NEIGHBORHOOD REINVESTMENT PARTNERSHIP

COMMUNITY GROUPS LEAD THE WAY

FOR FIRST CHICAGO CORPORATION

LARRY D. SWIFT

JEAN POGGE

MAY. 1984

WOODSTOCK INSTITUTE 53 W. JACKSON. CHICAGO. IL 60604 (312) 427-8070

Woodstock Institute

The Woodstock Institute, a not-for-profit corporation organized in 1973, is dedicated to the revitalization of urban neighborhoods. The Institute focuses on promoting the reinvestment of private capital and credit in mature neighborhoods by banks, savings and loan associations, insurance companies and others. Throughout its efforts, the Institute endeavors to insure that low- and moderate-income and minority residents benefit from reinvestment initiatives.

The Institute provides a variety of services to community-based organizations, financial institutions and government agencies, including financial institution regulatory agencies. Services provided include research, policy analysis, consultation, and program design and evaluation.

Acknowledgements

Many people and organizations contributed a great deal to the development of the First Chicago Neighborhood Investment and Revitalization Project. The community initiative was spearheaded by eight neighborhood-oriented organizations, the staff and leadership of which contributed enormous amounts of time, energy, and ideas. They are Bethel New Life, Inc., Chicago Association of Neighborhood Development Organizations, Chicago Rehab Network, Greater Roseland Organization, Kenwood-Oakland Community Organization, National Training and Information Center, Northwest Community Organization, and Woodstock Institute. Many other neighborhood organizations also shared ideas, staff time, and encouragement. Allen Fishbein, Director of the Neighborhood Revitalization Project of the Center for Community Change, and Hugh MacCormack, Chairman of the Board of the Massachusetts Urban Reinvestment Advisory Group, helped immensely with generous contributions of ideas, suggestions, and materials in support of this effort.

While many people from First Chicago Corporation gave a great deal of time and energy to the development of the Neighborhood Investment and Revitalization Project, the contributions of Barry Sullivan, Chairman and Chief Executive Officer of First Chicago, and Richard Hartnack, Senior Vice President of First National Bank, are especially appreciated. Their commitment to the revitalization of Chicago neighborhoods, openness, flexibility, and creativity made possible an effective community reinvestment program in authentic partnership with Chicago neighborhoods.

Special thanks go to Alexander Polikoff and Howard Learner of Business and Professional People in the Public Interest, who served as pro bono legal counsel to the Chicago Reinvestment Alliance. Their ideas, legal advice, drafting assistance, and enthusiasm helped sharpen our wits and strengthen our positions.

Woodstock Institute is particularly indebted to the Joyce Foundation, National Community Funds, the New World Foundation, and the Wieboldt Foundation for grants in support of this project. Their generous and timely financial contributions enabled Woodstock Institute to carry out the research which not only undergirded this effort but which has provided the information and methodological base for engaging other financial institutions in community reinvestment dialogues with neighborhood groups.

TABLE OF CONTENTS

NEIGHBORHOOD REINVESTMENT PARTNERSHIP

Community groups lead the way for First Chicago Corporation

On March 6, 1984, the Chicago Reinvestment Alliance and First Chicago Corporation announced at a joint press conference the First Chicago Neighborhood Investment and Revitalization Program. The program is a comprehensive special lending program which will extend $120,000,000 in loans over the next five years to modest-income neighborhoods for decent, affordable housing and jobs.

The significance of the Neighborhood Investment and Revitalization Program lies not only in its size (perhaps the largest of its kind in the nation), but in the development and design of the program as well. The concept and details of the program were formulated by neighborhood-based and city-wide groups working with senior officers of First Chicago Corporation over a period of three months . Frank discussions of neighborhood credit needs and opportunities resulted in a program that will provide homeowners, businesses, and owners of apartment buildings access to kinds of credit heretofore difficult or impossible to find -- and at the best interest rates available.

Owners or purchasers of apartment buildings housing low- and moderate-income tenants will be able to borrow long-term money (up to 30 years) at favorable rates to fix up their buildings. Homebuyers will be able to obtain one loan with which to buy and rehabilitate one- to four-unit properties. Small businesses will be able to obtain long-term, favorably priced loans with which to purchase equipment, expand their plants, or acquire new facilities. The loans will be targeted to smaller borrowers and to the neighborhoods which have historically had the greatest difficulty obtaining the credit needed to revitalize (see Table I, page 4).

To insure that the loans benefit modest-income residents and to minimize the operating costs of the program, two city-wide coalitions of neighborhood-based developers will serve as loan "packagers" for the program. These coalitions will assist applicants in putting together complete loan packages and will assure neighborhood sponsorship of the projects.

How it happened

In the summer of 1983, First Chicago Corporation, bank holding company for the First National Bank of Chicago, announced its intention to acquire American National Corporation, bank holding company of American National Bank, and three suburban banks. Under the federal Community Reinvestment Act (CRA) a bank regulator is empowered to deny a bank holding company permission to acquire another bank or bank holding company if any of the banks in question have not done an adequate job of helping meet the credit needs of their local communities. Furthermore, under the CRA implementing regulations, any individual or organization can petition the bank regulator to deny permission based on the community investment record of any or all of the involved banks.*

Viewing the First Chicago acquisition as one of the most significant Chicago banking events in recent years, Woodstock Institute, a not-for-profit research and technical assistance agency which works on neighborhood reinvestment issues, began a process to re-open public discussion regarding Chicago banks' reinvestment obligations in the city's modest-income neighborhoods. The Institute researched First National Bank's lending record, prepared a fact sheet, and invited neighborhood-based and city-wide organizations to come together to discuss use of the Community Reinvestment Act to open a dialogue with First Chicago Corporation about Chicago neighborhood credit needs.

Thirty-five neighborhood and city-wide organizations, calling themselves the Chicago Reinvestment Alliance, met and formulated a reinvestment program. Eight organizations were selected to represent the neighborhoods in discussions with First Chicago Corporation.**

In mid-December, the Chicago Reinvestment Alliance met with Barry Sullivan, Chairman and Chief Executive Officer, and five other senior officers of the First Chicago Corporation and First National Bank. The Alliance outlined the credit needs in Chicago's neighborhoods that were not being adequately addressed by Chicago banks and presented a comprehensive set of community reinvestment proposals to First Chicago Corporation. The result of the initial meeting was a decision to work together to develop a mutually acceptable community reinvestment program before the deadline for submitting comments on First National Bank's CRA record to the bank holding company's regulator -- the Federal Reserve Board.

First Chicago Corporation's negotiating team met nine times over the following two months with the Chicago Reinvestment Alliance. During the course of the discussions, the Alliance took First Chicago Corporation's

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*For a fuller discussion of the Community Reinvestment Act, see "Community Reinvestment Act, a Tool for Attracting Private Financing of Neighborhood Revitalization," available from Woodstock Institute.

**The negotiating team included Bethel New Life, Inc., Chicago Association of Neighborhood Development Organizations, Chicago Rehab Network, Greater Roseland Organization, Kenwood-Oakland Community Organization, National Training and Information Center, Northwest Community Organization, and Woodstock Institute. Pro bono legal counsel was provided by Business and Professional People for the Public Interest. Descriptions of the organizations can be found in Appendix II.

chief negotiator on two tours of Chicago neighborhoods -- one of which focused on successful not-for-profit multi-family rehab projects and the other on successful commercial/industrial redevelopment projects. The neighborhood tours demonstrated the high level of professional skills of not-for-profit developers, the high quality of their workmanship and management, and their integral role in weaving together the ancillary support systems needed to maintain a stable community. The positive impressions created by the two tours became a pivotal point in the discussions.

