

# Tax Credit continued from page 3

president and CEO of the National Community Capital Association, a national membership organization of CDFIs. "Our expectation is that it will."

Mr. Pinsky has talked to several hundred banks about their planned involvement in the new program. Some banks are quite certain that they will be part of the New Markets Tax Credit Program and invest in CDFI affiliates that will fund worthwhile projects, but some banks are considering setting up their own CDEs so that they will have greater control over their investments.

Banks may decide to set up their own CDEs, Mr. Pinsky said, because they are concerned about "recapture risk," the risk of losing the tax benefit if 85 percent or more of the proceeds aren't invested in a qualifying investment over the first six years (75 percent in year seven). Banks might also want to use the tax credit to help them finance marginal projects that might not be profitable otherwise.

As for the National Community Capital Association, it is planning to apply for a New Markets Tax Credit allocation, Mr. Pinsky said, and make loans and investments directly in CDFIs that wish to use the proceeds to invest in eligible businesses in low-income communities. The idea is that CDFIs would save costs and resources by participating in

the New Markets Tax Credit by working through National Community Capital rather than applying directly. As an intermediary that already finances CDFIs, the plan for National Community Capital to create the new lending and investment service was a natural, he said.

"The New Markets Tax Credit is very difficult to understand," Mr. Pinsky said. "In the first two, three, five years there will be a high need for us to act as an intermediary and to put investments into CDFIs that they will use to finance qualified investments."

More information about the New Markets Tax Credit Program is available at [www.cdfifund.gov](http://www.cdfifund.gov).

## INFORMATION SESSIONS HELD

The CDFI Fund held a series of New Markets Tax Credit Program Information Sessions throughout July, including a July 15 session at the Federal Reserve Bank of New York.

The deadline to submit applications for the 2002 New Markets Tax Credit allocation is August 29, 2002.



**SUMMER, 2002**

# Bank Links

FOR COMMUNITY REINVESTMENT AND ECONOMIC DEVELOPMENT

**ORCA**  
The Office of Regional & Community Affairs  
of the Federal Reserve Bank of New York

Community Development Financial Institutions (CDFIs) play a critical role in providing access to capital for low-income people and communities that have historically been underserved by traditional financial institutions. They finance housing, small business development and community services that

financial institutions, with 70 percent of the awards going to nonregulated CDFIs, such as loan funds, and the remainder to banks and other financial institutions. By the end of 2000, there were 415 certified CDFIs across the country.

In this issue of BankLinks we are profiling several CDFIs that have developed innovative loan programs to cater to immigrant entrepreneurs, daycare operators, developers of affordable housing, small businesses in rural areas, and low-income individuals. This newsletter also includes a chart with the results of a survey of CDFIs in the Second Federal Reserve District that lists some investment opportunities that financial institutions may wish to explore. The information in this chart complements a survey done by the Community Affairs Office of the Federal Reserve Bank of Philadelphia published in the Winter 2001 issue of the newsletter, Cascades, that looks at CDFIs in the Philadelphia district.

We chose this theme because financial institutions have expressed an interest in learning more about CRA-qualified investments that promote economic development and assist low-and moderate-income communities. In this age of interstate banking, our hope is the information about CDFIs in a broader geographic area will benefit a range of financial institutions operating in multiple states. We also wanted to share examples of successful programs with other CDFIs and highlight how some organizations have overcome challenges

## CDFIs Create Innovative Programs to Serve Communities

help to stabilize neighborhoods and alleviate poverty. During the 1990s, the CDFI industry grew dramatically thanks, in part, to the CDFI Fund. Created by Congress in 1994 as part of the Treasury Department, the Fund is charged with expanding the capacity of financial institutions to provide capital, credit, and financial services to underserved markets. Since its creation, it has made more than \$534 million in grants to community development organizations and

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and are fulfilling their missions in creative ways.

By using awards from the CDFI Fund, many CDFIs have developed innovative programs to serve their targeted population and have leveraged the grants and other resources to meet the needs of their communities. The following CDFIs profiled in this issue were selected to provide a cross-section of innovative programs:

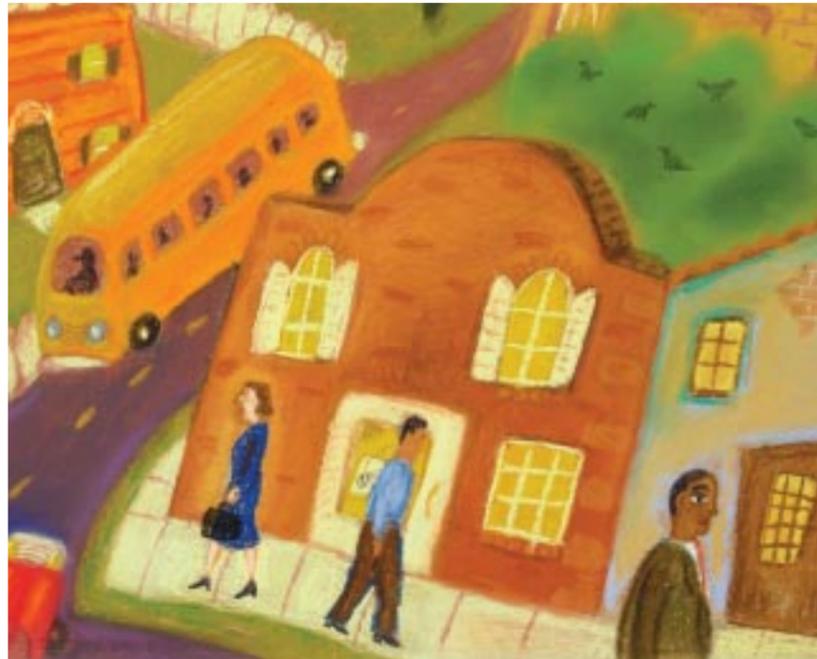
ACCION New York used an award from the CDFI Fund to build capacity and free up resources for marketing and outreach to its target market—low-income, immigrant entrepreneurs.

Leviticus 25:23 Alternative Fund used CDFI Fund awards and other resources to create a market for daycare lending, a need it identified after the passage of Welfare to Work legislation in the mid-1990s.

In a period when government resources have been shrinking, the Community Preservation Corporation has acted as a catalyst by leveraging public resources from CDFI Fund grants to encourage private investment in housing in poor neighborhoods in five New York communities.

