communities and banking
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Brownfields:
Golden Opportunities?

cover story

The U.S. Environmental Protection Agency defines "brownfields" as any abandoned, idled, or under-used industrial or commercial facility where expansion or redevelopment is complicated by real or perceived environmental contamination; the site also has good potential for redevelopment or reuse. With the term defined along both environmental and economic dimensions, brownfields redevelopment poses both opportunities and challenges to New England communities. Several factors work in favor of brownfields redevelopment: Established cities, towns, and neighborhoods have an existing infrastructure of transportation and utilities that their undeveloped counterparts lack. They also have access to workers, where many less developed areas may not. However, a number of factors work against brownfields redevelopment: Even without contamination, these sites could be difficult to return to productive use. Many are manufacturing sites originally built in the nineteenth century. Frequently, they are frequently located in older low-income urban neighborhoods that feature congested traffic, narrow streets ill-

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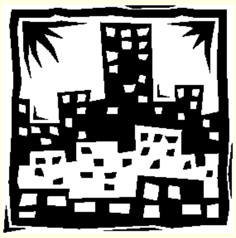

communities and banking seeks to further the practice of community and economic development by exploring effective ways for lenders to work with public, private, and nonprofit sector organizations toward proactive compliance with the Community Reinvestment Act.

For free sbuscriptions, ontact Mark Lloret, Public and Community Affairs, Federal Reserve Bank of Boston, PO Box 2076, Boston, MA 02106-2076; phone: 617.973.3813; e-mail: rebecca.carter@bos.frb.org.

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Productive Partnerships

Eds & Meds Team Up to Revitalize Hartford

Which partners in community development come to the table with a strong balance sheet, ties to government and industry, and a long-term commitment to the quality of life in urban areas?

In Hartford, Connecticut, these much sought-after partners are Trinity College and Hartford Hospital. Their partnership demonstrates the emerging strength of institutional leadership in community development.

No small challenge

Twenty-five thousand people—nearly half of Hartford's 60,000 residents—live in the 1.5-square-mile district bordering Trinity College and Hartford Hospital. The district's neighborhoods—Frog Hollow, Barry Square, and South Green—are beset with urban problems: deteriorated housing, widespread unemployment, many single-parent families, and urban crime.

Although the neighborhoods housed vital communities until the 1970s, the lure of the suburbs and downward economic trends in Hartford eventually compromised the area's health. In the 1970s, new immigrants moved into the neighborhoods. Prosperous residents moved to the suburbs, leaving the young and unemployed behind. Then the 1990 recession shook Hartford's economy. Following downsizing in two major industries, many residents moved away in search of work. Soon, only the residents with the fewest personal and financial resources remained.

Institutional partnerships

Hartford's initiative reflects trends across New England as educational and medical institutions step into urban leadership roles. Small-scale, innovative partnerships abound: In Worcester, Massachusetts, St. Vincent's Hospital plans major capital construction on a brownfields site; and Yale University is brokering resident job placements in New Haven, Connecticut. Hartford's broad-based initiative, by contrast, represents an unusually comprehensive approach that involves multiple actors from the public and private sectors.

Some communities strategically target 'eds and meds' as inner-city partners. Corporate downsizing and relocations have sharply reduced the ranks of city industries. Yet educational and medical institutions still invest heavily in urban properties and often rely on urban residents for employees and, at urban hospitals, for patients. The medical and higher education sectors require innovation and investment, both essential economic development strategies. And the institutions possess strong financial planning and management skills.

Still, urban institutions may need incentives to become involved in community development. In Hartford, neighborhood conditions discouraged prospective students from attending Trinity College, and hospital patients and employees feared for their safety. Positive incentives also promote institutional involvement: HUD granted Trinity College $580,000 in 1994 for community outreach.

Marshaling resources and initiative

In the early '90s, Trinity College and Hartford Hospital concluded that they could no longer afford the negative consequences of neighborhood decay. The institutions decided that prospects for revitalization would require their own resources and initiative. "We have a neighborhood with five institutions with over $1.5 billion dollars in combined assets," notes Trinity College President Evan Dobelle. "All we're trying to do is restore the sense of community and safety in 15 square blocks of Hartford."

The institutions decided to put a long-established partnership-the Southside Institutions Neighborhood Alliance, known as SINA-to a new use. SINA's members include Trinity College, Hartford Hospital, the Institute for Living (a residential mental health care provider), Connecticut Public Television & Radio, and the Connecticut Children's Medical Center (a recent addition). The partnership was formed in 1976 to provide small-scale grants and services. By the early '90s, SINA's members decided to reorient the organization's mission to stem neighborhood decline by becoming more actively involved in development.