Throughout the negotiating process, the Alliance negotiating team met at least weekly to assess the progress of the discussions and to review and develop negotiating positions and strategies. In addition, the Alliance hosted periodic meetings to which a broad range of neighborhood-based and city-wide organizations were invited to provide input to the negotiating team. Finally, the negotiating team met with the Mayor and the City Departments of Housing and Economic Development to inform them of the progress in the negotiations, to seek support of the negotiations, and to lay the groundwork for involving the City in the emerging community/bank partnership.

The Neighborhood Investment and Revitalization Program

The First Chicago Corporation Neighborhood Investment and Revitalization Program Special Loan Program is targeted to Chicago with business loans available anywhere in the city and residential loans restricted to census tracts at or below 80% of the median family income of the metropolitan region.* The purpose of the targeting is to insure that communities which have suffered the greatest disinvestment are the beneficiaries of the Special Loan Program.

The Special Loan Program focuses on types of loans heretofore most difficult to obtain. Of the $100 million in direct loans, $60 million is allocated to permanent mortgages (30-year) for apartment buildings containing five or more dwelling units. Prior to this program, virtually no multifamily loans had been made by Chicago area lenders -- especially for acquisition and rehabilitation of existing buildings.

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*First Chicago Corporation was reluctant to restrict the loans to Chicago but was willing to accept a formula that would accomplish virtually the same end. Consequently, the entire program is restricted to municipalities which have median household incomes at or below 75% of the median household income of the metropolitan area (SMSA). Therefore the program is available in three small low-income municipalities in addition to Chicago.

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Similarly, $5 million is allocated to mixed commercial/residential properties. These mixed-use properties with retail stores or offices occupying the first floor and apartments on the second and third floor are found on commercial strips throughout the city. While mixed-use proprties are one of the most common building types in Chicago neighborhoods, it has been virtually impossible to secure long-term financing for these projects. Typically, residential lenders exclude mixed-use buildings from loan consideration because they classify them as commercial and commercial lenders won't lend on them because they consider them residential. The availability of long-term, favorably-priced loans for mixed-use properties will contribute greatly to the revitalization of commercial strips and their neighborhoods throughout Chicago.

Many one- to four-unit residential buildings in modest-income neighborhoods have relatively low purchase prices because they have suffered significant deterioration. Moderate- to middle-income borrowers,

First National Bank Neighborhood Investment and Revitalization Program

Loan Fund Allocation Summary

Type of Loan	Amount	Term	Comments
Multifamily purchase and/or rehab	$40,000,000	30 year	Available to not-for-profit developers or neighborhood-sponsored for-profit developers. Targeted to rental housing. Affordable to low- and moderate-income families. 5 or more units.
Multifamily purchase and/or rehab for not-for-profit developers	$20,000,000	30 year	Available to not-for-profit developers. Lower interest rates and more flexible underwriting.
Single family purchase rehab	$15,000,000	30 year	Combination loan with at least 20% of loan for rehab costs. Maximum appraised value after rehab: $ 50,000 1 unit $ 80,000 2 units $110,000 3 units $140,000 4 units Available to owner-occupants and not-for-profit developers only.
Mixed commercial/ residential	$ 5,000,000	30 year	
Small business - fixed asset and capital equipment	$20,000,000	30 year	Loans to businesses with sales of less than $5,000,000 per year. No loan to exceed $1,500,000 without approval of review board.
Purchase from neighborhood banks of guaranteed portions of SBA loans to small business	$20,000,000		Only loans extended after start of the Special Lending Program will be considered for purchase.
TOTAL	$120,000,000		
Interim loans for construction	Open	Up to 18 months	Construction loans for any category will be made and will not count as part of the $120,000,000 commitment.

however, are often unable to purchase and rehabilitate these properties because they are required to take out a short-term high interest rate (thus high monthly payment) home improvement loan to finance the necessary rehabilitation. Under the Special Loan Program, $15 million is allocated to combination purchase/rehabilitation loans which will enable the borrowers to obtain one thirty-year loan at favorable interest rates to buy and fix up the home. As a result, the total monthly payments will be affordable to many modest-income borrowers previously excluded from the market.

The $20 million allocation to small business loans addresses an **under**served rather than **un**served credit need. While credit is generally more available for businesses, those with annual sales less than $5 million are often charged an interest penalty for their smallness. Consequently, those businesses which create the most jobs are saddled, by virtue of their size, with the most interest. In addition, the capacity of neighborhood banks to meet the credit needs of small business is often restricted by regulatory limits on the total loans extended to a given borrower as well as the desire of neighborhood banks to diversify their lending in terms of geography and types of loans. Thus, the willingness of a major metropolitan lender to make favorably priced loans to small businesses will greatly expand the credit market for neighborhood businesses in Chicago.

The $20 million secondary market program, under which First National Bank will purchase the guaranteed portion of Small Business Administration loans from neighborhood banks, will increase the capacity of neighborhood banks to make additional small business loans in their neighborhoods. Combined with the direct lending, First National Bank's infusion of credit for small business, the principal job and innovation producing sector of the economy, should significantly impact the economy of the entire city. (See Loan Allocation Summary Table on page 4.)

In addition to the lending program, First National Bank, through its subsidiary, the First Chicago Neighborhood Development Corporation, will make other kinds of investments in neighborhood development projects. First Chicago Neighborhood Development Corporation can, for example, make equity investments in small businesses or apartment projects. Because the Neighborhood Development Corporation, since its establishment in 1979, has fallen short of its potential for helping revitalize Chicago neighborhoods, First Chicago Corporation has agreed to evaluate its performance and make the substantive changes necessary to insure that it becomes an effective neighborhood investment vehicle.

First National Bank will not carry out the loans and reinvestment programs in isolation. The Neighborhood Investment and Revitalization Program is structured as an ongoing partnership between neighbhorhood-oriented organizations and First Chicago. First, neighborhood-based development organizations will play a principal role in loan origination, marketing, project development, and loan monitoring. Because of neighborhood-based groups' intimate knowledge of their

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neighborhoods, day-to-day presence in the neighborhoods, depth of experience in developing projects for modest-income borrowers or renters, and access to subsidies, where needed, the Bank's risks and front end operating costs are reduced.

Second, two city-wide coalitions of neighborhood-based groups will serve as packaging agents for First National Bank. The Chicago Association of Neighborhood Development Organizations will package all commercial/industrial loans and the Chicago Rehab Network will package all residential loans for properties with three or more units. These packaging agents will insure that all necessary documentation and information is presented to the Bank and that all projects are screened for neighborhood compatibility.

Third, to support and develop neighborhood-based development, the Bank is offering reduced interest rates, waivers of applications and origination fees, and more flexible underwriting standards to not-for-profit developers. In addition, the First National Bank Foundation has allocated $400,000 in the first year alone for grants to neighborhood-oriented organizations to help support their neighborhood revitalization efforts.

The entire Neighborhood Investment and Revitalization Program will be overseen by a Review Board comprised of six community representatives and six First Chicago Corporation representatives. The Review Board will monitor the lending and philanthropy, will assist in solving problems, will authorize changes in Special Lending allocation, will review all financial aspects of the program, and will review proposed changes in interest rates or underwriting standards. In addition, the Review Board will monitor First Chicago Corporation's efforts to improve the performance of the First Chicago Neighborhood Redevelopment Corporation.

