues impacting the Tenth District and in some cases the country.

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## *Efforts To Nurture Local Businesses Spread Across Tenth District*

*By Paul Wenske, Editor*

Efforts to nurture home-grown businesses with entrepreneur-centered strategies that offer growing companies sophisticated marketing, research and technical support is taking root in the Tenth Federal Reserve District and across the country.

One community-based approach was the subject of a Grow Your Own Conference hosted by the Omaha Branch of the Kansas City Fed on Oct. 30-31, in Kearney, Neb.

The conference examined how communities can focus resources on existing strengths, rather than spend time and money attracting big outside employers. Communities using a "grow your own" strategy develop policies and activities to spur innovation, entrepreneurship and local business growth.

"These entrepreneurship-based economic development models have been turning around many rural communities across the nation," said Dell Gines, senior community development advisor at the Kansas City Fed's Omaha Branch.

The conference also introduced a free Grow Your Own Guide, prepared by the Kansas City Fed, which provides communities with strategies to nurture small businesses. To access the guide, visit: <http://www.kansascityfed.org/publicat/community/gyo/gyo-guide.pdf>.

Another popular approach, which often goes by the name economic gardening, focuses on strengthening second-stage businesses that show promise of high growth and increased revenues.

Economic gardening is also spurring community and statewide programs in Colorado, Kansas, Missouri, Oklahoma and Wyoming.

The 11th Annual National Economic Gardening Conference will be June 5-7 in Kansas City. Three state programs are coordinating the event: Advance Iowa, the Missouri Small Business Development & Technology Centers and NetWork Kansas. For more information, visit: <http://conference.nationalcentereg.org/>.

*Continued on next page*

## CAO's NOTE *(Continued)*

This issue of *Community Connections* provides an overview of recently released products on topics such as rising student loan debts, entrepreneurship-based economic development models and Web-based training for bank compliance officers.

Visit our website, [www.kansascityfed.org](http://www.kansascityfed.org), follow us on Twitter, @KansasCityFed, and follow us on Pinterest at, [pinterest.com/kansascityfed](http://pinterest.com/kansascityfed), for access to a wealth of information. Please contact me at [tammy.edwards@kc.frb.org](mailto:tammy.edwards@kc.frb.org) with your comments or suggestions.



*Dell Gines, senior community development advisor at the Kansas City Fed's Omaha Branch addresses a session at the Grow Your Own Conference in Kearney, Neb.*



## EFFORTS TO NURTURE LOCAL BUSINESSES SPREAD *(Continued)*

“Economic gardening embraces strategies to grow existing second-stage businesses that have moved beyond the startup phase and have the capacity to grow,” said Steve Radley, president and CEO of NetWork Kansas, which launched the Kansas Economic Gardening Network in 2010.

Second-stage companies are broadly defined as those that employ five to 99 people and generate between \$600,000 and \$50 million in annual revenue. Research suggests these businesses account for most of the new jobs in the economy.

Experts note that these companies have already demonstrated an ability to survive the day-to-day challenges of running a business and are now looking for opportunities to grow, add more workers and sell products outside their region or state.

But to reach their goals, they may still need technical tools and services often available only to large corporations. These include sophisticated databases to identify market trends, geographic information systems (GIS) to locate profitable markets and customers, sales lead generation, search engine optimization tools, and social media monitoring applications.

Many programs provide selected companies with opportunities to consult with teams of experts who tailor economic gardening tools to each business's specific needs.

“We bring these Fortune 500 tools down to the small business owner,” said Paul Batesman, a certified economic gardening trainer and business counselor with the Missouri Small Business and Technology Development Center at the University of Missouri in Columbia, Mo.

The value of services available for each business is estimated at \$3,500 to \$5,000. Funding for the programs comes from a variety of sources, including state agencies, foundation grants and matching money provided by communities.