Rural Opportunities Enterprise Center has overcome the challenges of lending to entrepreneurs across 34 counties in upstate New York and a section of Ohio, and also has taken advantage of the CDFI Fund awards to increase efficiencies in its operation and supplement its loan fund.

And, Bethex Federal Credit Union, which has created a series of innovative savings and loan programs that have enabled low-income indi-



viduals to accumulate assets and develop a credit history, is now partnering with check cashing centers as a way to better serve current members and market to potential members.

CDFIs face a special challenge because they must wrestle with a double-bottom line—generating social and financial returns. In order for CDFIs to sustain themselves they must have a sound financial base and maintain a portfolio of businesses that provide some positive returns and minimize losses. As one CDFI executive director put it, “it’s not enough to have good intentions, you must know how to make loans and what to do if the borrowers don’t pay you back.”

In June, the CDFI Fund introduced the New Markets Tax Credit Program, which will present further opportunities for CDFIs and Community Development Entities (CDEs), to leverage resources to carry out their work. Highlights of the new legislation also are discussed in this issue of BankLinks.

## Organizations Preparing for New Markets Tax Credit

In June, the CDFI Fund invited Community Development Entities (CDEs) and those seeking a CDE designation to submit applications to compete for New Markets Tax Credits supporting \$2.5 billion in qualified equity investments. The application deadline is August 29, 2002.

“The New Markets Tax Credit Program has the potential to make a significant impact in the targeted areas because of the wide variety of investments that can be made,” said Tony T. Brown, director of the CDFI Fund. “This program will catalyze new economic activity—ranging from loans to small businesses to the development of grocery stores, from charter schools to manufacturing plants. This flexible tool will enable urban and rural areas alike to attract private capital to expand their community development efforts.”

For-profit CDEs awarded tax credit allocations will sell tax credits to investors and use the proceeds to make qualifying low-income community investments. Taxpayers holding a qualified equity investment in a CDE will receive a New Markets Tax Credit. Each year for the first three years of the investment, the tax credit will equal 5 percent of the investment amount and each year for the next four years, the tax credit will equal 6 percent of the amount of the investment for a total tax credit of 39 percent of the face amount of the investment.

The New Markets Tax Credits will be allocated annually by the CDFI Fund and the program is expected to encourage the total investment of \$15 billion in new private capital into CDFIs and other entities that make loans and equity investments in low-income businesses.

To qualify as a CDE, an organization must meet the following criteria: be a corporation or partnership with the primary mission of serving, or providing investment capital for low-income communities or individuals; maintain accountability to low-income communities, and receive a certification from the Treasury Department. Treasury-designated CDFIs and specialized small business investment companies are automatically qualified as CDEs and can become certified by registering online. Subsidiaries of CDFIs are required to apply separately.

“Our hope is that the New Markets Tax Credit will stimulate an increased flow of capital into underserved markets,” said Mark Pinsky,



*continued on page 24*

# ACCIÓN New York

With the help of an award from the CDFI Fund, ACCIÓN New York launched a program two years ago to build the capacity of its back-office operation to enable its loan officers to spend more time networking, marketing loans, and providing technical assistance to loan customers.

“Prior to 1999, we did a strategic plan to increase the scale of our operation and did a lot of capacity building to enable us to handle a large volume of clients,” explained Luz Gomez, program manager for ACCIÓN New York, headquartered in Williamsburg, Brooklyn.

The strategy worked. In 2000, ACCIÓN New York made 613 loans totaling \$3.49 million and served 415 new clients, up from 352 loans totaling \$1.6 million and 190 new clients the year before.

ACCIÓN New York, which opened in 1991, markets its products and services to immigrant communities in the five boroughs of New York City (Brooklyn, Queens, Manhattan, Staten Island, and the Bronx) and Long Island.

“Traditionally, immigrant entrepreneurs had been shut out of the credit system due to language barriers, lack of financial documentation, and limited credit histories,” Ms. Gomez said. Eighty percent of ACCIÓN New York’s clients are immigrants from Latin America, Africa, and the West Indies. Of its total client base, 90 percent are Latino.

After receiving the award of \$1.5 million from the CDFI Fund in 2000, ACCIÓN New York invested it in developing a more efficient loan processing system. Rather than have the same person take a loan application, check documentation, and process the loan, the organization hired loan officers who specialize in developing business in the field. A separate back office team handles the applications in the Brooklyn office, which features beefed up technology for more efficient processing.

“We’re trying to gain self-sufficiency for the organization in terms of trying to generate enough revenue to cover our costs,” Ms. Gomez said. “We want to reach large numbers to make a large impact in the community and, from a financial standpoint, sustain the operation so that we remain a long-term entity and gain earned revenue to support the organization.”

The loan volume has remained steady since 2000. ACCIÓN New York is anticipating a jump when it expands its Long Island operation and moves into New Jersey next year after complet-

ing a feasibility study to determine which New Jersey communities would benefit most from its services. The organization also is looking for banks and foundations with which to partner in New Jersey.

ACCIÓN New York charges a 16 percent interest rate and its loans range from \$500 to \$25,000, but average a little under \$10,000. Loans are made to a broad range of self-employed individuals operating as street vendors, in home-based businesses, or in storefronts. Examples of the businesses financed include a hair salon and jewelry boutique, a West Indian music, arts, and crafts store, restaurants, and a beer importing business. The loan default rate is about 5 percent and while late payments increased following September 11, according to Ms. Gomez, clients have been paying on time since the local economy began recovering.

The organization has 25 employees, including volunteers. All its loan officers are fluent in Spanish, with one loan officer proficient in French to serve clients from West Africa. Loan officers provide one-on-one technical assistance, including help preparing financial statements to be used for loan applications.

Although some customers are referred to ACCIÓN New York by other customers, Ms. Gomez said aggressive marketing and networking are crucial components of a successful micro-lending program. ACCIÓN New York’s loan officers canvas targeted low-income neighborhoods, particularly those with large Hispanic populations, by walking up and down blocks, passing out brochures to the owners of storefront businesses.

Loan officers also network with small businesses through the small business development centers and make presentations to con-

To be effective...tailor outreach efforts to different communities, revise marketing materials to target these communities, and be persistent...



ACCIÓN New York client, Uvalda Alvarado, in front of her business, Antojitos Mexicanos.

stituents and participate in events sponsored by organizations that serve immigrant populations. In addition, ACCIÓN New York collaborates with local bank branches in its targeted communities in a number of ways, including offering seminars on financial topics, and it works with a law firm and business support organizations that provide resources and information to customers.