Implications

The forging of this $120,000,000 CRA agreement between neighborhood groups and a major money center bank, in a very dramatic way, gives the lie to the oft-heard assertion that CRA is dead. The Community Reinvestment Act remains a potent tool for bringing banks and thrift institutions to the table to discuss with community leaders ways in which their institutions can help revitalize disinvested urban neighborhoods.

In addition, the Neighborhood Investment and Revitalization Program represents a new kind of partnership between a major Chicago financial institution (First National Bank is the tenth largest bank in America and the second largest in Chicago) and neighborhood-oriented organizations. A history of unfulfilled promises has shown clearly that neither financial institutions nor neighborhood groups alone can revitalize the nation's disinvested urban neighborhoods. Authentic partnerships at both the policy and operating levels and in conjunction with the public sector renew the hope for substantial sustained improvement in the quality of life for the incumbent residents.

The First Chicago Corporation Neighborhood Investment and Revitalization Program has set a new national standard for financial institutions which are **serious** about helping revitalize their communities. If other financial institutions will strive to meet or exceed this standard, our deteriorating urban neighborhoods may be revitalized and the economic health of our cities restored. With access to affordable credit, jobs can be created, decent, affordable housing provided, and community self-reliance engendered.

The Chicago Reinvestment Alliance is already attempting to build on this precedent-setting CRA agreement. The Alliance has initiated discussions with other Chicago financial institutions and anticipates announcements of additional neighborhood reinvestment agreements in the foreseeable future. While the First Chicago Corporation Neighborhood Investment and Revitalization Program represents an important CRA precedent, it is not to be mistaken for a "cookie cutter" for community reinvestment. Each subsequent agreement is being carefully "hand-crafted" by the Alliance to help fill in remaining holes in modest-income neighborhood credit needs; to acknowledge the capacities of neighborhood development organizations; and to fit the particular lending institution's capabilities and limits.

APPENDIX I. Program Description

FIRST CHICAGO
The First National Bank of Chicago

One First National Plaza
Chicago Illinois 60670
Telephone (312) 732-4000

FIRST CHICAGO NEIGHBORHOOD INVESTMENT AND REVITALIZATION PROGRAM DESCRIPTION

Program Objective

To assist in the redevelopment and revitalization of economically disadvantaged neighborhoods of the greater Chicago area and provide additional support for the small business sector within those geographic boundaries.

Lending Program

Over the next five years we will make every reasonable effort, within the bounds of the program and prudent banking practice, to lend $100,000,000 within the qualifying areas.

Types of Loans:

- Permanent mortgage financing on multifamily housing and single family purchase and rehabilitation projects.
- Interim loans for construction or rehabilitation on projects qualifying for permanent financing under the program.
- Term loans for small business for capital equipment and other fixed assets.
- Permanent and interim loans for the purchase and/or rehabilitation of mixed use commercial property.

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The First National Bank of Chicago

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Qualifying Areas:

- Loans will be limited to properties located within municipalities having a median household income equal to or less than 75% of the median household income for the Chicago SMSA. Within those municipalities, housing loans will be limited to census tracts with median family income equal to or less than 80% of the median family income for the Chicago SMSA.

Qualifying Borrowers:

- Small Business corporations, partnerships and sole proprietors with annual sales less than $5MM.
- Individuals.
- Not-for-profit developers of housing in qualifying areas.
- Developers of housing in qualifying areas.

Loan Fund Allocation:

Subject to change by the Review Board (discussed later) the following allocation of funds will serve as a guide for the Bank:

- Multifamily projects - 40% of funds.
- Multifamily projects developed by not-for-profit organizations - 20% of funds.
- Single family (1-4 units) - 15% of funds.
- Mixed use - 5% of funds.
- Small Business - 20% of funds.

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SOME ELEMENTS OF UNDERWRITING FLEXIBILITY

- Making loans on a non-recourse basis to not-for-profit developers.
- Extended time periods for rehabilitation projects by individuals and not-for-profit developers
- Using mutually acceptable appraisers.
- Accepting second and third mortgages where prudent.
- Accepting non-traditional sources of equity.
- Seeking acceptable ways to finance cooperatively owned apartments.
- Senior management review before any loan is declined.

Terms of Financing:

The Bank will make loans for up to 30 years but not longer than the useful economic life of the asset being financed.

Loan Pricing:

Loan pricing is, by its nature and practice, a creative aspect of the lending business. The Bank will endeavor to make available very favorable prices on loans for this program.

Loan Size:

Subject to the advice of the Review Board, the Bank will limit loans as follows:

° Small Business loans will be limited to $1.5MM unless a variance is granted by the Review Board.

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The First National Bank of Chicago

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- Single family purchase and rehab loans will be limited to owner occupied buildings with an appraised value of not more than - \$ 50,000 per single family unit
  \$ 80,000 per 2 units
  \$110,000 per 3 units
  \$140,000 per 4 units

<u>Secondary Market for SBA Loans</u>:

The Bank will make every reasonable effort to purchase an aggregate of \$20MM of the guaranteed portion of SBA 7(a) loans made by banks to businesses qualifying under this program during its life. This \$20MM is in addition to the direct loans under the program.

<u>Operating Alliances</u>:

The Bank will enter into operating alliances of various forms with groups capable of assisting the Bank in achieving program objectives.

Initially the Bank will utilize the services of Chicago Association of Neighborhood Development Organizations, Chicago Rehab Network and correspondent banks willing to participate.

<u>Review Board</u>:

The Bank will form a Review Board made up of 10 people to guide and advise management in the implementation of this program.

The Board will be made up of 5 people named by the Bank and 5 people named by recognized neighborhood based organizations. Initially the 5 neighborhood representatives will be named by the Chicago Reinvestment Alliance.

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APPENDIX II. Partners in the Program

BETHEL NEW LIFE, INC.

Bethel New Life, Inc. is a neighborhood-based development corporation focused on the West Garfield community of Chicago's west side. It is committed to self-help and development without displacement, and in the years since its inception in 1979, has developed 14 townhouses and a 40-unit seniors building, 56 units of rehabilitation, and three economic development enterprises, inlcuding property management, an industrial sewing co-operative, and an energy firm which does weatherization and thermal insulation. In addition, Bethel operates a whole host of community controlled service programs, including a wholistic health center, adult day-care, chore housekeeping and marketing of co-operatives. For more information contact:

Mary Nelson, Executive Director
Bethel New Life, Inc.
367 North Karlov
Chicago, Illinois 60624
312/826-5540

CHICAGO ASSOCIATION OF NEIGHBORHOOD DEVELOPMENT ORGANIZATIONS

The Chicago Association of Neighborhood Development Organizations (CANDO) is a city-wide coalition of 75 members, representing chambers of commerce, business and professional associations and not-for-profit development companies committed to promoting neighborhood and business revitalization in Chicago. CANDO works as an advocate on the behalf of neighborhood-based developments and serves as a liaison between its members and public and private agencies to further enhance and promote these locally initiated and supported developments. For more information contact:

Kim Otto, Associate Director
Chicago Association of Neighborhood Development Organizations
122 South Michigan Avenue, Suite 1457
Chicago, Illinois 60603
312/461-1015

Pro bono legal counsel was provided by:

BUSINESS AND PROFESSIONAL PEOPLE FOR THE PUBLIC INTEREST

BPI is one of the nation's oldest public interest law centers. In addition to traditional lawyering, the staff engages in research, organizing, educating and consulting in its efforts to improve the quality of life in the Chicago area. BPI is thus a watchdog, research center, law firm and ombudsman, working on behalf of minorities, voters, tenants, consumers and others groups in need of assistance.