The Kansas Economic Gardening Network engages with more than 40 businesses statewide. This past fall, the Kansas network started a program to encourage submissions from community partnerships to provide matching funds for three to seven growing businesses.

Economic gardening was pioneered in 1987 by the city of Littleton, Colo. The growth of new programs across the country led, with assistance of the Edward Lowe Foundation, to the founding of the National Center for Economic Gardening, which now certifies trainers.

For more information on programs in the Tenth District, visit:

<http://www.networkkansas.com/>

<https://missouri.nationalcentereg.org/>

<http://www.littletongov.org/bia/economicgardening/>

[http://www.entrepreneurready.com/uploads/4/15/18/19/4589675/oklahoma\\_eso\\_info\\_sheet.pdf](http://www.entrepreneurready.com/uploads/4/15/18/19/4589675/oklahoma_eso_info_sheet.pdf)

[http://www.uwyo.edu/sbdc/economic\\_gardening.html](http://www.uwyo.edu/sbdc/economic_gardening.html)

<http://edwardlowe.org/tools-programs/economic-gardening/>

*Attendees at the Grow Your Own Conference network and check out the booths of presenters and vendors.*

## *Loan Portal Assists Homeowners In Trouble*

*By Ariel Cisneros, Senior Community Development Advisor*

Foreclosure counselors asked for it several years ago – a centralized platform for efficiently inputting a client's information when working with mortgage servicers. The industry responded with an internet-based portal.

The portal, Hope LoanPort, is a national, nonprofit e-commerce platform for foreclosure counselors and mortgage servicers. However, loan servicers say counselors in some states are not using the portal as much as expected.

For example, Colorado officials saw a need to increase use of the portal in their state, resulting in a training forum for counselors hosted by the Kansas City Fed's Denver Branch on Oct. 30.

Also participating were representatives of Wells Fargo Home Mortgage, JPMorgan Chase Mortgage, Bank of America, and CitiMortgage, which combined reflect about 80 percent of the mortgage market.

Hope LoanPort acts as a primary assistance channel. Foreclosure counselors can use the portal to make sure documents are received and not lost, to monitor the status of accounts and to track submissions to each of the servicers.

Shannon Peer, director of Housing Counseling for Brothers Redevelopment and the administrator for the Colorado Foreclosure Hotline, said foreclosure mitigation portals have existed before, but the Hope LoanPort is by far the largest single portal supported and utilized by the servicing industry.

Officials expect use of the portal to grow as counseling organizations become more familiar with the site. Loan servicers are also reaching out to counselors to provide additional training.

For more information on the portal, visit: [www.hopeloanportal.org](http://www.hopeloanportal.org).

For information on the Colorado Foreclosure Hotline, call 1-877-601-HOPE or visit: [www.coloradoforeclosurehotline.org](http://www.coloradoforeclosurehotline.org).

## *New Technologies Provide Links To Financial Stability*

*By Steven Shelpelwich, Senior Community Development Advisor*

Expanding technologies, such as mobile services, are providing new opportunities for consumers to connect with financial services and help them build household wealth, experts told participants at the Promising Pathways to Wealth-Building Financial Services conference Oct. 25-26 in St. Louis, Mo.

A banking relationship that includes a checking or savings account is widely seen as a cornerstone of a family's financial stability. But a recent survey by the Federal Deposit Insurance Corporation (FDIC) found that more than one-quarter of all U.S. households have little or no connection with a bank or credit union and the products they offer.

The nearly 200 conference participants, however, explored a broad range of new tools and strategies now being developed to reach and connect these underbanked households with wealth-building opportunities.

New tools and services include mobile financial services, prepaid cards, micro-branch outlets and automated retail systems. Tax-time strategies for promoting savings also were among the innovations participants explored.

The event was sponsored by the Federal Reserve Banks of St. Louis and Kansas City, the U.S. Department of the Treasury's Office of Consumer Policy and the Center for Financial Services Innovation.