To be effective, Ms. Gomez suggests that CDFIs tailor outreach efforts to different communities, revise marketing materials to effectively target these communities, and be persistent in their marketing.

ACCIÓN New York is an associate of ACCIÓN International, an international nonprofit organization that operates in 14 Latin American and Caribbean countries by providing small loans and business training to microentrepreneurs. By providing credit and support to self-employed individuals, ACCIÓN New York seeks to increase business and family income, create jobs, and revitalize economically disenfranchised neighborhoods.





## Rural Opportunities Enterprise Center

Rural CDFIs face challenges that are different from their urban counterparts because they must operate in vast geographic areas, according to the director of an upstate economic development program that operates in 34 counties in upstate New York and a small section of northeastern Ohio.

“You need volume to sustain a lending operation and need to activate a referral network because you can’t possibly be in all communities marketing,” said Joan Dallis, director of economic development for the Rural Opportunities Enterprise Center.

For loan referrals, the Rural Opportunities Enterprise Center relies on a network of chambers of commerce, accountants, banks, small business development centers, and other organizations that operate in towns and villages with populations of less than 25,000. The organization doesn’t compete with banks, but complements banking relationships by serving customers that may not be ready for conventional financing today, but will be after gaining more experience.

“We deal with pre-bankable businesses,” Ms. Dallis said. “We don’t call them unbankable. We get them ready to deal with banks some day.”

Geography also is a barrier to the development of business networks in rural areas because it’s difficult for start-ups to develop a synergy, share best practices, and market to each other when they are located so far apart, she said.

“It’s hard to get 10 to 12 entrepreneurs in a support group because we don’t have that concentration of operations,” Ms. Dallis said.

Based in Rochester, the Rural Opportunities Enterprise Center, is an affiliate of Rural Opportunities, Inc., a nonprofit created in 1969 to provide services to farmworkers, low-income families, and economically depressed communities throughout New York, Pennsylvania, New Jersey, Ohio, Indiana, Michigan, and Puerto Rico.

Rural Opportunities, Inc. began developing affordable housing in the 1970s and 11 years ago created the Rural Opportunities Enterprise Center as a means to spur economic development and create jobs. Since its inception, the Treasury-designated CDFI has made 250 loans totaling about \$5 million at market interest rates and created more than 1,400 jobs in a variety of businesses, including home-based businesses, and businesses related to agriculture, tourism, crafts, or services. The organization’s loan loss rate is under 10 percent, low Ms. Dallis said because of its policy of early intervention.

ing and business development as they try to help the businesses weather a shaky economy. The national recession hit upstate New York last year and some businesses with New York City markets suffered even more following the September 11 attacks.

“A lot of businesses we’re dealing with have never done business in a down economy,” Ms. Dallis observed.

The Center’s staff of five is helping clients with cash flow management, personal cash flow, and managing debt, and giving advice to proceed cautiously with proposed expansions, evaluate financial information, and review weekly sales figures.

Ms. Dallis said her operation has been a success because it has proceeded cautiously and never expanded before first having the operating funds in hand to finance it.

Because the Center is part of Rural Opportunities, Inc., which has 250 employees, it can take advantage of greater economies of scale and can rely on the expertise of the Rural Opportunities finance department, which manages a \$30 million budget and has helped the Center manage its finances.

When operating a CDFI, Ms. Dallis said, “it’s not enough to have good intentions, you must know how to make loans and what to do if the borrowers don’t pay you back.”

She also advises that lenders should know their markets, stay in touch with the market, and study the progress of the portfolio. In other words, “don’t forget the basics.”



To help it expand, the Rural Opportunities Enterprise Center has used awards from the CDFI Fund. In 1999, the Center received a \$65,000 grant for technical assistance, which was used to fund market studies of the Mid-Hudson, NY, area, and Stark County, Ohio, and for staff development, capacity building, and for marketing and equipment needs. In 2000, the center received a \$300,000 capital grant for its loan fund.

Today, Ms. Dallis is finding that her staff members are putting more time into technical assistance for current clients than in market-

## Leviticus 25:23 Alternative Fund

After the Welfare to Work program was adopted by the federal government in the mid-1990s, the Leviticus 25:23 Alternative Fund immediately saw a need for more daycare centers to care for the children of women entering the workforce.



**Two happy faces at D & D Day Care in Uniondale, Long Island, a start-up child care center financed by Leviticus.**

The goals set for the childcare program Leviticus created four years ago were modest; raise \$1 million at zero interest in three years, according to David C. Raynor, executive director. But the program surpassed the organization's expectations and raised \$2.5 million, which has enabled Leviticus to make \$2 million in loans at 5 percent interest to 18

daycare facilities. Of the \$2.5 million, \$800,000 was funded with grants and zero interest loans that Leviticus received from the CDFI Fund in 1997 and 2001.

Today, one-third of Leviticus' \$6 million loan fund is in daycare financing, the remainder is for affordable housing, and it plans to increase its daycare lending.

One option Leviticus is pursuing to finance its daycare expansion is creating a for-profit subsidiary and applying for a \$5 million allocation through the New Markets Tax Credit initiative. "I think the tax credit program has the potential to raise low cost money," Mr. Raynor said of the new program.

At the present time, however, there are still many unknowns regarding the new tax credit and, like many others, Mr. Raynor is studying the final rules released in June by the CDFI Fund. Also, he said he is unsure that if Leviticus applies for an allocation, its application will be selected, or if the New Markets Tax Credit will even attract as many investors as expected.

The Leviticus Fund extends loans to: acquire property for new or existing daycare facilities; build or rehab new or existing daycare facilities; upgrade buildings or current daycare facilities for health and safety measures; purchase equipment; and provide start-up financing for new daycare centers.

Although Leviticus made a \$400,000 loan to a daycare center in Huntington, NY, that financed the remainder of the project in state bonds, its niche is in financing smaller daycare centers that require loans of about \$30,000.

"The smaller ones are the ones that have had a hard time getting financing," Mr. Raynor said. "We've also done five start-ups."

Most of the borrowers are women who have cared for children in their homes and want to expand and need a small loan in order to get



their space approved. The Child Care Expansion Consortium provides 70 percent guarantees on some childcare loans, which mitigates some of the risk.

"We're actually creating a market (for daycare lending) that wouldn't have occurred if not for CDFIs," Mr. Raynor said. "Childcare is underfunded. There is a tremendous need out there."