Alexander Polikoff, Executive Director
Business and Professional People for the Public Interest
109 North Dearborn Street
Chicago, Illinois 60602
312/641-5570

CHICAGO REHAB NETWORK

The Chicago Rehab Network is a multi-racial coalition of neighborhood-based not-for-profit housing development organizations who develop and rehabilitate properties for low- and moderate-income residents. The Network reflects the diversity of Chicago's neighborhoods which, despite their racial and/or cultural diversity, have common problems that demand common solutions. The Network offers construction management, financial and fiscal/accounting technical assistance to all neighborhood-based not-for-profit organizations. The Network also serves as a lead agency involved in issues related to housing development for low- and moderate-income people. For more information contact:

William Foster, Executive Director
Chicago Rehab Network
53 West Jackson Boulevard, Room 826
Chicago, Illinois 60604
312/663-3936

GREATER ROSELAND ORGANIZATION

Greater Roseland Organization (GRO) is an umbrella organization consisting of 37 organizations and agencies in the Greater Roseland Communities. GRO activities range from block club organizing to economic development with specific emphasis on housing, job training, development and creation for neighborhood stability. For more information contact:

Jesse McCrary, Board Member
Greater Roseland Organization
11106 South Michigan
Chicago, Illlinois 60628
312/660-1000

KENWOOD-OAKLAND COMMUNITY ORGANIZATION

The Kenwood-Oakland Community Organization (KOCO) was founded in 1966 to assist area residents in developing solutions to problems affecting their lives. The organizations two primary objectives are to deliver all kinds of much needed social services and to develop and redevelop the Kenwood-Oakland community. For more information contact:

Robert L. Lucas, Executive Director
Kenwood-Oakland Community Organization
1236-38 East 46th Street
Chicago, Illinois 60653
312/548-7500

NATIONAL TRAINING AND INFORMATION CENTER

The National Training and Information Center (NTIC) was established in 1972 as a not-for-profit organization to assist grass-roots, neighborhood people to influence the decision-making process on issues that affect their lives and communities. NTIC is nationally recognized as a pioneer not only in community organizing but in the creation and implementation of unprecedented private/public neighborhood development partnerships, including major lenders and insurance companies. For more information contact:

Gale Cincotta, Executive Director
National Training and Information Center
954 West Washington Boulevard
Chicago, Illinois 60607
312/243-3035

NORTHWEST COMMUNITY ORGANIZATION

The Northwest Community Organization (NCO) is a coalition of neighborhood groups, block clubs, businesses, churches, and other institutions located on Chicgao's near northwest side since 1963. NCO is people working together, young and old, homeowners and tenants, employed and unemployed, Latinos, blacks, Polish, Italian and others. NCO focuses on issues ranging from education to employment, housing to city services and others. In 1983, NCO won commitments from Mayor Washington to include $7 million in the 1984 city capital improvement budget for permanent repair of collapsing sidewalks. For more information contact:

Dorothy Maeda, President
Northwest Community Organization
1109 North Ashland Avenue
Chicago, Illinois 60622
312/276-0211

WOODSTOCK INSTITUTE

Woodstock Institute, a not-for-profit corporation established in 1973, is a locally and nationally respected pioneer in applied research in neighborhood investment and practical assistance to neighborhood groups, financial institutions, and public agencies. It seeks to promote neighborhood investment by private sector actors such as banks, savings and loan associations, credit unions, insurance companies, and pension funds; to assist neighborhood-based organizations in stimulating and shaping private sector investment; and to assist the public sector in developing policies and programs that effectively promote private sector investment in low- and moderate-income neighborhoods in partnership with community-based organizations. For more information contact:

Larry D. Swift, President
Woodstock Institute
417 South Dearborn, Suite 400
Chicago, Illinois 60605
312/427-8070

APPENDIX III. News Clippings

Chicago Tribune

25c Tuesday, March 6, 1984

137th Year—No. 66 © Chicago Tribune 6 Sections C

$100 million loan plan

Bank to aid businesses and housing

By William Gruber

A $100 MILLION loan program to help revitalize housing and small businesses in low- and moderate-income neighborhoods in Chicago was announced Tuesday by the First National Bank of Chicago in conjunction with seven community groups.

Barry F. Sullivan, First National chairman, said the bank will lend up to $100 million over the next five years at favorable interest rates and flexible credit terms to individuals and businessmen meeting certain income qualifications.

"We welcome the opportunity to demonstrate in a tangible way our belief in the vitality and potential of our city," he said at a press conference held in the bank.

A statement issued by the bank said the loans would be made for terms of up to 30 years, "but not longer than the useful life of the asset being financed."

"LOAN PRICING is, by its nature and practice, a creative aspect of the lending business," First National said. "The bank will endeavor to make available very favorable pric-

Continued on page 10, sec. 1

Loans

Continued from page 1

es on loans for this program."

Sullivan said that achieving the goal of revitalizing Chicago neighborhoods would "depend upon human resources," as well as money available for financing.

But he expressed confidence that the combination of the bank's efforts and those of the organizations that had helped develop the program since last December "will make this partnership successful."

Under the plan, the bank will offer financing for both the purchase and rehabilitation of single-family homes, apartment buildings and multi-use buildings that contain residential and commercial space.

IN ADDITION, it will offer loans to buy or expand businesses with annual sales of less than $5 million. It also will offer financing to acquire capital equipment for such firms that are owned by a sole owner, a partnership or a small corporation.

To run the program, the bank has created a new Neighborhood Banking Division, headed by Rick Hartnack, a senior vice president of First National. Hartnack said the program would begin in a few weeks, after the bank has assigned three more officers to the group. But he said applications could be submitted immediately.

A review board also will be formed, consisting of five people named by the bank and five representatives named by the Chicago Reinvestment Alliance, to provide guidance and help screen loan applications, Sullivan said.

Sullivan said the bank has also allocated $20 million for the purchase of loans generated by other banks and guaranteed by the Small Business Administration.

First National and its foundation also intend to make up to $400,000 available for grants to qualified community and neighborhood-based groups, not-for-profit developers and technical assistance groups, he said.

Sullivan pointed out that First National last year allocated $100 million of mortgage funds at "below market rates" to help stimulate the local economy and the housing industry.

HOUSING LOANS made under the new program will be restricted to areas of the city where census figures have determined that median family incomes are 80 percent or less of the median income of the whole Chicago metropolitan area. A map provided by the bank showed that most of the inner city neighborhoods would be eligible under the program.

Initial lending guidelines published by First National call for it to offer up to 40 percent of funds to individuals, and up to 20 percent for not-for-profit organizations, for financing multi-family projects. Loans involving single-family projects, consisting of one to four units, would amount to 15 percent of the total. Loans for mixed-use buildings would amount to 5 percent, while those for small business purposes would be 20 percent.

First Chicago Forms Program for Lending In City Neighborhoods

By a WALL STREET JOURNAL *Staff Reporter*

CHICAGO – First Chicago Corp. announced a $100 million loan program for middle-income and lower-income areas in this city and set up a neighborhood banking division to run it.

But the gesture of good corporate citizenship came only after community groups from such areas threatened to protest First Chicago's pending $275 million acquisition of American National Bank & Trust Co., also of Chicago.

