

IDENTIFYING PROFITABLE COMMUNITY-LENDING OPPORTUNITIES

The following outline resulted from the Federal Home Loan Bank of Boston's Housing and Community Investment Department staff's consultation with members on organizational issues involved in community lending. The intent of the outline is to assist a member financial institution to identify profitable community-lending opportunities.

Community Considerations

1. What is the financial institution's service area? How is the service area likely to grow over time?
2. What communities are within the service area?
 - a. What are the governing structures?
 - b. Who are the political leaders?
 - c. Who are the business leaders?
 - d. Who are the citizen and nonprofit leaders?
3. What is the nature of the communities within the service area?
 - a. Growth rates: Where is the growth occurring?
 - b. Poverty rates: Where are the areas of poverty?
 - c. Perceived strengths: What is the community known for? What would attract individuals and businesses to the community?
 - d. Perceived weaknesses: What keeps individuals and businesses out of the community?
 - e. What do the communities want to become? What would the bank like to see the communities become? What type of growth would the community leadership support?
4. Who are the major private, public, and nonprofit developers? What is the nature of the development done by each?
5. Who are the major lenders? What do they lend on, and what percent of the market do they have?
 - a. Private
 - i. Banks
 - ii. Credit unions
 - iii. Mortgage companies
 - b. Public
 - i. Municipal
 - ii. State
 - iii. Federal
6. What were the major projects that were financed in the community over the last two years? Did the institution participate? Could it have competed successfully to provide the financing? If not, why not?
 - a. Size
 - b. Policy
 - c. Credit concerns

- d. Funding concerns
- e. Regulatory concerns
- 7. What development initiatives are currently underway or being considered within the community?

What Are the Institution's Existing Community-Lending Resources?

- 1. Staff and board
 - a. Where do they live?
 - b. What ethnic groups do they represent? What languages do they speak?
 - c. What are their community interests?
 - d. Do they have any links to individuals or organizations doing development?
- 2. Products
 - a. Lending products
 - b. Investments
 - c. Letters of credit
- 3. Perceptions of the institution
 - a. Where is it located? Where are branches located?
 - b. What visual image does the institution and its branches convey?
 - c. What image has the institution's advertising conveyed?
 - d. How is the institution perceived within the community? By whom?
- 4. What information has the institution already collected on the community?
- 5. What has been the scale and nature of the institution's charitable contributions over the last two years?
- 6. What successful community-lending initiatives have been undertaken in the last two years?

What Are the Institution's Community-Lending Goals?

- 1. Public-relations benefits
- 2. CRA compliance
 - a. Lending test
 - b. Investment test
- 3. Profitability
 - a. Spread income
 - b. Investment income
 - c. Cross-selling opportunities

How Is the Institution Structured To Accomplish its Community-Lending Goals?

- 1. What are staff community-lending assignments?
 - a. Research
 - b. Outreach and advertising
 - c. Lending
 - d. Funding
- 2. What are reporting relationships?
- 3. How are the activities coordinated throughout the institution?

4. What is the board's role?
5. What technological resources are available to support community lending?
 - a. Contact databases
 - b. Demographic resources
 - c. Data-mining capabilities
 - d. Presentation resources
 - e. Collaborative resources
 - i. E-mail
 - ii. File sharing

Resources Needed

1. What additional resources are needed?
 - a. Staff resources
 - i. Research
 - ii. Outreach and advertising
 - iii. Lending and product development
 - iv. Funding
 - b. Education and training
 - c. Technology resources
 - d. Consulting resources
2. What partners are available to help the institution accomplish its goals?
 - a. Other banks
 - b. Secondary-market agencies
 - c. Wholesale funders
 - d. State and municipal agencies and departments
 - i. Housing-finance agencies and housing departments
 - ii. Economic-development agencies and departments
 - iii. Regional-planning agencies and councils of government
 - iv. Historic-preservation agencies
 - v. Tax-credit agencies
 - e. Nonprofit corporations
3. What programs are available to help the institution accomplish its goals?
 - a. Community loan funds
 - b. Municipal, state, and federal loan and grant funds
 - c. Tax-credit programs
 - d. Enterprise zones
 - e. Loan-guarantee programs
 - f. Small-business loan and guarantee programs
 - g. Down-payment-assistance programs
 - h. Brownfield-redevelopment programs
 - i. Hazard- and lead-paint-mitigation programs
 - j. Second-mortgage programs
 - k. Secondary-market programs

How Will Success Be Measured?

1. CRA rating
2. Change in community perception of the institution
3. Community growth and betterment
4. Cross-selling
5. Profitability