The conference was part of the St. Louis Fed's Household Financial Stability research initiative. Participants included representatives of nonprofit organizations, financial institutions and government agencies.

A summary of the conference and many of the presentations are available on the St. Louis Fed's Household Financial Stability website at: <http://www.stlouisfed.org/newsroom/displayNews.cfm?article=1603>.

# Round two: Investment Connection Takes Hold In The District

By Ariel Cisneros, Senior Community Development Advisor



Joe Rowan, executive director of Funding Partners, Fort Collins, Colo., addresses an Investment Connection audience at the Denver Branch of the Kansas City Fed.

Investment Connection, which began as a Kansas City Fed pilot program in 2011 connecting nonprofits with potential community funders, continues to gain traction in the Tenth Federal Reserve District.

Thirty-two nonprofit organizations made presentations in 2012 to banks, foundations, government agencies, investment firms and other institutions at forums across the Tenth District. The forums resulted in thousands of dollars in new funding commitments, adding to \$3 million in funding from forums held in 2011.

Investment Connection forums in 2012 were held in Oklahoma City on May 17, in Omaha on June 14, in Kansas City on Aug. 2, and in Denver on Sept. 12.

Presentations covered a broad range of topics.

The Colorado Fresh Food Financing Fund received \$7.2 million in funding from the Colorado Health Foundation. The food initiative is developing a \$10 million fund, working with foundations, banks and community development financial institutions (CDFIs), to assist in the expansion of grocery stores to underserved areas.

Also in Denver, the Empowerment Program is developing the Odyssey, a 36-unit apartment complex for female veterans, with \$5.6 million in tax credits allocated by the Colorado Housing Finance Authority in 2012.

Empowerment presented at a 2011 Investment Connection held in Denver. Jim Mercado, the developer working with the Empowerment Program, said three other funders are now interested in the project.

In Kansas City, the Johnson County (Kansas) Housing Coalition received a \$35,000 loan from Metcalf Bank to finance a single-family home.

In addition, Blue Hills Community Services, a Community Development Corporation (CDC) in Kansas City, received a donation of three urban houses from Bank of America, with a combined value of \$22,500.

In Omaha, the Midlands Latino Community Development Corporation (MLCDC) secured commitments from Bank of the West and the Omaha Community Foundation to assist the organization's micro-lending and business programs.

Marta Londoño, executive director for the MLCDC, said Investment Connection is "an incredible initiative to support organizations which have projects and need to find funds for their implementation."

Funders who attend the half-day events say that in deciding whether to fund a project, they pay attention to the proposal, the organization's capacity, the clarity of the presentations, the geography and the project's timeline.

The forums also are garnering favorable attention from other federal agencies.

"Your Investment Connection was one of the best outreaches I've been involved with," said Michael Martinez, community affairs officer for the U.S. Office of the Comptroller of the Currency's Western District.

"As a former Community Development Director of a National Bank, I wish I would have been exposed to something similar," he said.

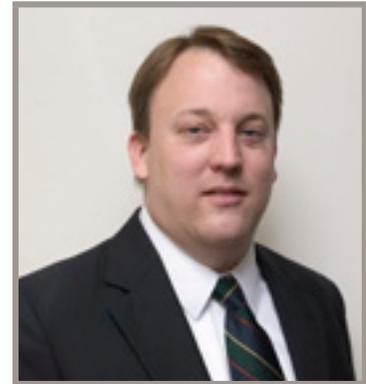
# ECONOMIST'S PERSPECTIVE: *Is There A Crisis In Student Loans?*

AN INTERVIEW WITH SENIOR ECONOMIST KELLY EDMISTON

*By Paul Wenske, Editor*

Student loan debt has increased at a rapid pace in the last decade. Along with this increase in debt has been an increase in default rates. High debt levels, coupled with high default rates, present a number of challenges for individual student loan borrowers, but do not necessarily pose a substantial burden on society at large.