The groups told First Chicago officials that they were considering giving hostile testimony before the Federal Reserve Board, which is reviewing the transaction. They claim that First Chicago has done little lending in the city's disadvantaged areas and that the merger might mean even less community investment by Chicago banks.

First Chicago had never been very sympathetic to such complaints, according to Gale Cincotta, a leader of the community groups. But this time, Barry Sullivan, chairman and chief executive officer, met with the groups.

The $100 million loan program will provide credit at one to two percentage points below the market rate. It will be extended to small businesses and for rehabilitation of residential and commercial buildings. First Chicago also will make direct grants of as much as $400,000 to community groups and other neighborhood-development concerns.

THE WALL STREET JOURNAL
Wednesday, March 7, 1984

COLD
Snow flurries near the lake tonight, low in teens. See Page 2.

Sun-Times

CHICAGO, TUESDAY, MARCH 6, 1984 25¢ CITY, SUBURBS 35¢ ELSEWHERE

Red Streak
Latest Markets

$100 million rehab plan unveiled

By Dean Schott

First National Bank of Chicago and seven community groups today unveiled a $100 million loan program to revitalize housing and business in poor neighborhoods.

"Interest will be favorable and the payment terms will be flexible," bank chairman Barry Sullivan told a news conference at the First National Bank of Chicago offices.

Interest rates on some home loans will be as low as 11 percent, while other loans will cost 13 percent, but with no points or special fees.

The loans will be targeted for single and multifamily homes, businesses with sales below $5 million a year and buildings with mixed uses in low income neighborhoods.

A key to the program will be the long-term financing for rehabilitation, said William Foster, executive director of the Chicago Rehab Network, a coalition of non-profit housing development organizations which worked on the program.

"Right now you can't get long-term financing for rehab. Now you have to take out a short-term loan with high rates," Foster said.

The First Chicago program, he said, will allow customers to use 20 percent of their mortgage money for repairs and remodeling.

Richard Hartnack, who will direct First Chicago's newly-created Neighborhood Banking Division, said the first loans could come in 90 days.

People interested in the program are asked to call three numbers, depending

Turn to Page 18

Low interest rehab loan plan unveiled

Continued from Page 1

on their needs.

Those interested in rehab and buying single-family homes with up to four units should call First Chicago at 732-5002. The buildings should not have an appraised value of more than $50,000 for one unit or more than $140,000 for four units.

People who want to inquire about multifamily buildings with five units or more should call the Chicago Rehab Network at 663-3936.

Businessmen and developers should call the Chicago Association of Neighborhood Development Organizations at 461-1015 for commercial buildings.

These groups will process applications for First Chicago.

Other groups that helped develop the loan program were Bethel New Life Inc., Greater Roseland Organization, National Training and Information Center, Northwest Community Organization and the Woodstock Institute.

Chicago Sun-Times
Rupert Murdoch, Chairman — Robert E. Page, President and Publisher
Kenneth D. Towers, Managing Editor

Big boost for Chicago

Chicago's hometown banks have taken their lumps in the City Council lately, with some aldermen depicting their failure to outbid a Japanese bank for a city contract as just short of high treason.

On Tuesday, however, the First National Bank of Chicago served dramatic notice of its commitment to the city. In a deal hammered out with seven community groups, the bank said it would commit $100 million to a loan program to rehabilitate housing and aid businesses in low- and moderate-income neighborhoods.

The program, apparently the largest of its kind in the country, amounts to a $100 million vote of confidence in Chicago. It merits the admiration of the entire city. It has the capacity to power the revitalization of city neighborhoods that have withered over the years and need just this kind of reinvestment to revive them.

Said Bill Foster, head of one community group: "It's the only program I know of that has this potential. What we're talking about here is [rehab money for] thousands of units in multifamily housing alone. And multifamily structures are the cornerstones of our neighborhoods."

Larry Swift, president of the group that spearheaded negotiations with First National, emphasized that the bank is making loans, *business investments*, not charity contributions. "One of the things we've been trying to communicate to financial institutions is that we're not asking them to give away their money," he said.

Nevertheless, both Swift and Foster acknowledge an element of "civic spirit" in First National's action, which will involve below market interest rates on the loans.

We hope this same civic spirit may now move Mayor Washington and the City Council to take some long overdue steps that would stretch the $100 million as far as possible. A revised building code, allowing cheaper, simpler, but still safe materials to be used in rehabilitation, should be approved hastily.

Chicago Defender

? Wednesday, March 7, 1984 30¢ outside Chicago a

Pledge $100-mil for low income housing

by Cynthia-Val Jones

The First National Bank of Chicago has committed $100 million over five years to spur neighborhood development in low and moderate income areas in concert with community development groups, a bank official announced Tuesday.

Barry Sullivan, chief executive officer of the First National Bank of Chicago, announced the formation of its new Neighborhood Loan Program at a morning press conference packed with representatives of more than 15 neighborhood organizations.

Under the Neighborhood Loan Program, First Chicago will make loans for the purchase and rehabilitation of single and multi-family homes, small businesses with annual incomes less than $5 million and mixed use commercial developments. Moreover, the bank will provide financing at two critical stages – the acquisition and rehabilitation stage and as well as permanent financing.

Interest rates on the loans, some of which are targeted for specific census tracts, were called "favorable" by

(continued on pg. 19)

Low income housing

(continued from pg. 1)

Sullivan; no points or fees on the loans will be charged. The program should get underway within a couple weeks, Sullivan added.

Seven community groups worked with the bank over a period of months to hammer out the details of the plan, described as "unique" both locally and nationally. Two of them, the Chicago Rehab Network and the Chicago Association of Neighborood Development Organizations (CANDO), will screen loan applicants.

Housing loans will be limted to census tracts with median (half above, half below) family incomes equal to or below 80 percent of the median for the greater Chicago area (see map).

Contact CANDO, 461-1015, or The Chicago Rehab Network, 663-3936 for more information.

;ommunity groups, bank share benefits

Who wins in FNB loan program

By MERRILL GOOZNER

The scene was, to say the least, incongruous.

More than 100 neighborhood activists—includ-g long-time bank nemesis Gale Cincotta—joined rst National Bank Chairman Barry Sullivan in e bank's 57th-floor conference room.

Capping three months of negotiations between e bank and a coalition of seven community oups, Mr. Sullivan announced a $120-million an program for the city's low- and moderate-in-me neighborhoods.

For the groups represented at the press confer-ice, the program, considered the largest of its pe in the nation, marked a major milestone in a cade-long struggle to make money center banks y attention to the housing and business credit eds of the city's poorer neighborhoods.

For the bank, the improved investment climate and the increased sophistication among the neighborhood groups make it likely the plan will escape pitfalls that ensnared similar efforts in the past.

And for other banks, the community groups' success in negotiating the plan with First National could lead to pressure for similar loan programs.

"This program," exulted James Capraro, executive director of the Chicago Assn. of Neighborhood Development Organizations (CANDO), "demonstrates the bankability of neighborhoods. There really is something out there to invest in."

First National offered to lend $100 million at below-market interest rates over the next five years to housing and commercial projects in neighborhoods whose average income is less than 75% of the metropolitan area average. Of the $100 million:

- 60% is targeted for multi-family housing projects.
- 20% is available for fixed-asset lending to small businesses with less than $5 million in assets.
- 15% is allocated for single-family home purchase and rehabilitation.
- 5% is set aside for mixed commercial and residential use.