**"We're actually creating a market (for daycare lending) that wouldn't have occurred if not for CDFIs," Mr. Raynor said. "Childcare is underfunded. There is a tremendous need out there."**

Borrowers are referred to Leviticus by bankers who, in some cases, may have rejected the loan. Daycare operators seeking loans tend to be financially unsophisticated and lack collateral, and, therefore, require a lot of technical assistance to get their projects off the ground. Also, after the center is opened, daycare owners must learn to operate with tight margins and manage their cash flow, which can be a problem when relying on government payments that often aren't made in a timely manner.

To succeed in daycare financing, Mr. Raynor suggested hiring a staff member who is trained and understands sound lending principles and can provide technical assistance to borrowers.

"When we started we hired a former banker who was semi-retired and she spent the first year learning the childcare field before she underwrote loans," he said.

He acknowledged that in all CDFIs there is a tension to fulfill both a social need and meet the bottom line. "The investors all want their



**Before and after shots of a multi-service facility operated by La Casa de Don Pedro in Newark, NJ.**

**The facility, partially financed by Leviticus, includes a large childcare center.**

money back," Mr. Raynor said. "We have to be profitable, but at the same time we don't want to be a bank. We want to fill a niche that banks don't fill. Banks don't get operating grants, so we need to stretch further than banks."

So far the philosophy has paid off. Leviticus has a loan loss rate of 0.6 percent—it has written off only \$65,000 of \$9 million in total loans it has made.

"Quality is another issue," Mr. Raynor said of working with daycare centers. Daycare centers "are paying low wages and there are concerns about quality. As lenders we have little control over quality."

However, in an attempt to have more control, Leviticus has recently implemented a grant program and will give borrowers a \$5,000 grant if they become an accredited daycare. The program is being funded with \$50,000 from a CDFI Fund grant, part of the \$800,000 in CDFI grants and zero interest loans that Leviticus has devoted to its daycare program. Initially, Leviticus will be able to give 10 grants, and hopes to attract additional funding for the program from other sources to finance more grants.

The Leviticus Fund, which made its first loan in 1984, is a nonprofit CDFI with 82 members that are churches, church-based organizations, and religious orders representing eight different faiths, and nonprofit organizations that believe community based lending is a financially and socially responsible alternative to more traditional investments.

# Bethex Federal Credit Union

Bethex Federal Credit Union, started 32 years ago in the Bronx as a school project in an adult education class for welfare mothers, continues to create innovative financial services designed to enable individuals with low incomes to save money and establish credit.

"I used to be an adult education school teacher," Joy Cousminer, founder, treasurer, and manager of Bethex Federal Credit Union explained. "We had a school project to start a credit union because students were always going to the pawn shop (to get money)."

Once items were sold at the pawn shop, Ms. Cousminer said the women found they never had enough money to retrieve their belongings, so the pawn shop would sell them. As an alternative, the students created the credit union. "Some of the original students are still in the credit union and their children are in it," she said.

Today, Bethex has 11,000 members and total assets of under \$10 million. With the assistance of a CDFI Fund grant, Upper Manhattan

Empowerment Zone benefits, and a number of mergers, Bethex has developed a five-branch network in the Bronx and upper Manhattan.

The credit union has tried to stay responsive to the needs of its member base (two-thirds are on public assistance) and is now partnering with Rite Check Financial Services Centers, a chain of check cashing centers with 14 locations in the Bronx and upper Manhattan.

Bethex is marketing its services at the check cashing centers by displaying signs and brochures and recruiting and signing up members for savings accounts and other services. Because Bethex is a community development credit union, it can reach out to a broader audience than most credit unions, which can only recruit members of a defined group such as employees of the same company or members of the same union or church, etc.

"Our goal is to get a number of customers who use check cashers to join our credit union," she said. "Our assumption is they are unbanked and that's why they're at check cashers."

Bethex decided to partner with Rite Check to provide greater convenience for its members because the check cashing centers have more locations and longer hours than the credit union and don't place holds on checks, but cash them immediately.



Credit union members can go to Rite Check and cash their credit union checks for free. Also, credit union members can cash checks that aren't drawn on the credit union for a fee equal to 1.1 percent of the check, which is lower than the 1.4 percent rate charged non-credit union customers. Bethex members also have the option of using the Point of Banking terminals located at the Rite Check centers and other check cashing centers selected by the credit union. With these terminals, credit union members can make free cash deposits directly into their savings accounts via the Automated Clearinghouse (ACH) network and the money is available the next day.

"We're the first in the United States and New York City to do this," Ms. Cousminer said.

Also, Bethex advertises credit union loans at the Rite Check centers, but members must go to the credit union to fill out the paperwork to get a loan. Loan payments, however, can be made at the centers for free.

Since launching the program to market to check cashing customers last October, about 60 new members have signed up directly with Bethex employees seated in the lobbies of the centers. The owners and operators of Rite Check saw the partnership with Bethex as a way to provide additional services that they couldn't provide in addition to marketing to new customers, Ms. Cousminer said. Since Bethex members aren't charged for cashing Bethex checks, Rite Check and the other check cashing centers bill Bethex for the additional services they provide to credit union members, but fees aren't passed on to the members.

Bethex also is offering a second innovative program to its members; an emergency loan program for loans of \$200 to \$500, called Cash in a Flash, which members can receive the same day they apply and that they can repay in six months. This service is designed as an alternative to "payday loans," which are offered at high interest rates and are illegal in New York State. Twenty-five percent is the usury rate in New York and the highest rate credit unions can charge is 18 percent.

For the people who find it difficult to save, Bethex created the Goal Saver Loan. In this program, the members take out a loan from Bethex at 6 percent interest and put it into a savings account at Bethex that earns 3 percent interest. The member repays the loan, which enables him or her to build credit and get into the habit of saving.

Ms. Cousminer said the Goal Saver Loan product has been successful and some members have saved as much as \$10,000 to buy land in Puerto Rico or the Dominican Republic on which to build a house.

"Many people complete it," she said. "It teaches them to be savers. There are many programs for savings, but many people aren't accustomed to saving. It's a lot easier to pay a loan back. And, they build credit because every time they make a payment it shows up on their credit report."



Joy Cousminer, seventh from left, with the staff of Bethex Federal Credit Union.