Kelly Edmiston, senior economist in the Community Development department of the Kansas City Fed, discusses recent Kansas City Fed research that seeks to clarify issues pertaining to the debate over the status and effect of student loan debt.



*Kelly Edmiston*

## **IS THERE A CRISIS IN STUDENT LOANS?**

I don't feel there is a crisis, at least at this time. Most of the media that report on the student loan crisis report on the enormous growth in outstanding student loan debt over the last several years (from \$364 billion in 2005 to \$904 billion in 2012) and then provide anecdotal stories of individual borrowers who are in deep trouble. I think these stories obscure the reality of what is really going on.

In reality, while there has been a modest increase in average debt, the increase in total outstanding debt has come largely from an increase in the number of borrowers. And those with huge amounts of debt are few. Indeed, only a quarter of those with outstanding debt have debt over \$30,000, and only about three percent have debt over \$100,000. A quarter of borrowers have debt less than \$6,000.

The federal government profits from the student loan program, using its accounting. Using more widely accepted accounting practices, the lifetime cost of the student loan program is about 11 percent of lending to the federal government, about 0.4 percent of the total budget in any given year. That leads me to believe there is not a fiscal crisis.

## **SHOULDN'T WE WORRY ABOUT THE QUARTER OF BORROWERS WITH \$30,000 IN DEBT?**

It depends on the borrower. Student loans, in theory, are used to make an investment – an investment in human capital that can make an enormous difference in lifetime earnings and the likelihood of being employed. We don't worry so much about people with large debts for cars, it seems, and cars don't represent an investment. An investment in education can pay off many times over. The real problem occurs for those who don't finish their degrees or get degrees that are not highly valued.

## **WHAT ABOUT DELINQUENCIES?**

Delinquency rates are high on student loans. This is a problem for the delinquent borrower. The debt cannot be bankrupted, and a whole host of other problems can come along with delinquency, including wage garnishment, tax refund interception, the inability to borrow, and much more.

One of the benefits of the student loan program, however, is a host of programs designed to help those in trouble to make their payments (or even stop making payments for a while). We need to better market these programs, which include loan deferments, income-based repayment plans and extensions of time to repay student loans.

*Continued on next page*

## ECONOMIST'S PERSPECTIVE *(Continued)*

At this time, I don't foresee a substantial increase in delinquency rates, which should minimize the impact to the government. I believe economic and job growth will be key factors in bringing down delinquencies. The younger generation was hit especially hard by the recession and has been slow to recover.

## WHAT CAN WE DO ABOUT STUDENT LOAN ISSUES?

As I noted earlier, there are a host of programs available to help current borrowers. For new borrowers or those contemplating borrowing for the first time, education is crucial. Key players in the student loan industry have done a poor job of educating students about the consequences of their borrowing. Some colleges and universities have now developed innovative and very useful programs for educating students on loans, and the U.S. Department of Education is beginning to do the same thing. Hopefully the next crop of student loan borrowers will be much better educated, and therefore, make better decisions on their borrowing.

To access the Kansas City Fed's full report on student loan debt, visit: <http://www.kansascityfed.org/publicat/reswkpap/pdf/rwp%2012-05.pdf?ealert=kcrwp0821>.

For information on federal student loan programs, visit: <http://www.direct.ed.gov>.

# *Webinar Addresses Examination Needs Of Intermediate Small Banks* *By Ariel Cisneros, Senior Community Development Advisor*

Resources to assist new and seasoned Community Reinvestment Act (CRA) and compliance officers with an upcoming CRA banking exam are in demand.

CRA and compliance officers from banks with assets of at least \$290 million to \$1.16 billion, known as Intermediate Small Banks (ISBs), had an opportunity Nov. 29 to participate in a webinar to assist them in preparing for future CRA examinations. (ISB asset-size thresholds are adjusted annually. Levels for 2013 are assets of at least \$296 million to \$1.186 billion).