SINA and the community crafted a mission to transform the district. Based on an outreach process coordinated by Hartford Areas Rally Together (HART), the strategic plan incorporates over $200 million of reinvestment. Improvements range from a job placement center and Boys and Girls Club to streetscape improvements and a community school complex to be known as The Learning Corridor. A health and technology business incubator and research facility will also be built, and abandoned multifamily homes are being replaced by more than 150 two-family homes. (See Table 1, "Development Timeline.")

Crafting a vision of urban excellence

The Hartford initiative emerged following a process in which residents targeted their goals: home ownership opportunities, local schools, stable employment, and safe streets. SINA also prioritized the development of the Health and Technology Center to respond to the needs of SINA's health care cluster. And the selection of Evan Dobelle as the new President of Trinity College in 1994 added vision to the mix. Dobelle, a man able to communicate a image of what Hartford could be, meshed well with Trinity's urban mission to stand out as the premier urban liberal arts institution in the country.

information exchange

The Federal Reserve Bank of Boston's Community Information Center is **expanding** to provide you with even more useful resources. Are you a **lender** looking for community partners to participate in an affordable housing program? Is your institution looking for ways to foster microenterprise development? Would you like to work with a local homeownership counseling to prepare potential home buyers for homeownership? Or, do you work for a **community-based organization** and wish to know what financing programs your state offers? Are you looking for other nonprofits to partner with? Well, the Federal Reserve Bank of Boston may be able to **assist in your search**. We have compiled a **computerized database** of New England-based community and economic development organizations, public sector agencies, and financial institutions. It includes information on their current programs as well as the geographic areas they serve. We'll be happy to perform an **on-line search** for you and send you the results. Do you need to do **research** on the Community Reinvestment Act, affordable housing, or community and economic development? The Federal Reserve Bank of Boston's Community Information Center is continually expanding its holdings, and now contains many useful publications on topics such as small business financing, rural development, CRA analysis, and more. There's also the most recent HMDA data, which you're welcome to use. We'll help you research your topic, perform a **subject or title search** for you, and supply you with a listing of everything we have. For any of these resources, call **Lesley Jean-Paul at 617.973.3120.** P.S. Lesly's always looking to **add to his database.** Let him know if you'd like your organization to be included. Call or write to him at **Public & Community Affairs, P.O. Box 2076, Boson, MA 02106-2076.**

Enterprising

Financing women-owned businesses

Twenty-five years ago, women owned only 5 percent of American firms. Today, that figure has grown to almost 30 percent. In just the last decade, the number of women-owned businesses has doubled to eight million, generating $2.3 trillion in annual sales and employing one of every four U.S. workers.

Such statistics reflect the increasing importance of women-owned enterprises to the U.S. economy. With women now starting businesses at higher rates than men, these enterprises promise to continue as a growing source of economic expansion —

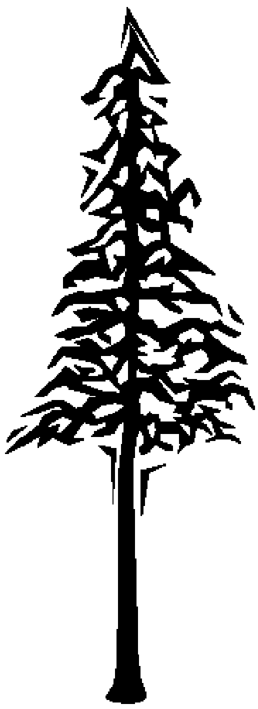
Go to www.sbaonline.sba.gov/ADVO/acenet/ to learn about the **Angel Capital Electronic Network** and a list of securities offerings of small companies. You'll also find **Creating New Capital Markets For Emerging Ventures**, by Freear, Sohl and Wetzel, Center for Venture Research at the University and employment -- throughout the country.

Yet women still may face difficulty in accessing the financing they need to establish and grow their enterprises. From micro-loans to equity financing, women have less capital available to them than do their male counterparts. Some of this disparity may result from women's relative lack of experience with business financing; some may result from women having fewer contacts in the financial world; and some may result from a lack of understanding among providers of capital about women's entrepreneurial abilities.

This promising challenge is exactly why the Small Business Administration, the National Women's Business Council, and the Federal Reserve System co-sponsored a series of workshops designed to develop creative strategies for increasing women's access to credit and capital at every level of business. These workshops focused on generating policy recommendations for financing three levels of businesses: start-up capital for microenterprise development; mid-level bank financing for growth and expansion; and equity capital for businesses in high-growth market segments.