The bank also offered to purchase up to $20 million of Small Business Administration-guaranteed loans generated by community banks, thus giving those neighborhood institutions a source of renewed liquidity.

The interest rates on the loans will be "favorable" and the terms "flexible," according to Mr. Sullivan.

William Hartnack, the First National senior vice-president who negotiated the details of the

See **FNB** *on Page 67*

FNB loan program . . .

ontinued from Page 2

greement with a coalition of seven ommunity groups, estimated the ousing rehab loan rate would be 3% "without points or fees," and hat small businesses would save ne to two percentage points on oans made under the program. mall businesses usually pay two to hree points over prime for fixed-sset loans.

First National can offer attractive nterest rates because much of the dministrative burden will fall on ne community groups. While the ank will set up a Neighborhood anking division to service the oans, the costs of developing the rojects and screening the applicants ill be absorbed by the neighbor-ood groups.

Outreach agencies

The 55 organizations belonging to ANDO and the 30 belonging to the hicago Rehab Network give First ational what amounts to outreach gencies in virtually every neighbor-ood in the city.

The neighborhood organizations' fforts should be bolstered by an-ther part of last week's agreement: ne $400,000 available through the ank's foundation to subsidize the roups' operations.

Insiders say the operating aid be-ame one of the sticking points in ne negotiations that began last De-ember. Neighborhood groups have een severely weakened by cutbacks n federal grants over the past four ears, and constant scrambling for unds just to survive in some cases eplaced the actual work of neigh-orhood redevelopment.

Now, with the increased operating aid, it is up to the neighborhood groups to develop the bankable projects that can use the newly available capital. Four years ago, 20 local banks were organized in a similar program that made $90 million available to the targeted neighborhoods at market interest rates. But when interest rates went through the roof, the program collapsed.

This time, the investment outlook is more positive, and neighborhood activists say the program can have substantial impact on neighborhood redevelopment around the city.

"This is the first time we've had access to the kind of capital that can make a real dent in the housing stock," said William Foster, executive director of the Chicago Rehab Network.

Multi-family housing

He estimated that $60 million in multi-family housing loans could be leveraged to construct as many as 6,000 housing units over the next five years. By comparison, the most important federal rent-subsidy program in its heyday created about 1,000 new rental units a year.

The housing will go to higher-income individuals than previous government programs. Nevertheless, "by layering this financing with other sources of low-cost capital, we should be able to create moderate income housing," said Mr. Foster.

Business redevelopment groups are enthusiastic about the possibility of parlaying the guaranteed access to private sector financing with existing government programs, such as the city's revolving loan program or the Small Business Administration 503 loan program.

"Usually, it's the public sector trying to leverage the private sector," said Mr. Capraro. "This is the other way around."

The negotiations that led to last week's agreement indicate that other banks might become targets for such efforts.

Last December, neighborhood activists led by Ms. Cincotta's National Training and Information Center and the Woodstock Institute demanded a meeting with top officials at First National. They threatened to oppose First National's application with the Federal Reserve Board to acquire $3-billion American National Bank for $275 million.

Existing credit needs

Under the federal Community Reinvestment Act (CRA), passed in the late 1970s, federal officials can halt a bank's expansion if that institution is not meeting the credit needs of its existing neighborhoods.

Last week, both sides were playing down the CRA challenge threat as the impetus to the agreement.

"The CRA doesn't mean diddly-squat to the Fed anymore," said one community activist. "Look what happened when Citicorp walked in here and took over First Federal. That was approved over the opposition of the state attorney general, senators and community groups."

Still, some of the community activists present at last week's press conference were spoiling to take on other major players in the Chicago banking community, especially Citicorp, which is lobbying the Legislature to allow it to acquire an Illinois bank.

Said the Rehab Network's Mr. Foster: "We expect this to be a catalyst to get the other money center banks on board."#

Neighborhood groups expect revitalization, thanks to loan plan

By Steve Kerch

COMMUNITY organizations in Chicago are looking for a spurt of rehabilitation projects in low- and moderate-income neighborhoods as the first money from First National Bank of Chicago's $100 million flexible-term loan program becomes available in the next few months.

Representatives of community groups are screening rehabilitation projects and preparing loan application packages for the bank, which since the loan program was announced in March has been busy setting the guidelines for the new loans and establishing a new neighborhood banking division to handle them.

The unusual financial partnership has been praised by the bank and community leaders as necessary to the success of the scheme.

"Neighborhood reinvestment is something there is no quick fix for," said James Capraro, president of the Chicago Association of Neighborhood Development Organizations [CANDO], the group charged with overseeing the $25 million commercial, industrial and mixed-use portion of the loan program available to small businesses. "It is incumbent on us to go out and find the packages and make them work. The onus is on the neighborhood organizations to deliver on the commitment that has been made by the bank."

MARINA CARROTT, First National vice president who heads the neighborhood banking division, said the bank was sincere in its commitment to help revitalize the city's low- and moderate-income neighborhoods.

"We're willing to swallow a lot of administrative expenses to make this program work," she said, "and we feel we can eliminate part of the expense by using this partnership. The neighborhood organizations are in a better position anyway than we are to identify those lending opportunities that will benefit a large number of residents.

"Yes, we've said $100 million is available in the next five years, but we're not going to close up shop when we reach $99,999. If it works, we'll continue."

The loans can be made for up to 30 years, and rates will vary from project to project, with the objective of "providing the same pricing to smaller borrowers as our largest corporate clients," Carrott said.

THE LARGEST chunk of funds, $75 million, will be made available for residential rehabilitation in low- and moderate-income areas. Eligible residential properties must be located in a census tract of the city where the median family income is less than 80 percent of the median for the Chicago area. About two-thirds of the tracts in the city are expected to qualify.

Of the $75 million, $60 million is set aside for multifamily redevelopment in properties of five units or more. The remaining $15 million will go for combination purchase-rehabilitation loans on single-family dwellings of up to four units.

At least 20 percent of the loan value for residential properties must be marked for rehabilitation. Single-family residences also must be owner-occupied or developed by a neighborhood not-for-profit group.

"The bank has made a commitment to fill a major void in the city," said Bill Foster of the Chicago Rehab Network, the group handling residential loan packaging. "It has been very difficult to obtain long-term loans if properties require extensive rehabilitation . . . yet there are a number of properties in the city that are severely deteriorated.

The largest chunk of funds will be made available for residential rehabilitation in low- and moderate-income areas.

"The multifamily dwellings are the cornerstone of our neighborhoods, and they need the most assistance in terms of uprgrading in the city."

PEOPLE interested in a residential loan must contact the Chicago Rehab Network with a particular property in mind. The network will then determine if the property is in an eligible census tract and take the loan application from there. Loans for commercial and industrial property anywhere in the city will be handled through CANDO.

Nearly 4,000 inquiries have been received by the two groups so far. The first loans are expected to be made this summer, and Foster predicted $10 million to $20 million in loans might be authorized by the end of the year.

Participation of a broad coalition of community groups in the plan was made possible when First National's holding company announced it was seeking to acquire American National Bank, according to Larry Swift, executive director of the Woodstock Institute, one of 35 community groups involved in formation of the plan.

Under federal law, Swift said, First National is obliged to show it is meeting the credit needs of the city's neighborhoods before such an acquisition can be approved. That gave community groups leverage in hammering out the $100 million commitment from First National Chairman Barry F. Sullivan.