# The Community Preservation Corporation



**Before and after shots of 23A City Terrace, Newburgh, NY.**

Since opening its doors more than 27 years ago, the Community Preservation Corporation (CPC) has understood that banks are more likely to resume conventional lending in once-devastated neighborhoods after a critical mass of homes has been successfully rehabilitated.

As a nonprofit mortgage lender specializing in low-, moderate-, and middle-income multi-family housing finance in New York and New Jersey, CPC continues to seek out poor neighborhoods in which to kick-start housing rehabilitation by creating a critical mass, according to John McCarthy, executive vice president and chief operating officer. In recent years the organization has received \$5 million in grants from the CDFI Fund to increase its lending to housing developers in five communities.



The first \$2 million grant from the CDFI Fund, CPC divided between the South Bronx and low- and moderate-income neighborhoods in Syracuse. The following year, the nonprofit targeted Albany and part of Newburgh with a \$1 million investment in each community. And last year, CPC received a \$1 million grant for Rochester.

The CDFI Fund grants have been used to fund closing costs and any eligible development cost for particular projects in these targeted areas. For example, in Albany, part of the grant has been used to assist a local developer who needed help paying the closing costs on homes that he bought and planned to restore in the Mansion District. The rapid closings contributed to CPC's goal of making an impact quickly.

"It is important to demonstrate results in a brief period of time to show that something is very different here," Mr. McCarthy said, adding that such rehabilitation has a psychological effect on lenders and appraisers who immediately see that an area is on the upswing.

Sponsored by 90 banks and insurance companies that provide it with lines of credit, CPC lends at market rates and in many communities and today finds itself in competition with major banks that see investment opportunities after it becomes apparent that the neighborhoods are improving. But that's not a bad thing. In fact, that's exactly what the nonprofit hopes to achieve. A heavy investment by CPC, Mr. McCarthy said, enables the private sector to come in and restore a normal housing market.

"There is more competition as more lenders have come to see that there is money to be made," Mr. McCarthy said. "But new lenders entering the market have not saturated the demand."

The nonprofit closes more than \$300 million in new deals annually and has financed more than 90,000 units since its inception. One-half of the deals financed by CPC in the past few years have been under \$500,000. The smaller the deal, chances are that the developer will be less sophisticated, according to Mr. McCarthy. CPC adds value by offering technical assistance, nurturing small and first-time developers, and making loans to developers who are replacing plumbing, electrical systems, and windows while tenants are living in the building.

"We have provided small owners and developers the expertise to handle this work," Mr. McCarthy said. "The lasting benefit is that we can nurture an inexperienced owner or contractor into an affordable housing specialist who will actively seek out dilapidated buildings to develop. A large group of for-profit developers now specialize in this niche."

Despite the recent economic downturn, CPC hasn't seen an increase in defaults. "Housing has remained strong," Mr. McCarthy said. "I think it's a function of a low vacancy rate and a chronic shortage of rehabilitated buildings with good management."

# System Developed to Measure Success of CDFIs

The National Community Capital Association has developed a CDFI Assessment and Rating System, which will provide greater transparency to current and potential CDFI investors, according to the association's president and CEO.

"We wanted to create a way that made it easier for investors to make that first tier judgment about whether to invest in a CDFI," said Mark Pinsky, president and CEO of the association, which is a national membership organization of CDFIs. "It's not intended to replace due diligence, but can make it easier for investors to get into the market."

The report will give an overall rating of A+ to C with sub-ratings on credit and community impact risk. Credit risk simply means the likelihood that interest and principal will be returned to investors, while community impact risk reviews the success the CDFI has had in making a social impact on the community by creating jobs, affordable housing, or providing other community services as promised.

Representatives from the National Community Capital Association will determine a rating following interviews with the CDFI's management, a review of relevant documents describing the CDFI's operations and impact, and an analysis of its financial performance and position.

The rating is not intended to be a recommendation to invest in a CDFI, and investors will still need to evaluate whether a CDFI meets their social and financial goals and fits their risk tolerance.

CDFIs are expected to benefit from the ratings system, however, because the additional transparency could lead to greater access to capital and will provide them with objective feedback from a third party, which could be used in their organizational development efforts.

Created in 1986 as the National Association of Community Development Loan Funds, association members voted in 1997 to change the name of the organization to the National Community Capital Association to reflect the expanded membership. National Community Capital's membership includes community development credit unions, community development venture capital funds, and micro-enterprise lenders, as well as community development loan funds.

National Community Capital is in the process of determining how it will market the new product. More information is available from National Community Capital at (215) 923-4754.