Held in 10 Federal Reserve cities around the country this past spring and summer, each workshop addressed a single topic: in Kansas City, participants discussed financing for home-based businesses; in Seattle, they discussed exporting; in Fargo, North Dakota, they examined financing in rural areas and on reservations; and in Boston, participants discussed private -- or "angel"--investment capital. Top recommendations from each session ultimately will become part of a final report to the President and Congress.

Boston was chosen for a discussion of angel investment capital because the area is a hub for such activity.



Angel investors are mostly self-made, high-net-worth individuals with substantial knowledge in a specific market area. They provide smaller amounts of seed and start-up capital than venture capital firms, but they are also able to provide important managerial and technical assistance to entrepreneurs. And these private investors have longer investment horizons, which makes it possible to supply the patient capital that entrepreneurs in high-growth market segments need. Dubbed "ad-venture" capitalists, these investors perform an important function in fostering new business development.

Entrepreneurs and private investors, however, have difficulty finding one another. Matches are made only by extensive and time-consuming networking, which leaves much to chance. And women, who often don't have access to some of these networks, find it particularly difficult to tap into private investor resources. Yet most private investors say they have additional capital to invest. The challenge is to devise ways to link women in high-growth markets with these investor angels.

After hearing presentations from several leaders in the field, the participants, who included women business owners, representatives of professional associations, academicians, and state and federal government officials, then brainstormed new policy recommendations that could improve women's access to angel investment capital. Ideas ranged from creating tax incentives for investing in women-owned businesses to developing and promoting Internet resources that both educate angels in structuring investments and facilitate linkages between entrepreneurs and potential investors.

Whatever public policy proposals emerge from this workshop series, women and business are a combination that promises to attract increasing public attention—and financing—in the years to come. And that means increasing opportunity for women entrepreneurs, those they employ, and the nation's economy.

Becky Carter
Federal Reserve Bank
of Boston

of New Hampshire. Find the SBA's Terry Bibbens' **Process and Analysis Behind ACENet**. And look for the **Small Business Investment Company Program Statistical Package** at www.sba.gov/INV/. Visit www.sba.gov/womeninbusiness or call 800-8-ASK-SBA for **more about women in business.**

Brownfields: continued

suited for freight-hauling trucks, multi-story buildings designed for nineteenth century-style manufacturing, cramped lots, and sometimes antiquated water and sewer lines. Add contamination to the equation, and brownfields place even greater demands on economic developers.

A brief history

The past 20 years of economic restructuring combined with a changing regulatory environment have contributed greatly to the brownfields challenge. Many firms have fled core cities for the suburbs; others have relocated to other states and to other parts of the world. At the same time, the commercial districts of small cities have suffered from the proliferation of mall and super-store developments. Left with many unused and often contaminated sites, municipalities, community advocates, and economic development organizations are now looking to these sites as an important ingredient in their economic revitalization. In short, some of these towns, cities, and urban neighborhoods have little choice but to redevelop their contaminated properties.

The roots of the brownfields challenge also lie in federal legislation originally designed to facilitate cleanup of contaminated properties. The 1980 enactment of the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA) and its funding arm (dubbed “Superfund”) established the legal and regulatory framework for assigning liability for contamination. The legislation designated responsibility for cleanup, and

Check out the EPA’s Brownfields homepage at **www.epa.gov/brownfields/** for up-to-date information on the agency’s activities. You’ll find recent announcements, tools and contacts, and a description of national and regional pilots. **Landlines**, a bi-monthly newsletter from the Lincoln Institute it held both past and present owners or operators liable for cleanup costs even if the present owner or operator did not cause the contamination.

Superfund was designed to help communities address contamination and remediation issues, yet because of the way the Act assigns liability, it has often created legal and regulatory barriers to brownfields cleanup. Since 1980, potential buyers, developers, and lenders thus have often opted for environmentally pristine suburban greenfield sites rather than their urban brownfield counterparts. For their part, some current owners have abandoned the properties, stopped paying property taxes, skipped town, and allowed the sites to deteriorate further, leaving behind a legacy not only of health hazards but also of diminished opportunities for economic development.

Public sector programs

In the past few years, however, many community leaders and public sector officials have recognized that unremediated brownfields are a threat to both the environment and local economies. As a result, the federal government has sought to establish a more redevelopment-friendly framework, while states and municipal agencies have taken a more active role in remediating and redeveloping the properties.