Nearly 200 bankers participated in the webinar, sponsored by the Kansas City Fed's Denver Branch in partnership with the

Denver field office of the U.S. Office of the Comptroller of the Currency and the Kansas City field office of the Federal Deposit Insurance Corporation.

Bank officials, from current and soon-to-be ISB institutions from across the Tenth Federal Reserve District and beyond, were able to hear from and ask questions of examiners regarding ISB examinations.

The webinar was in response to requests from CRA and compliance officers who participated in the Kansas City Fed's survey of bankers.

The webinar covered a broad spectrum of topics, including definitions, performance context, ISB criteria, community develop-

ment lending, best practices, investments and services, and preparing for an exam.

Response was favorable. "As a new CRA Officer, I got a lot out of this," said one participant in a follow-up evaluation. Bankers also cited the convenience of participating from the comfort of their offices.

To listen to the audio portion of the webinar and view the presentation, visit: <http://kansascityfed.org/events/eventdetail.cfm?event=4B3C620A9548E1105A705FD4F4FB0AD1>.

For more information regarding CRA and community development investment resources, visit: <http://kansascityfed.org/community>.

## Q&A: Steve Radley

Steve Radley is President and CEO of the Kansas Center for Entrepreneurship, which does business as NetWork Kansas. Since 2006, NetWork Kansas has created a resource network of more than 490 partners, and provided close to \$10 million in matching loans to more than 260 businesses across the state, leveraging more than \$120 million in capital. His work experience centers on business development. A resident of Wichita, Mr. Radley began his career in the private sector with Brite Voice Systems, a startup technology company in Wichita. He has co-owned two businesses, including a manufactured housing dealership that was purchased by Champion Enterprises. He has an MBA from the W. Frank Barton School of Business at Wichita State University, an MA in Christian Ministry from Friends University, and a BA in Journalism from the University of Oklahoma. You can follow him on Twitter: @steveradley3 and read his blog at: <http://steveradley3.com>.

*Community Connections* periodically features state and regional leaders committed to community and economic development. An edited interview with Mr. Radley follows:

### WHAT IS THE MISSION OF NETWORK KANSAS?

Our vision is to be recognized nationally as a leading organization devoted to the establishment and growth of entrepreneurship and small business as a priority for economic and community development. To that end, we promote an entrepreneurial environment in Kansas by establishing a central portal that connects entrepreneurs and small business owners with the right resources—expertise, education and economic resources—when they are needed most.

### WHAT IS ECONOMIC GARDENING AND HOW HAS THE PROGRAM GROWN IN KANSAS?

Economic gardening embraces entrepreneur-centered, economic growth strategies focused on companies that possess the characteristics of second-stage businesses. The Kansas Economic Gardening Network identifies those companies that have moved beyond the startup phase and have the intent and capacity to grow their business. The selected companies consult with an experienced team of individuals and organizations that can provide high-end technical assistance tools that are tailored to address each business's specific needs.

The pilot program was targeted only for rural businesses, providing assistance to 35 businesses. We are now in the process of partnering



*Steve Radley  
President and CEO,  
NetWork Kansas  
Wichita, Kan.*

with both rural and urban communities to expand to a targeted goal of 80-plus businesses.

### WHY FOCUS ON SECOND-STAGE BUSINESSES?

Research indicates that second-stage businesses have the potential to generate additional revenue growth and additional job growth at a faster pace than startups or larger, more mature businesses.

### HOW CAN KANSAS COMMUNITIES SUPPORT THE GROWTH OF SMALL BUSINESS?

All communities must work to increase the availability of expertise, education and economic resources for entrepreneurs and businesses. Statistics show that job growth comes from startups and businesses already resident in Kansas. Rural Kansas communities should consider our flagship partnership called the Entrepreneurship Community Partnership (E-Communities). Currently we have 38 E-Communities that have their own local leadership teams whose mission is to build an entrepreneurial community. They are also empowered with funds to make matching loans.