In addition to the $100 million, First National will make $20 million available to purchase rehabilitation loans made by other banks and guaranteed by the Small Business Administration, thus freeing more capital in those banks to make more neighborhood loans.

CHICAGO TRIBUNE
APRIL 28, 1984

First National Bank = $100 Million Loan = Neighborhood Revitalization

Recently, the First National Bank of Chicago committed itself to making $100 million of credit available over the next 5 years for housing rehabilitation and purchase and for commercial and industrial loans for low and moderate income neighborhoods thorughout Chicago. The principal actors who developed the program presented the history and the basic goals and structure of the program at a very well attended April 19 forum.

The program came about as a result of a series of discussions between a group of community organizations and citywide groups concerned with community development, and Barry Sullivan and other representatives of the Bank. Larry Swift of the Woodstock Institute, which served as convener for the community groups, cited the Community Reinvestment Act as providing an important point of leverage in these discussions because of First National's need of federal approval for its plans to buy American National Bank. Beginning in December, 1983, three months of discussions led to this program which is the largest of its kind in the country today. Swift called the program a real partnership with themutual commitments well illustrated by the composition of a Review Board, half appointed by First Chicago and half by neighborhood groups, to monitor implementation and to evaluate the program. Now that the program is designed, the hard part—successful implementation—begins. Swift also reported that the Bank has committed an additional $20 million to the purchase of SBA loans on the secondary market, and $400,000 from its foundation to assist neighborhood development organizatins.

The Chicago Rehab Network will be responsible for screening inquiries for 3+ unit building loans to determine eligibility by location reported Bill Foster, the Network's Director. They will help package the loans before sending them over to the bank for approval. $75 million has been set aside for housing loans (permanent financing) in census tracts which meet HUD's low and moderate income standards. Of that, $60 million is being reserved for multi-family buildings of 5 or more units. One third of the $60 million is being set aside for the not-for-profit neighborhood development organizations. The final $15 million for housing is being set aside for purchase—rehabilitation loans for single family properties (1-4 units). Foster said these unique purchase—rehab mortgages will require that at least 20% of the loan be devoted to rehab costs, and should meet a major need in many neighborhoods. Nearly ⅔ of the census tracts in the city are eligible for participation in the program.

Twenty million of the other $25 million has been reserved for commercial and industrial development activities. Jim Capraro, President of the Chicago Association of Neighborhood Development Organizations (CANDO), said these funds will be available citywide and will include both construction; and end loans—basically fixed asset financing. The other $5 million is specifically targeted for mixed use buildings (both housing and commercial). Mr. Capraro emphasized the significance of the Bank's additional $20 million commitment to buy SBA loans on the secondary market. This will provide local banks with more liquid assets which they can again make available for additional commercial loans. Thus, First National's $20 million could permit up to

Continued on page 10

TRUST inc
JOURNAL
A Monthly Newsletter
May, 1984

Neighborhood Revitalization

Continued from page 9

10 times that amount in locally available funds. Capraro was careful to say there can be "no quick fix" for the problem of neighborhood reinvestment. With its commitment to this program, the Bank has put the onus back on neighborhood actors to identify or develop the deals needed to take advantage of the program. CANDO will act as screener or packager for the economic development loan side of the program.

Marina Carrott, head of the new Neighborhood Banking Division at First National, said the program is not "a cave-in" to community demands, but represents a "very sincere commitment to serve the credit needs of low and moderate income neighborhoods. She said the program is fully compatible with First Chicago's corporate strategy and will seek to learn from the shortcomings of similar previous efforts. The Bank will, in this program, seek to strike a balance between normal lending policies and the desire to meet needs by spreading money widely. The Bank is making some pricing concessions in this program, such as not always requiring 20% cash equity up front, and absorb ing most administrative costs to keep loans to small buyers comparable to corporate rates. Ms. Carrott said the rates will be adjustable—based on the prime rate—with the spread over prime varying with the project and the borrower. Individuals and nonprofit rehab groups will receive more favorable rates than for-profit developers. Shifting some of the administrative burden to CANDO and the Rehab Network—screening deals and educating potential borrowers—will reduce the number of inquiries the bank has to deal with and permit the more favorable pricing. A new loan division is being formed to handle these loans, and will not be ready to actually make loans for a few more months. Ms. Carrott concluded by indicating that the Bank's 5 year, $100 million commitment will continue and expand if this initial pilot stage proves successful.

In the lengthy question period which followed, quite a bit of discussion centered on the program's helpfulness to low income people. Bill Foster suggested that the Bank's commitment to provide major portions of permanent financing for development project will make it easier to package deals. The market rates charged by the Bank can then by layered with foundation or otheoney to reduce interest rates to a more affordable level. Even so, all agreed that this program will not solve Chicago's housing or economic development problems. Low cost housing requires some form of subsidy—a need which the program cannot address. Each project will be different and will need to be "hand crafted", so the pressure reverts to community development people to come up with creative and workable uses for these resources.

The new program carries with it no restrictions on income for applicants—location in eligible areas and an appropriate credit history are the only requirements. Business loans will be limited in size to $1.5 million, and limited to firms with annual sales below $5 million. The Bank will make the final decision on all loan applications. In each case, a cooperative relationship with appropriate community organizations will enhance the applications. More information about the multiunit housing component of the program can be obtained by calling the Rehab Network at 663-3936. Information about the commercial, industrial, and mixed use building components can be obtained by calling CANDO at 461-1015.

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The Neighborhood Works

Bank Unveils Community Loans Plan

by Blake Rodman

On Tuesday, March 6, First Chicago Corporation announced an innovative $100 million below market rate loan program. Targeted to the credit needs of Chicago area neighborhoods over the next five years, this program will give access to the hard-to-find permanent financing so desperately needed in low- and moderate-income neighborhoods.

Through a newly created Neighborhood Banking Division, First National Bank of Chicago will provide permanent financing for multi-family and mixed use buildings, purchase/rehab mortgages for single-family buildings, and capital equipment and fixed asset financing for businesses with less than $5 million in annual sales.

In an unprecedented partnership, the program was designed by a broad-based team of community leaders and developers working directly with senior management of First National Bank of Chicago. The team was spearheaded by Bethel New Life, Inc., Chicago Association of Neighborhood Development Organizations, Chicago Rehab Network, Greater Roseland Organization, National Training and Information Center, Northwest Community Organization and Woodstock Institute.

According to community leaders, the possibility of a Community Reinvestment Act (CRA) challenge prompted First Chicago Corporation to sit down and talk with neighborhood groups.*

Last fall, First Chicago Corporation announced its intention to acquire American National Corporation, holding company for American National Bank and Trust. Woodstock Institute invited key Chicago coalitions to discuss the possibility of a CRA challenge.

"We saw in First Chicago's attempt to acquire American National the perfect opportunity to talk with the second largest bank in Chicago about neighborhood needs," said Larry Swift, President of Woodstock Institute.

The group decided to pursue the opportunity and met with Barry Sullivan on December 12, 1983.