In 1994, the EPA launched its Brownfields Pilot program through which municipalities may apply for funding designed to help them catalogue brownfield sites, assess contamination levels, and prepare the properties for remediation and redevelopment. These funds help community groups, investors, lenders, developers, and other affected parties pull together to address these issues. The EPA has also sought to reduce some disincentives to prospective buyers, developers, and lenders by removing some potential liabilities and clarifying others.

Other federal agencies, including the Department of Housing and Urban Development and the Department of Commerce, also offer economic development programs, not specifically targeted to brownfields but which recognize reclamation and redevelopment projects as activities qualifying for their funding. Community Reinvestment Act regulations have also been revised to allow consideration for loans, investments, and services for qualified brownfields projects.

Finally, throughout New England states have established programs that complement federal efforts. They range from tax credit to lenders and eligible businesses in Rhode Island to the availability of covenants not to sue in Connecticut and Massachusetts. (See the box: “State Brownfields Contacts.”)

State Brownfields Information

Programs	Contacts
Connecticut Property Transfer Act Covenant Not to Sue Voluntary Site Remediation Program Licensed Environmental Professional Program Urban Sites Remediation Action Program	**Betsy Wingfield** CT Department of Environmental Protection Bureau of Water Management 860.424.3791
Maine Voluntary Cleanup Program	**Nick Hodgkins** ME Department of Environmental Protection 207.287.7686
Massachusetts Hazardous Waste Cleanup Program	**Sara Weinstein** MA Department of Environmental Protection 617.292.5820
New Hampshire Voluntary Cleanup Program Covenant Not to Sue	**Gary Lynn** RI Department of Environmental Services 603.271.6778 www.state.nh.us/des
Rhode Island Industrial Property Remediation and Reuse Rhode Island Mill Building Revitalization	**Terence Gray** RI Department of Environmental Management 401.277.7100
Vermont Redevelopment of Contaminated Properties Lender Liability Clarification	**George Desch** VT Dept. of Environmental 802.241.3491

No simple recipe

As with so many economic development challenges, no single formula exists for remediating and redeveloping brownfield sites. Each site comes with a unique environmental history. Locations vary from inner-city residential settings to urban industrial zones to small-city downtown business districts. The underlying property value may not justify costs to remediate and redevelop the site. For example, Donald Borchelt, Economic Development Director for the City of Somerville, reports that the City spent a total of thirty dollars a square foot, using a conglomeration of federal funds, to remediate a site and prepare it for development. However, it will fetch only about five dollars a square foot on the open market. Another variable is property ownership, which is sometimes diffi-

for Land Policy explores environmental policy issues, including brownfields reclamation and redevelopment. For a free subscription, call 1.800.526.3873 by e-mail, **help@lincolninst.edu**. Also from the Lincoln Institute, **Risks and Rewards of Brownfield Redevelopment**, edited by James G. Wright, cult to determine; and even where it is possible, owners may be difficult to contact. Moreover, the extent of contamination—and so the cost to remediate — is generally unknown. And finally, now that cleanup standards can vary depending on planned use—a property to be used as a park would need to be remediated to higher standards than one slated for use as a parking lot—negotiations over cleanup standards are often necessary.

In the end, the term "brownfield" may have just one definition, but each site requires its own recipe for remediation and redevelopment.

A (not so) secret ingredient

Bank financing clearly is an important ingredient in that recipe. Although the new CRA regulation now recognizes financial institution involvement in brownfield projects as a qualified community development activity, CRA credit alone is not enough to entice any lender to finance such a project. "The projects," states Ned Abelson, a real estate and environmental lawyer in Boston, "must stand on their own as real estate deals. After that, lenders evaluate the projects, incorporating environmental contamination into the underwriting decision." Several ingredients are key to facilitating bank financing of brownfield development projects:

Clarification of future liability. Lenders must understand any potential liabilities the investment may pose. Most recently, the Asset Conservation, Lender Liability and Deposit Insurance Act clarified lender liability under CERCLA, yet many financial institutions do not believe the legislation goes far enough. Several New England states have taken similar steps to clarify liability, some going beyond what has been done at the federal level. For example, Connecticut and Massachusetts will negotiate covenants not to sue on remediated properties. In addition, insurers are now developing products that guard against potential liability. Coverages include cleanup-cost cap insurance, property transfer insurance, and "owner-controlled" insurance. According to Abelson, such products and programs sometimes supply important elements in facilitating remediation and redevelopment.