**SURVEY OF CDFI LENDING AND INVESTMENT NEEDS IN THE SECOND DISTRICT**

CDFI	FORM OF INVESTMENT OR LOAN	PURPOSE OF INVESTMENT	USE OF FUNDS	TOTAL AMOUNT SOUGHT	INVESTMENT MINIMUM	TIME PERIOD FOR INVESTMENT	TERM OF INVESTMENT OR LOAN TERM	ESTIMATED RETURN/INTEREST RATE SOUGHT	GEOGRAPHIC AREA	CONTACT
ACCIÓN New York	Grant	Small businesses	Grants sought to help cover general program expenses in support of microlending program.	Open	\$5,000	On-going	NA	NA	New York City, Westchester County, and Long Island.	Alex Stein, Finance/Operations Manager (718) 599-5170 x 314 astein@accionnewyork.org
ACCIÓN New York	Loan	Small businesses	Loan funds will be used as lending capital, and will be directly lent to microentrepreneurs.	\$3 million	\$200,000	2002-2004	3-6 years	Below market rate	Same as above	Same as above
Adirondack Economic Development Corporation	Grants and Investments	Economic development and small businesses	Matching loan dollars sought for investments and grants to help capitalize loan loss reserve.	Open	None	On-going	NA	NA	Adirondack Park region - Northeastern NY State	Dan Woodman, Vice President, (518) 891-5523 x 15
Alternatives Federal Credit Union	Investment, Deposit, Grant	Economic development	Funds sought for general program expenses related to financial education, access to credit for microentrepreneurs, and financing near-equity investments in small businesses.	Open	\$50,000	Open	Secondary capital- 7 year minimum; Venture fund - 5 years; Deposit - 1-5 years depending on term	Secondary capital - 5%; Venture fund - 4 - 5%; Deposit rates vary	8 County area in Central NY - Tompkins, Cauga, Cortland, Chemung, Broome, Schuyler, Seneca, Tioga	Deirdre Silverman (607) 273-3582 x 816
Alternatives Federal Credit Union	Loan	Economic development	Funds sought as secondary capital to leverage additional funding.	Open	None	On-going	5-7 years or more	Up to 5%	Same as above	Same as above
Bethex Federal Credit Union	Grant	Economic development, Revitalize/stabilize LMI geographies	Cover operating expenses which support organizational goals.	Open	None	On-going	NA	NA	South Bronx, NY	Joy Cousminer (718) 299-3062
Community Capital Bank	Investment, Deposits (CDs)	Economic development	Funds sought to support loans to small businesses, developers of affordable housing, real estate entrepreneurs, construction firms, nonprofit organizations, and individuals.	Open	None	On-going	Open	Rates fluctuate based on market conditions.	Five boroughs of New York City - Brooklyn, Queens, Manhattan, Bronx, Staten Island.	Gina Bolden-Rivera (718) 802-1212
Capital District Community Loan Fund (CDCLF)	Investment, Grant	Affordable housing LMI, Community services including childcare LMI, Small businesses	Funds will help support loan underwriting and management and programs to provide technical assistance and training to potential and current borrowers.	Varies according to need over time	None	On-going	Long-term or permanent	NA	11 NY counties - Albany, Columbia, Fulton, Greene, Montgomery, Rensselaer, Saratoga, Schenectady, Schoharie, Warren & Washington	Bob Radliff, Executive Director (518) 436-8586
Capital District Community Loan Fund (CDCLF)	Loan	Affordable housing LMI, Community services LMI, Small businesses, Revitalize/stabilize LMI geographies	Funds will support lending to nonprofit organizations and microenterprises.	Contact CDCLF	Contact CDCLF	On-going	Minimum one year; longer terms preferred	0-3%; lower rates preferred	Same as above	Same as above
Commercial & Industrial Capital Corporation	Investment	Small businesses	Funds will be used for loan capital, capital reserve, and administrative expenses.	\$600,000	\$100,000	On-going	7 years	2%	NY State Empire Zone, Staten Island	Blaise Zandoli, Executive Loan Officer, (718) 477-1400 x 13
Community Development Corporation of Long Island (CDCLI)	Investment	Small businesses	Support SBA 7A loan program for minority and women-owned businesses.	Open	\$2,000,000	9/1/02	Contact CDCLI	14%	NY - Long Island, Nassau, and Suffolk counties	Wilbur Klatsky, President (631) 471-1215
Community Preservation Corporation (CPC)	Grant	Affordable housing LMI	Investors may purchase participations in CPC-originated loans. Investors may purchase CPC-issued securities backed by pools of affordable housing loans. Investors may supply grant funds which CPC will combine with its own loans, to increase feasible rehab scopes or otherwise benefit a project or its neighborhood.	Open	\$500,000	On-going	1 year or longer	NA	New York and New Jersey	John McCarthy, EVP (212) 869-5300 x 515 jmccarthy@communityp.com www.communityp.com

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Community Preservation Corporation (CPC)	Loan	Affordable housing LMI	Investors may purchase participations in CPC originated loans. Investors may purchase CPC issued securities backed by pools of affordable housing loans. Investors may supply grant funds which CPC will combine with its own loans, to increase feasible rehab scopes or otherwise benefit a project or its neighborhood.	Amount large enough to justify transaction costs	Amount large enough to justify transaction costs	On-going	1-2 years on construction; 20-30 years on permanents	Approximately current market rate	New York and New Jersey	John McCarthy, EVP (212) 869-5300 x 515 jmccarthy@communitycp.com www.communitycp.com
Cooperative Business Assistance Corporation	Grant	Economic development and small businesses	Funds will support lending to small businesses to enable startup or business expansion.	Open	\$250,000	Over 2 years	NA	NA	Camden, Gloucester, Salem, Cape May, Atlantic, Cumberland Counties	R. Michael Diemer, Executive Director, (856) 966-8181 mdiemer@cbaclenders.com
East Harlem Business Capital Corporation	Investment, Grant	Economic development and small businesses	Grants sought to fund technical assistance and microloan programs.	Open	None	On-going	Varies depending on program or project	Varies, according to use of funds.	East Harlem NY	Elizabeth Colon, Executive Director, (212) 427-8590
East Harlem Business Capital Corporation	Loan	Economic development & small businesses	Funds will be used to provide low interest rate loans to small business owners and entrepreneurs in East Harlem.	Varies depending on interest rate & term	Varies depending on rate, term, and use	On-going but may be on a specific project in the near future	Varies depending on rate, term, and use	Below market rate	Same as above	Same as above
East Williamsburg Valley Industrial Development Corporation	Grants, Investments	Small businesses	Funds will be used to support microloan fund to make qualified loans to small businesses and entrepreneurs.	\$500,000	None	On-going	NA	25% state tax credit of amount contributed	North Brooklyn NY - Greenpoint, Williamsburg, Bushwick, Ridgewood	Jose Leon, Director (718) 388-7287
East Williamsburg Valley Industrial Development Corporation	Loan	Small businesses	Loan funds will be used to provide affordable low interest loans to small businesses and entrepreneurs in North Brooklyn.	\$300,000	None	Late 2002	3-5 years depending on use of funds	0 - 2%	Same as above	Same as above
Family Assets, LLC	Grant/Loan	Small businesses and Economic development	Grants sought to capitalize loan, programs and cover administrative costs; loans will be used to provide both community services to LMI individuals and to promote small business economic development.	Open	None	On-going	Contact Family Assets	Contact Family Assets	Eastern Fairfield County, CT (Greater Bridgeport), including: Bridgeport, Stratford, Trumbull, Easton, Monroe and Fairfield	Brian J. Langdon, President (203) 368-4291
Greater Jamaica Local Development Company (GJLDC)	Grant	Small businesses	Capitalize revolving loan fund	Open	None	On-going	NA	NA	Southeast Queens NY	John. L. Scott, (718) 291-0282 jscott@gjdc.org
Home HeadQuarters, Inc.	Investment	Affordable housing LMI	Help capitalize funds in order to provide loans to support non-profit organizations and programs for home improvements and housing downpayment for first-time homebuyers.	Open	None	On-going	Contact Home HeadQuarters	Contact Home HeadQuarters	City of Syracuse and areas in surrounding Onondaga County	Kerry Quaglia, Executive Director (315) 474-1939 x 226 Kerryq@Homehq.org www.homehq.org
Homesteaders Federal Credit Union	Grant, Investment	Affordable housing LMI, Economic development	Funds sought to assist low-income cooperative building to maintain quality housing.	\$25,000-\$1,000,000	None	On-going	3-10 years	NA	New York City and Central Harlem	Trina Heizman, Manager (212) 222-0328 heizman@homesteadersfcu.org
Homesteaders Federal Credit Union	Loan	Affordable housing LMI, Economic development	Funds sought to lend to limited equity, low income cooperative buildings for improvements and to residents for purchase of apartments	\$100,000 or greater	\$100,000	Summer 2002	Contact Homesteaders FCU	Contact Homesteaders FCU	Same as above	Same as above
Housing Development Fund	Investment, Grant	Affordable housing LMI, Revitalize/stabilize LMI geographies	Expand financing for low/moderate income affordable housing	\$2 million	\$500,000	On-going	30 Years	3.5 to 5.5%	Fairfield County, CT	Joan Carty, (203) 969-1830 Jcarty@HousingHelps.com
Housing Development Fund	Loan	Affordable housing, Revitalize/stabilize LMI geographies	See above	Open	\$500,000	On-going	30 years	3.5 to 5.5%	Same as above	Same as above