### WHAT ARE OTHER WAYS NETWORK KANSAS SUPPORTS SMALL BUSINESSES?

NetWork Kansas has a variety of programs designed to provide matching loans in rural and urban communities, including StartUp Kansas and the Kansas Capital Multiplier Loan and Venture Funds. Our referral center and website also link entrepreneurs and small businesses to educational resources and expertise through a statewide network of partners. For more information, call 877-521-8600 or visit: <http://www.networkkansas.com/entrepreneurs/funding-options>.

# Region Roundup

## URBAN NEIGHBORHOOD INITIATIVE SYMPOSIUM

The Kansas City Fed partnered with the United Way of Greater Kansas City and the Greater Kansas City Chamber of Commerce to host a symposium on Oct. 4 that previewed strategies the Chamber is developing as part of its Urban Neighborhood Initiative to revitalize Kansas City neighborhoods. Nearly 300 government, nonprofit, community and neighborhood leaders took part in the symposium. Information gathered in breakout sessions will be used to develop a final strategic plan that will be implemented over the course of the year. For more information, visit: [http://www.unitedwaygkc.org/our\\_work/urban\\_neighborhood\\_initiative.html](http://www.unitedwaygkc.org/our_work/urban_neighborhood_initiative.html).

## COMMUNITY REINVESTMENT ACT ROUNDTABLES

Community Reinvestment Act (CRA) Roundtables were held for lenders on Oct. 11 in Oklahoma City; Nov. 1 in Kansas City; Nov. 6 in Denver; Nov. 14 in Omaha; and Nov. 26 in Manhattan, Kan. Each roundtable featured presentations on investment opportunities for lenders and Q&A sessions with banking examiners that focused on regulatory updates and CRA exams. For more information on past and future CRA events, visit: <http://www.kansascityfed.org/community>.

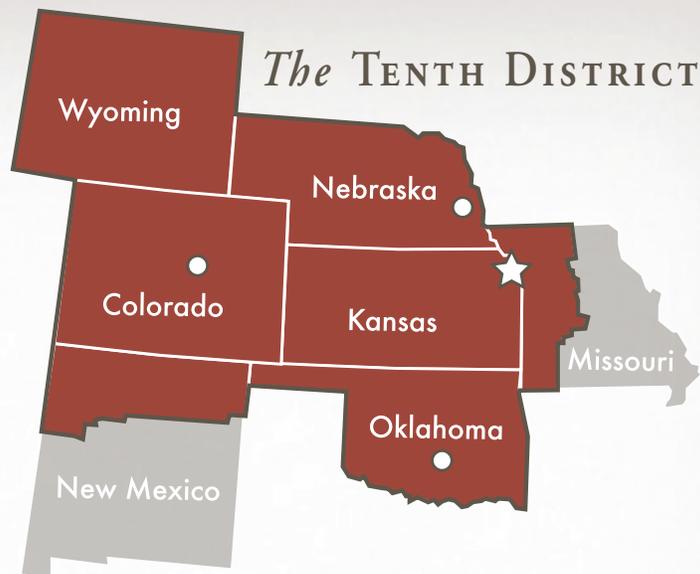
## SMALL BIZ DAYS

Small Biz Days, which provided free training programs for anyone interested in starting or growing a small business, were

held on Nov. 3 in Oklahoma City; Dec. 1 in Denver; and Dec. 8 in Omaha. A combined 346 participants attended sessions on planning, financing and marketing a small business. Local experts and small business support organizations conducted the presentations. For more information about small business and entrepreneurship, visit: <http://kansascityfed.org/community>.