An economically viable project. The project must first work as a real estate deal. Any successful resolution must recognize both the real and the perceived disadvantages of brownfield redevelopment including crime, lack of worker skills and education, the limited size of available properties, and their location relative to suppliers, distributors, and competition. All of these factors influence demand. Public sector intervention, including tax incentives, may be necessary in order to attract private investment. Rhode Island's Mill Building Revitalization Act offers tax credits to lenders and eligible businesses that equal total rehabilitation costs. In Massachusetts, legislation has been proposed that would provide funding and tax incentives as well as further lender liability protections. (See the box for a summary of New England state programs.) Many other states, however, offer no financial incentives to attract brownfields redevelopment.

Effective community involvement. Community residents need to have a voice in determining the ultimate use of brownfields sites. They also need to understand what;/ environmental risks—if any—will remain after remediation is finished.

In Boston, Alternatives for Community and Environment (ACE), a neighborhood-based environmental law center in Roxbury, has been integrally involved in that city's discussion about cleanup and future use of several sites located in Roxbury and Dorchester. In fact, it was ACE, along with several other community organizations, that first proposed that the City partner with the community to apply for an EPA Brownfields grant.

Lender understanding and expertise. Abelson points to lender understanding of and expertise in environmental lending as a key factor in facilitating bank funding. Armed with this expertise, a lender can underwrite the loan in a way that both helps ensure profitability and provides necessary protections from future liability. Resources to acquire such expertise, he points out, currently are available primarily at very large financial institutions.

Looking forward

Both the private and public sectors have begun to make brownfields remediation and redevelopment a reality. Yet more public policy changes likely will be needed in order

to encourage broad-based reclamation and redevelopment. A combination of adequate lender liability protections, public sector incentives

cover story

presents the proceedings of a recent conference exploring the significance of brownfield reclamation in the context of metropolitan development. From the Lincoln Institute for Land Policy for $14. Call **617.661.3016**; e-mail **help@lincolninst.edu** for complete ordering information. And H.Edward Abelson, such as tax credits and creative financing programs, and education and experience among lenders in environmental lending may be needed to spur widespread brownfields redevelopment. With these improvements, more and more of these properties could be returned to productive use.

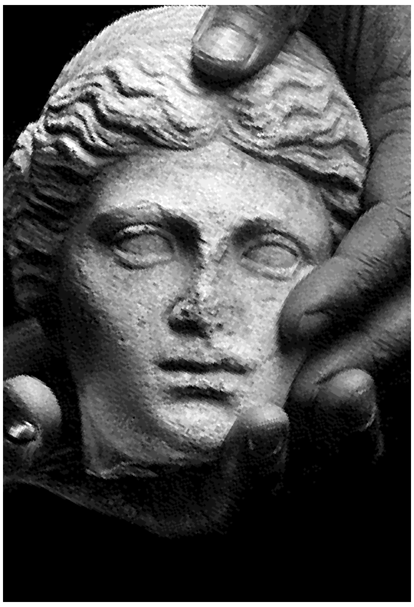
Becky Carter
Federal Reserve Bank of Boston

Reviving Downtown New England

Westfield, Massachusetts Brownfields Project

Westfield, Massachusetts looks like many small New England cities. Its history lies in manufacturing: Columbia Bicycles, the first bicycle made for commercial distribution, is one example. While some large employers have recently located themselves just beyond the city limits, those firms often provide lower-wage jobs than the manufacturing jobs they replaced. At the same time, Westfield's downtown has suffered badly from the influx of malls and superstores to the area. In short, Westfield not only looks like other small New England cities, it also shares many of their challenges. Westfield also contains a brownfield site, this one in the middle of its downtown commercial district.

The H.B. Smith company began operation in about 1830. Today, the property reminds the casual observer of Industrial Revolution working conditions, even though the company made boilers there until only a few years ago. Its conglomeration of 29 buildings stand an eyesore, an environmental hazard, an economic drain, and a detraction from the city's otherwise quiet livability. Underground storage tanks, heavy metals embedded in the ground, and PCBs are among the contaminants officials expect to find in acomplete



environmental assessment.

Westfield Community Development Corporation and the City of Westfield are at the center of an effort to remediate and redevelop the one-acre property. Even before the U.S. Environmental Protection Agency established its Brownfields Pilot Initiative, the City and the CDC had identified the property as their first priority for redevelopment.