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Housing Resources of Columbia County, Inc.	Investment, Grant	Affordable housing LMI	Capitalize loan pool, which can be used by eligible households for housing acquisition or rehabilitation.	Open	None	On-going	NA	NA	Columbia County, NY	Margaret A Femi, Deputy Executive Director (518) 822-0707 margaret@housingresources.org housingresources.org
La Casa Federal Credit Union	Deposit	Revitalize/stabilize LMI geographies	Deposits will be used to fund lending to credit union members; also seeking equity funding to meet goals of investing in pending supermarket development.	Contact La Casa FCU	Contact La Casa FCU	On-going	Contact La Casa FCU	Contact La Casa FCU	Newark, NJ	Raymond Ocasio, Executive Director, (973) 482-8312
Leviticus 25:23 Alternative Fund, Inc.	Membership share or Grant	Affordable housing LMI, Community services - community facilities including child care centers	Funds will be used to provide community development loans and technical assistance.	\$5 million	New Markets Tax Credit (NMTC) investments \$100,000 - \$1 million; Equity grants \$10,000-\$100,000; Operating grants \$1,000 - \$10,000	On-going	NMTC investments are for 7 years.	Estimated return on NMTC investments - 7 - 8% including credit.	All of NY, NJ, and CT	David Raynor (914) 237-3306
Leviticus 25:23 Alternative Fund, Inc.	Loan	See above	Funds sought to provide loan capital for community development lending.	Open	Contact Leviticus	On-going	Contact Leviticus	approximately 2%	Same as above	Same as above
Long Island Small Business Assistance Corporation	Grant or 0 interest loan	Economic development and small businesses, Revitalize/stabilize LMI geographies	Fund will be used for loans to women business enterprises and/or to support small business seminar series and coordination.	Open	\$100,000 for loans; \$25,000 for coordination and seminars	Immediately	5-10 years	NA	Nassau/Suffolk Counties, Long Island, NY	Roslyn D. Goldmacher, President/CEO, (516) 349-7800
National Federation of Community Development Credit Unions	Grant	Revitalize/stabilize LMI geographies	Funds sought for deposits and/or loans to community development credit unions; grants also sought to build net-worth.	Open	\$100,000	On-going	3 - 7 years	NA	National with special focus on NYC	Clifford N. Rosenthal, Executive Director, (212) 809-1850 x 216 croenthal@natfed.org www.natfed.org
Neighborhood Housing Services of New York City (NHSNYC)	Grant	Affordable housing LMI, Community services, Small businesses and economic development, Revitalize/stabilize LMI geographies	Funds sought for housing rehabilitation, building of affordable housing and mixed-used buildings, and programs to provide homeownership counseling services.	Open	None	On-going	NA	NA	New York City	Vicky Hernandez, Director of External Affairs, (212) 519-2503
Neighborhood Housing Services of New York City (NHSNYC)	Loan	Affordable housing LMI, Revitalize/stabilize LMI geographies	Funds will enable NHSNYC to make acquisition, rehab and development of more affordable for homeowners of 1-4 family houses and 5-20 residential or mixed-use buildings; to provide low interest closing costs loans; to refinance higher interest loans or predatory loans; and to finance repairs for small multi-unit building owners	\$2,000,000	\$500,000	Immediately	5 yrs	0 to 3%	Same as above	Same as above
New Community Federal Credit Union	Grant	Economic development, Revitalize/stabilize LMI geographies	Funds will be used for 1) loans to business enterprises, or 2) support the seminar series and coordination. Grant sought to fund technical assistance and to cover operating expenses.	Open	None	On-going	NA	1 to 4%	New Jersey	Mulu Gebreyesus (973) 642-2319 mulu@newcommunity.org