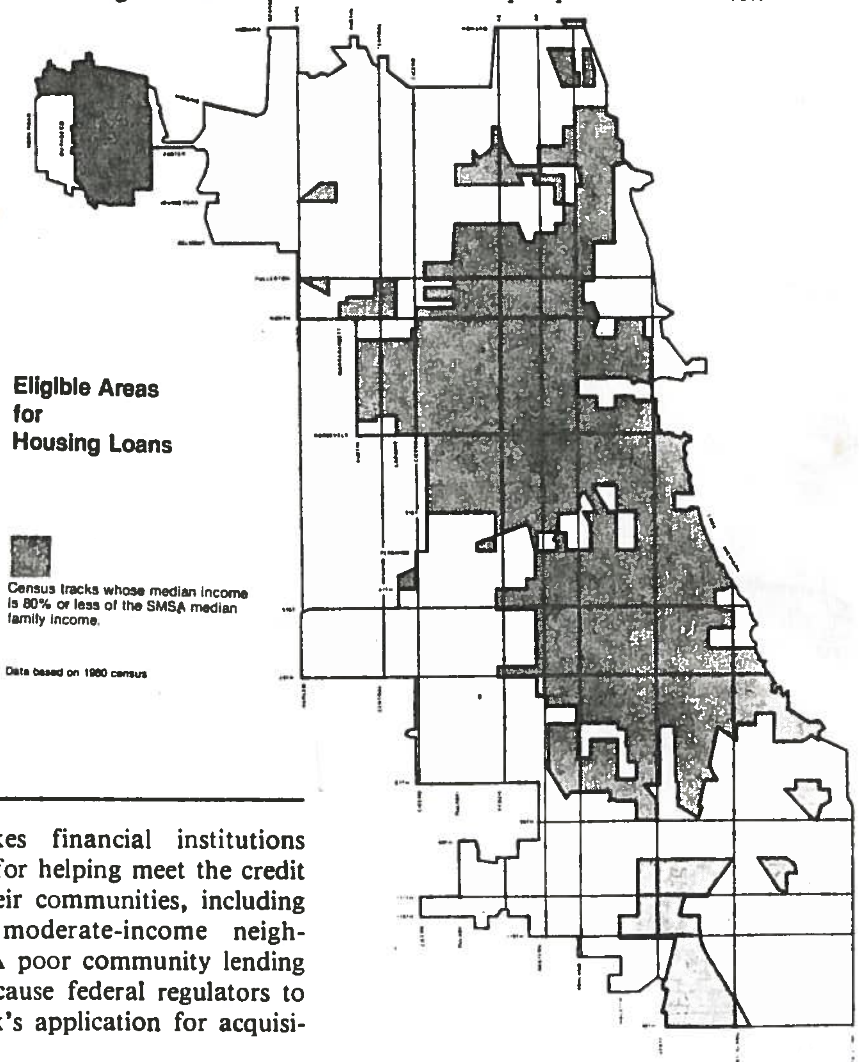
There were ten subsequent weekly negotiating sessions with Richard Hartnack, Senior Vice President of the Personal Banking Department at First National Bank and other banking officials. During the negotiations, senior lending officers from First National Bank were given two tours of neighborhood housing, commerical and industrial projects.

Community leaders are buoyed at the prospects the program offers Chicago neighborhoods.

"Our communities have been written off up to this point," said Mary Nelson of Bethel New Life, Inc., a neighborhood-based developer. "There is the conception among the financial institutions that our neighborhoods are risky and that loans into our neighborhoods are bad loans. This arrangement with First Chicago took some courage on the bank's part. It will set a new tone and direction for the future."

Gale Cincotta, Director of the National Training and Information Center, hopes the program will set a precedent for the entire country. "I think this is an outstanding, comprehensive example of the kind of program that can be worked out between community groups and lenders to revitalize neighborhoods," Cincotta said. "The program is significant because it gives people access to diverse kinds of credit and packaging that address the varied needs of the neighborhoods. This is credit that has not been available before."

The loan money will be targeted at specific low-income neighborhoods in the Chicago area. The credit will be limited to properties within



*CRA makes financial institutions responsible for helping meet the credit needs of their communities, including low- and moderate-income neighborhoods. A poor community lending record can cause federal regulators to deny a bank's application for acquisition.

municipalities that have a median income equal to or less than 75 percent of the median income for the Chicago standard metropolitan statistical area (SMSA). Within those municipalities the housing loans will be limited to census tracts where the median family income is equal to or less than 80 percent of the median income for the Chicago SMSA.

The money is being made available to increase and improve the housing stock, to improve business properties and to help small businesses grow. A variety of loan types and packages will be available, including:

— Permanent mortgage financing on multi-family housing and single-family purchases and rehabilitation projects.
— Interim loans for construction of rehabilitation on projects qualifying for permanent financing under the program.
— Term loans for small businesses for capital equipment and other fixed assets.
— Permanent and interim loans for the purchase and/or rehabilitation of mixed use commercial property.

"The unique packaging of these loans is an important factor," said Bill Foster, director of Chicago Rehab Network (CRN). "For instance, it will now be possible for rehab financing to be folded into the long-term mortgage financing. This is significant because most people cannot afford the expensive payments on the typical short-term rehab loan."

CRN will be the packaging agent for all multi-family properties of three or more units. The Chicago Association of Neighborhood Development Organizations (CANDO) will act as agent for the commercial, industrial, and mixed-use loans. These two organizations will screen for completeness and compatability with community development goals. Single-family loan requests will go directly to First Chicago or correspondent banks willing to participate.

"I think there will be a warm-up period," said Kim Otto of CANDO. "It will take six months to a year before things really get going with the loans. But as groups start believing in the money, people will start looking for projects. The money itself will stimulate development."

Small business loans will be limited to $1.5 million, while single-family purchases and rehab loans will be limited to buildings appraised at not more than $50,000 for one unit and an additional $30,000 per unit for up to four units. The bank will make loans with terms up to 30 years.

First Chicago will also establish a new division to implement the program. "The bank has made a commitment to assign experienced creative managers to the program with loan authority," Foster said. "These are people who can help make the loans work. This commitment on the part of the bank shows that this is not just a token program designed to appease neighborhood groups."

First Chicago has also made a commitment to price the loans as favorably to the borrower as possible. But the bank has made it clear from the outset that it is not willing to lose money on the program.

"The pricing will be better than people can get anywhere else," said Swift of Woodstock Institute. "But this is not a subsidy. The bank will make money. However, communities can't survive without conventional credit."

FOR MORE INFO

On business loans:

Jim Capraro, president (436-1000) or Kim Otto, associate director, Chicago Assn. of Neighborhood Development Organizations, 122 S. Michigan Ave., Suite 1457, Chicago IL 60603, (312)461-1015.

On multifamily loans:

Robert Lucas, president (548-7500) or William Foster, executive director, Chicago Rehab Network, 53 W. Jackson, Room 826, Chicago IL 60604, (312)663-3936.

On overall program:

Richard Hartnack, senior vice-president—personal banking, First National Bank of Chicago, One First National Plaza, Chicago IL 60670, (312)732-4040.

Larry Swift, president, Woodstock Institute, 417 S. Dearborn, Suite 400, Chicago IL 60606, (312)427-8070. ★

Thom Clark

A virtual "love fest" was held by community leaders and officials of First National Bank in early March at a press conference announcing a $100 million neighborhood loan program. Chicago Rehab Network president, Robert Lucas, *(standing)* gets a positive reaction from some of the negotiators of the agreement *(l to r)*: Gale Cincotta, National Training & Information Center; Richard Hartnack, senior vice-president, First National Bank; Larry Swift, Woodstock Institute; Barry F. Sullivan, chairman, First Chicago; and James Capraro, president, Chicago Association of Neighborhood Development Organizations.

Blake Rodman is a graduate student at Northwestern University's Medill School of Journalism.