As the agent for the city's HUD 108 and Community Development Block Grant funds, Westfield CDC purchased the property from H.B. Smith & Co. for $1.25 million, a price which reflected expected remediation costs. By the time the city applied for the EPA's Brownfield Pilot project, an environmental consultant had already won a bid to perform a site assessment; officials had earmarked $1 million of Community Development Block Grant funds for remediation and demolition; and a developer had an option on the site. The EPA grant and will supply funding to assess the contamination and to prepare bid specifications for remediation. "We're ready to go" states Gary Partridge, Westfield CDC's executive director.

Toward economic development

Already the Westfield CDC has purchased and redeveloped another downtown building, which now houses a movie theater and restaurant. That project seems to have attracted some retail activity. "Today we have more store fronts in downtown that at any time in recent history" notes Partridge. The City and the CDC now look to the H.B. Smith site rto spur even more activity. Clearly, Westfield has recognized the extent to which its local economy is tied to the disposition of brownfields. With tis site transformed from an environmental and economic blight to a location providing needed goods and services, the collaborative efforts of the City and the CDC are likely to bear fruit for Westfield's economy.

Becky Carter,
Federal Reserve Bank of Boston

in a paper prepared for and published by the Practicing Law Institute, examines risk reduction techniques for lenders, recent changes to environmental laws, and new options in environmental insurance. For a copy, contact Mark Lloret at the Boston Fed at 617.973.3097; by e-mail at mark.lloret@bos.frb.org.

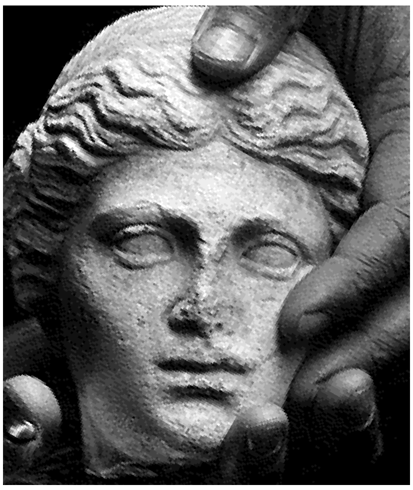
Revitalization partnership

The initiative makes strategic use of partners' strengths. Jose Perez, Executive Director of SINA, points to Hartford Hospital's leadership on streetscape improvements and to the ongoing commitment of longtime CEO John Meehan. Community organizations are contributing crucial leadership and outreach skills. Trinity President Dobelle crafted a vision of development for the Learning Corridor. Moreover, President Dobelle speaks persuasively to public and private decision makers, gaining support for the neighborhoods.

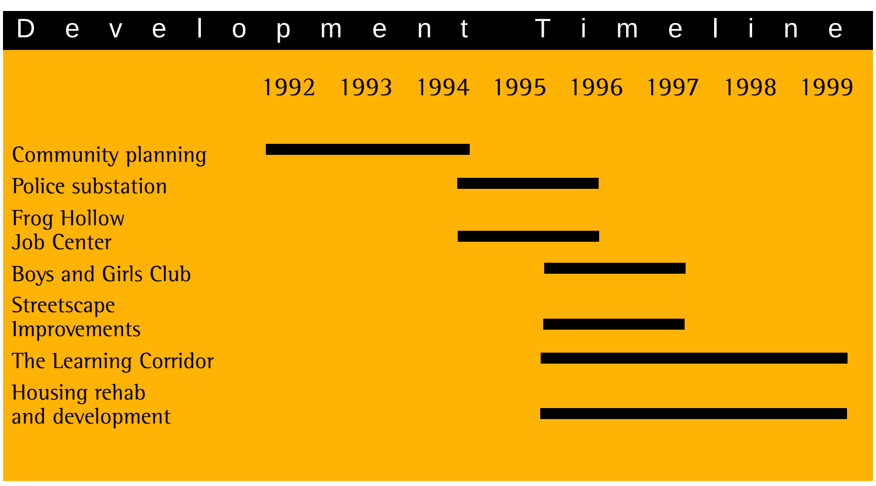
The partnership incorporates an array of stakeholders. Five institutions, numerous community organizations, all levels of government, multiple banks, Fannie Mae, and HUD are involved. The City of Hartford approved bond funds for the middle school and expedited construction and streetscape permits. People's Bank and BankBoston areinvolved in financing the housing development.