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New Jersey Community Loan Fund	Investment	Affordable housing LMI, Economic development and small businesses, Revitalize/stabilize LMI geographies	Capitalize and expand the Fund's core loan pool. Proceeds will be loaned to borrowers lacking access to mainstream financial products or to enhance viable housing, community and economic development initiatives. Historically, for each \$1 the Fund lends, it leverages an additional \$8 of private and public funding.	Open	Generally \$25,000; Existing investments range from \$25,000 to \$4,000,000	On-going	1 to 15 years with a longer term preference	Negotiable; premiums offered for longer term and larger amounts	New Jersey	David M. Scheck, Executive Director, (609) 989-7766 njclf@njclf.com www.njclf.com
Nonprofit Finance Fund	Grant	Community services LMI - childcare, education, health, and social services; Revitalize/stabilize LMI geographies	1) Permanent capital for NFF's loan fund: \$250,000 and above; seeking a total of \$4 million over next three years. 2) For NFF's program to help nonprofits develop building reserve funds: \$2.9 million for 20 nonprofits participating in program over 10 years; seeking \$15 million over three years to extend support to 100 organizations. \$50,000 operating grant to NFF to support program.	Open	Contact Nonprofit Finance Fund	On-going	Permanent investments	NA	NY, MA, NJ, Greater Philadelphia area, SF Bay Area, Chicago, DC, Detroit, and nationally through NFF's National Alliances Program.	Wai Li, Chief Financial Officer (212) 868-6710
Nonprofit Finance Fund	Loan	Community services LMI - childcare, education, health, and social services; Revitalize/stabilize LMI geographies	See above	\$20 million over 3 years	\$250,000	3 years	Terms vary from one year renewable revolving credit that converts to a 5 year term loan to 7 year term loan	Fixed rate preferable at 3-4%; floating rate at LIBOR +0.25%	Same as above	Same as above
Progressive Neighborhood Federal Credit Union	Grant	Affordable housing LMI	Funds will be placed on deposit in the FCU and are either invested or lent out; low and no interest deposits help the CDFI to be more self-sufficient serving as guarantees for higher risk lending.	Open	\$5,000	On-going	Longer preferred: 6 months - 5 years	NA	Rochester, NY, primarily the westside and northeast.	Melissa Marquez, General Manager, (585) 328-5410 x 20 mmarquez@pnfcu.org
Project Enterprise	Grant	Economic development and small businesses	Fund the provision of technical assistance to microentrepreneurs; help capitalize revolving loan fund.	Open	None	On-going	NA	NA	Primarily Harlem, Bronx, East Brooklyn, Central Brooklyn NY	Beth Dunphe, Program Officer (212) 678-6734 x 5 bethd@projectenterprise.org www.projectenterprise.org
Regional Economic Development Assistance Corporation (REDAC)	Grant	Small businesses	Funds sought to capitalize microloans of \$5,000-\$50,000 for small businesses to finance equipment and machinery acquisition, real estate purchases, leasehold improvements, and working capital.	Open	\$50,000	On-going	3 years	NA	Five boroughs of New York City - Brooklyn, Queens, Manhattan, Bronx, Staten Island.	Michael Sharp (718) 522-4600 x 17 msharp@bedc.org
Renaissance Economic Development Corporation	Investment, Grant	Small businesses and economic development, Revitalize/stabilize LMI geographies	Support programs that provide technical assistance and loans to small businesses.	Open	None	On-going	NA	NA	New York City with a focus on Chinatown and Lower East Side	Mr. Benjamin Warnke, Managing Director, (212) 964-6022
Renaissance Economic Development Corporation	Loan	Small businesses, Revitalize/stablize LMI geographies	Support programs to assist small businesses.	\$5 million	\$100,000	On-going	3-5 years	0 - 5%	New York City with a focus on Chinatown and Lower East Side	Mr. Benjamin Warnke, Managing Director, (212) 964-6022
Restoration Capital Fund	Investment and/or Grant	Economic development	Permanent grants or longer term loans/equity-like investments will provide general operating support for lending and technical assistance program and/or loan fund capitalization.	Open	None	On-going	NA	NA	Central Brooklyn	Tracy Kartye, Program Manager (718) 636-6914 tkartye@restorationplaza.org www.restorationplaza.org

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Rural Opportunities Enterprise Center, Inc.	Grant, Investment	Economic development and small businesses	Support small and microbusiness loans in upstate NY communities	Open	None	On-going	Open	NA	Upstate NY	Joan Dallis, (585) 340-3388 jdallis@ruralinc.org www.ruralinc.org
Seedco	Investment	Economic development and small businesses	Funds will be used to support community loan fund, which makes loans to CDCs and CBOs that advance Seedco's program mission. Funds also support Seedco's Lower Manhattan Small Business and Workforce Development Project, which seeks to strengthen the commercial sector in Lower Manhattan in the wake of September 11th.	Open	\$1,000,000	On-going	5-10 years	LIBOR	National	Steve Grayson, CFO (212) 204-1337 sgrayson@seedco.org www.seedco.org
Seedco	Loan	Community and economic development	Funds sought to support economic development projects to revitalize low-income communities and develop model programs that improve the lives of low-income residents.	\$2,000,000	\$500,000	5-10 years	Up to 10 years	4% minimum	Same as above	Same as above
Syracuse Cooperative Federal Credit Union	Grant, Investment	Revitalize/stabilize LMI geographies	Capitalize FCU and its programs	Open	None	On-going	NA	NA	Syracuse, New York	Ron Ehrenreich, Treasurer (315) 476-5290 ronehrenreich@earthlink.net www.syrcoopfcu.org
Syracuse Cooperative Federal Credit Union	Loan	Revitalize/stabilize LMI geographies	Capitalize FCU and its programs	\$50,000	\$5,000	Immediately	6 years	1% APR	Same as above	Same as above
Union County Economic Development Corporation	Grant	Economic development	Fund loan loss reserves for the group's lending programs.	Open	\$20,000	On-going	NA	NA	Union County, NJ	Maureen Tinen, (908) 527-1166 mtinen@ucedc.com www.ucedc.com
Union County Economic Development Corporation	Loan	Economic development and small businesses	Funds sought to increase volume for microloans in LMI areas	\$200,000	\$100,000	2003	10 years	0%	Same as above	Same as above
University Neighborhood Housing Program	Investment, Grant	Affordable housing LMI, Revitalize/stabilize LMI geographies	Funds sought to support housing acquisition and rehabilitation programs and assistance to family day care providers.	Open	\$50,000	For at least a three year period	Below market rate investment – interest only payments until end of term	NA	Northwest Bronx NY	James Buckley, Executive Director, (718) 933-3101 www.unhp.org
University Neighborhood Housing Program	Loan	Affordable housing and Small businesses	Funds will be used to support the acquisition and renovation of housing by community organizations and to assist family day care providers in their businesses and their ability to purchase homes.	Open	\$50,000	On-going	Minimum 3 years	Below market rate	Same as above	Same as above
Washington Heights and Inwood Development Corporation	Grant	Economic development and small businesses	Funds will be used as loan capital to capitalize loss reserves for microbusiness loan program.	Open	\$10,000	On-going	NA	NA	Upper Manhattan - Washington, Heights, Inwood, Harlem, East Harlem	Dennis C. Reeder, Executive Director, (212) 795-1600
Washington Heights and Inwood Development Corporation	Loan	Economic development and small businesses	Capitalize lending pool for microbusiness loan program.	\$100,000 or greater	\$400,000	September 2002	Five year balloon or amortized	4%	Same as above	Same as above
Worker Ownership Resource Center (WORC)	Grant	Economic development and small businesses	Capitalize loan capital and/or loss reserves for microloans to entrepreneurs	Open	None	Immediately	NA	NA	Upstate NY - Monroe, Oneida, Chemung, and surrounding counties	Kim Messina, President/CEO (585) 338-7822 kimmessina@hotmail.com www.atworc.net