## NATIVE AMERICAN FORUM

The Oklahoma City Branch of the Kansas City Fed, in partnership with the Minneapolis and San Francisco Feds, held a forum on Nov. 13 on the development of commercial codes to support secured transactions and facilitate economic development opportunities for Native American tribal governments. The event was attended by representatives of Native American governments, community development financial institutions (CDFIs) and banks serving Native American communities. For more information on this and related events, visit: <http://www.oknativeassets.org/node/34>.



## TENTH DISTRICT DELINQUENCY MAPS

Recent surveys indicate an uptick in the housing market, which should eventually ease the foreclosure problem. But for now, at least, delinquencies and foreclosures remain a serious concern. The Kansas City Fed monitors mortgage conditions within the Tenth District through its delinquent mortgage rate mapping series.

As in the rest of the United States, mortgages at least 30 days past due have held steady in the Tenth District since 2010, but modest improvement is evident for mortgages 90 days or more past due. While improvement remains slow, Tenth District delinquency rates are still below the national rate.

To access detailed information on delinquency and foreclosure rates by state or metro area throughout the Tenth District, visit the Kansas City Fed's Delinquent Mortgage Rate Maps page at: <http://www.kansascityfed.org/research/community/delinquency-maps.cfm>.

# Profile Shows Many Tenth District Households Remain Unbanked

By Steven Shepelwich, Senior Community Development Advisor

A new profile of the unbanked in the Tenth Federal District shows that many households remain outside the financial mainstream.

The profile was drawn from the 2011 Federal Deposit Insurance Corporation (FDIC) National Survey of Unbanked and Underbanked Households, which found that 8.1 percent of Tenth District households remain unbanked.

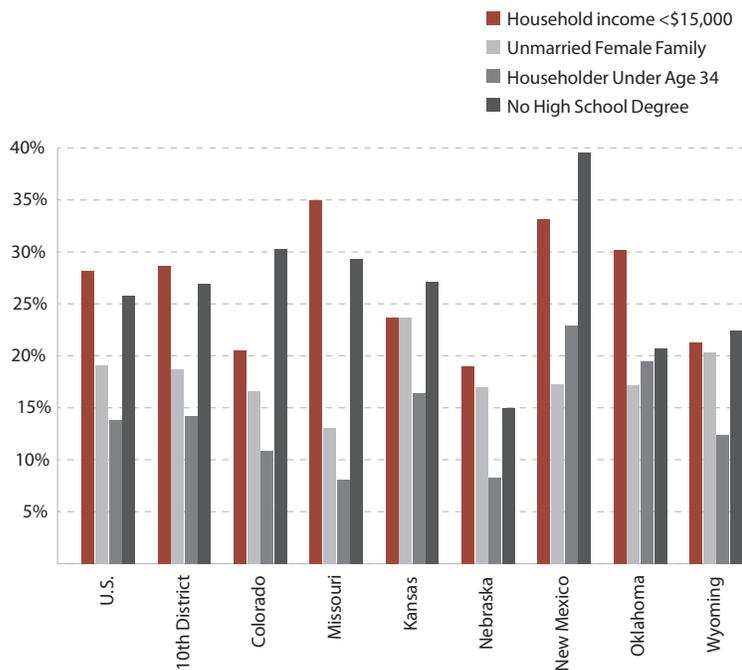
The findings closely mirror national statistics. Households can differ, however, depending on geography, demographic characteristics and other variables, according to the survey.

The Tenth District profile provides an overview of unbanked households in Colorado, Kansas, Missouri, Nebraska, New Mexico, Oklahoma and Wyoming.

The profile, for example, shows that numbers of unbanked households in the Tenth District increased by 2.8 percent between 2009 and 2011, compared with a 7.9 percent increase nationally over the same period.

The profile also discusses initiatives established across the Tenth District to connect the unbanked households to mainstream banking services. To view the profile, visit: <http://www.stlouisfed.org/household-financial-stability/events/20121025/Print/PromisingPathwaysProfile-10thDist.pdf>.

Unbanked Status by Demographics



## COMMUNITY CONNECTIONS Winter 2013

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