Financial commitment and momentum

With multiple partners, no single institution must bear all the risks or all the costs. SINA members have already pooled over $10 million that leverages an impressive array of financial commitments. Streetscape improvements are already under way, aided by federal Department of Transportation grants. Financing for The Learning Corridor site has already been secured in $52 million of bond funds. The Allied Health and Technology Center will receive a $15 million federal HUD loan guaranteed by Trinity College. HART is transfer-



ring its mortgage loan pool to SINA in order to concentrate on home buyer counseling, and SINA is providing soft second mortgages. Finally, home buyers can also use Fannie Mae's "House Hartford" mortgage products, developed in collaboration with Hartford banks.



Continuing education

Many characteristics of the Hartford partnership draw on past lessons. In the 1970s the relationship between the institutions and the neighborhoods was rather adversarial. The institutions were buying up property. In the 1980s, SINA provided seed money for two community development corporations, but these organizations could not keep up with the neighborhood deterioration. At Trinity College, a 1980s undercurrent of opinion held that the school should back away from neighborhood commitments to conserve resources. SINA is now charting a middle course between the far extremes of abandoning its neighbors on the one hand or promoting gentrification on the other, carving out a strategy to emphasize the urban assets of the neighborhoods.

Jose Perez of SINA offers Hartford as a case study: "Big enough to have an impact, small enough to manage, eventually a model of what does and does not work." Three major lessons can be drawn from the process so far. First, forging a shared vision of community development appears vital to ensure ongoing commitment. Second, institutions and community partners can devise strategies to take advantage of each partner's strengths. Finally, institutions benefit from concentrating on their local area: "You have to make your own plans," says Trinity President Dobelle, "put your own money on the table, and then be relentless in making something happen in your neighborhood."

Susan Cournoyer,
Federal Reserve Bank of Boston

tools to use

Tools for Promoting Community Reinvestment: Using Data to Analyze Lending Patterns in Your Community, from The Woodstock Institute,1996, edited by Kathryn Tholin. Data analysis has long been the cornerstone of Community Reinvestment Act effectiveness. Without it, community advocates would have little information about the nature of lending in their local areas. For lenders, recent changes to CRA emphasize lending performance, so understanding lending patterns is a critical component of proactive CRA compliance. **The Woodstock Institute** recently published this guide, which presents case studies demonstrating ways for community organizations to use available data, particularly HMDA data. The case studies are organized into three sections of the publication. **Lending patterns in individual targeted markets:** how data can demonstrate positive patterns of community reinvestment lending as well as reveal opportunities for increased activities. **Lending patterns among different types of lenders:** a study demonstrating that lending patterns among financial institutions subject to CRA are quite different from those of mortgage companies, and that the gap is growing. **Profiles of recent CRA negotiations between financial institutions and community-based organizations:** how community-based organizations have used available data to identify community reinvestment goals and to develop proposals for bank programs. **To order**, send your request to Woodstock Institute, 407 S. Dearborn Street, Suite 550, Chicago, Illinois, 60605. Enclose a check for $12 ($25 if your organization is for-profit). Call 312.427.8070 for more information.

Compliance Corner

Streamlined Procedures for Bank Holding Company Acquisitions

Synopsis of changes

Changes to Regulation Y—the regulation specifying procedures for bank holding company acquisitions—mean that bank holding companies may now qualify for a streamlined notice procedure. Soundly managed bank holding companies with satisfactory CRA ratings can now qualify for an expedited processing schedule and an abbreviated notice procedure. Amendments shorten the time line for approval from up to 60 days to just 33 days, primarily by reducing the Federal Reserve's processing time. There have also been some changes made to the public comment period.

Qualifying for streamlined procedures

Bank holding companies, their existing insured banking institutions, and the institutions they propose to acquire, must meet certain criteria. Some of these criteria include: Each institution to be acquired must hold less that $7.5 billion in risk-weighted assets; banking and non-banking acquisitions can be no more than 35 percent of acquiring company's risk-weighted assets; the bank holding company must meet the convenience and needs of its communities as a result of the proposed acquisition and; no substantive opposing comment may have been received by the Board of Governors or the Reserve Bank in charge.

In qualifying for this expedited review, the bank holding company provides the appropriate Reserve Bank with a variety of information about the transaction, its effect on the communities to be served, and its effect on the financial impact of the transaction on the bank holding company. For complete review of requirements, see the Final Rule.

Public comment

Under the streamlined procedures, the application comment period has been revised, differing in the timing of publication of the notice of application, but not shortening the period. An extension will only be considered if there are "extraordinary circumstances" warranting it. If both the applicant and the commenter file a joint request, the Board may grant a "reasonable" extension may be granted. If any substantive comment is filed within the comment period,will be considered under the longer 60-day review process.

For up-to-date applications information

Telephone Mark Lloret at 617.973.3895, or contact him by e-mail at mark.lloret@bos.frb.org for the Fed newsletter New Initiatives for Regulatory Relief, which details the changes to Regulation Y and provides more information about qualifying criteria, the comment period, and other changes to the regulation.

Bank Holding Companies and Change in Bank Control (Regulation Y), Final Rule. Federal Register, 12 CFR Part 225, February 28, 1997. For a copy, call Bonnie Bauman at 617.973.3341.

The Board of Governors H2-A Report. is updated every three days and includes all proposals and applications published for comment, and non-banking proposals that require only public notice. Get a copy by Internet at www.std.com/frbbos/finance/bhc.htm, click on BOG H2-A Report, or call Jonathan Fine at 617.973.3339 or Bonnie Bauman at 617.973.3341, by fax-on-demand at 202.452.3655. (Please call from a fax machine.)

The New England Applications Hotline lists applications in the First District for which the comment period has begun, along with comment dates. Call 1.800.896.9480.

The Board of Governors H-2 Report lists bank holding company applications from accross the nation that have been formally filed with the Federal Reserve. Access by Internet at www.std.com/frbbos/finance/bhc.htm.

To request copies of individual notices and applications, call Jonathan Fine, 617.973.3339

For application comments and procedures, call Tom Diaz at 617.973.3895, by e-mail at thomas.e.diaz@bos.frb.org; for more information on submitting comments, call Richard C. Walker, 617.973.3059. Send comments to: Richard C. Walker, Assistant Vice President, Community Affairs, T-7 P.O. Box 2076, Boston, MA 02106-2076.

Public Comment Period

Day one	Day fifteen	Day twenty-two	Day thirty	Days thirty-three to thirty-five
Begin comment period. First day bank holding company may publish notice in newspaper. Bank holding company may request, in writing, advance Federal Register application publication.	Federal Reserve receives and accepts application.	Final day by which bank holding company must have published public notice.	End comment period. If substantive comment(s) received, application considered under 60-day procedures. If request for extension granted, then comment period extended.	Application approved.

Around New England

Do third party originators have the tools they need to serve low- and moderate-income neighborhoods and home buyers? How can lenders and real estate brokerage firms ensure they are providing good service to all their customers?

These are just two of the questions raised in the report of the Greater Boston Home Purchase Process Initiative, released on April 16. Over the past year, this Initiative, led by the Federal Reserve Bank of Boston and thirteen private, public, and nonprofit sector organizations representing nearly every phase of the home buying process (see box 1 for list of partners), called on industry professionals to dissect, describe, and develop recommendations to help lower barriers to home ownership for minority and low- and moderate-income people. Each task group examined one aspect of the home purchase process: 1) the mortgage origination process; 2) property issues: appraisals and insurance; 3) secondary market issues; and 4) real estate brokerage issues.

Partners

- Community Bank League of New England
- Consumer Credit Counseling Service of Massachusetts
- Fannie Mae
- Greater Boston Real Estate Board
- Mass Affordable Housing Alliance
- Mass Bankers Association
- Mass Board of Real Estate Appraisers
- Mass Commission Against Discrimination
- Mass Conveyancers Association
- Mass Mortgage Association
- Mass Mortgage Bankers Association
- National Association of Real Estate Brokers
- Neighborhood Reinvestment Corporation

Colleagues you'd never met...

As president of the Massachusetts Mortgage Bankers Association, Susan Zuber sees the Initiative as consistent with her organization's mission to provide housing opportunities for all qualified home buyers. "Our members are interested in building capacity affordable housing programs. By working with other organizations, we can accomplish more by building on our collective knowledge." For Steve Sousa, president of the Massachusetts Mortgage Association, the Initiative represents a way for mortgage brokers to become more active in the affordable housing arena.

As task groups met, appraisers worked with lenders, real estate agents, home buyer educators, and others. Each professional brought experience to a task group, and what many found was that the goals of real estate agents and lenders were often consistent with those of home buyer education professionals and community representatives: working with home buyers to attain successful home ownership. There were gaps, though, in the tools, knowledge, and incentives for industry professionals to do so. Task groups then defined ways to help close those gaps.

Where the rubber meets the road

Perhaps the most important phase of this Initiative is implementation of key recommendations. Over the next year, groups of professionals will continue to work together to implement this and other recommendations. Through their work, together they will realize the goal of this Initiative. "We're looking to work with all the players to create a real and lasting impact in home ownership opportunities," states Sousa.