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**CASCADE**

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## Banks Open Branches in Low-Income Areas

By Erin Mierzwa, Community Development Specialist<sup>1</sup>

Linda Figueroa, executive director of the nonprofit Community Action Commission (CAC), explained that the South Allison Hill section of Harrisburg, Pennsylvania, was a self-contained, working-class neighborhood during the 1930s and 1940s. "It was bustling. The residents rarely went to 'downtown Harrisburg' because there were drug stores, grocery stores, banks, barbers, and entertainment right in the neighborhood." In the 1950s and 1960s, she said, "the neighborhood began to decline. Many residents moved to the suburbs and the businesses followed."

Today, the neighborhood is in a low-income census tract in which 32 percent of residents are below the poverty line and the 2005 estimated median family income is \$28,474. Of the total population, 46 percent are black and 26 percent are Hispanic.<sup>2</sup> Figueroa notes that the area is racially and ethnically diverse, with people from many different nations. In addition, of the total housing stock, 48 percent are rental units and 22 percent are vacant. Since 1996, CAC has been working to revitalize this neighborhood.

The neighborhood's last bank branch, at 13th and Derry streets, was closed in 2002 by Wachovia Bank, which donated



PNC opened a branch in the South Allison Hill neighborhood of Harrisburg, Pa., in cooperation with the nonprofit Community Action Commission, which is located two blocks from the branch.

the building to CAC. Wachovia continued to operate an ATM outside the building. Figueroa knew that having another bank in the neighborhood was essential to any revitalization effort. After unsuccessful discussions with six banks and four credit unions, Figueroa approached Christopher Rockey, vice president of community development banking for PNC's central Pennsylvania region. Rockey shared Figueroa's vision for revitalizing South Allison Hill and thought this would be a great opportunity.

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<sup>1</sup> John Wackes, community development specialist, provided research and data analysis for this article.

<sup>2</sup> All census data cited in this article are from the FFIEC Geocoding/Mapping System, <http://app.ffiec.gov/geocode/default.htm>. All values are based on the 2000 census.



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## Message from the Community Affairs Officer

One of the things that we have learned through our series of conferences on reinventing older communities is that community development crosses many fields—economics, art, and health, to name a few. In the Community Affairs Department at the Fed, we tend to look at the intersection of financial services and community development. But even within that narrow category there are many areas of impact, and this issue highlights very different examples. In one article, we discuss the opening of three new bank branches in low-income communities. The banks report profitability from deposits made by churches and businesses in the community or resulting from their own willingness to provide expanded services through Saturday hours or bilingual staff.

Another article describes how having access to savings accounts and building assets are essential to everyone's lives. While it may seem impossible for low-income families to save, for the past 10 years CFED, a national nonprofit dedicated to expanding economic opportunity, has been demonstrating otherwise. CFED's research shows that when low-income people are given the incentive to save through individual development accounts, they do so. CFED promotes national efforts to make asset building as successful for low-income families as it is for the rest of us.

And what about business growth and expansion as a means to wealth? Prospective business owners may

be delighted to read our story on angel investors and a second one on SJF Ventures, a venture capital firm. Who are they? What types of businesses do angels want to invest in? How do you find one?

We have also included an article about the victims of Hurricane Katrina. Originally, we became interested in this subject because two Fed researchers wrote an article about how electronic payments allowed New Orleans residents, rich and poor, to access their money within days of the disaster. In the course of writing that paper, the authors referenced another study that described the health-care needs of victims of the disaster. While somewhat off track from the financial services that we typically discuss as community development, the article clearly reveals that without health care, the undoing of financial health is just one serious illness away.

Last but not least is our story on Pennsylvania's revised Neighborhood Partnership Program. The Commonwealth, community development leaders, and corporate officers have worked together to revise a funding program that supports nonprofit community development efforts. The new changes, we hope, will mean that the banking and corporate world will use this tax credit program to provide nonprofits around the state with a new, consistent funding source.



# Venture Investment Fuels Job Expansion in Rural Area

Venture capital firms often become actively involved in the management of companies in which they invest. Typically, that means joining a firm's board of directors, but once in a while it means actually becoming CEO of a portfolio company.

On June 1, Dan Hoversten left his position as a managing director in SJF Ventures' Philadelphia office to become the CEO of Salvage Direct Inc., an online auction business for high-value cars and motorcycles, recreational vehicles, and boats. Located in Titusville, about 45 miles southeast of Erie, Pennsylvania, the firm handles the entire salvage process, including towing, storage, and titling, for major insurance companies, financial institutions, and other businesses. Hoversten, who had been a managing director since 2000, will continue to work at an advisory level with SJF Ventures by referring investment prospects from western Pennsylvania to the firm.

Salvage Direct's founder, Robert Joyce, started the business in a one-bedroom apartment in 1998. A car enthusiast who worked as an estimator and physical damage manager for the car insurance industry, he thought that an Internet auction could bring together buyers and sellers of vehicles that would otherwise be scrapped. Titusville, which has a population of 6,000 people, had been devastated when the local steel

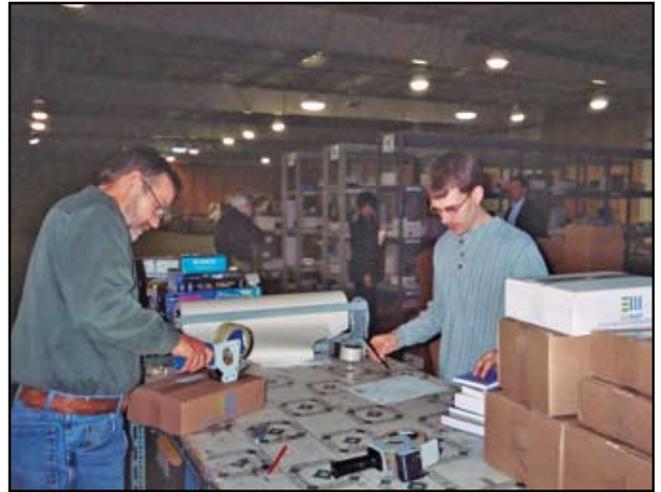
mill closed in 1990, eliminating 1,000 jobs. Joyce relocated the business to the mill with savings of \$15,000 and a loan from the Ben Franklin Technology Development Authority.

SJF Ventures I, L.P. (SJF), had been the lead investor in a \$1.1 million financing round to Salvage Direct in 2002, when it had 27 employees and revenues of about \$2.5 million.

Hoversten joined the board at the time of SJF's investment and later became its chairperson. The company currently has 87 employees and annual revenues of about \$16 million.

Hoversten observed: "Companies struggle to find the proper management for the various stages of the company. You need an entrepreneurial CEO to start a company, and yet a totally different skill set is needed to build that company beyond \$15 million or so in revenues. When the company gets to around \$100 million or ready for a public offering, it takes an even different type of CEO to handle that."

SJF Ventures, which operates from



Two employees at EdMap prepare a shipment from the book distribution and fulfillment company in Nelsonville, Ohio. Since SJF Ventures invested \$600,000 in the company in 2004, it has grown from 23 to 70 employees.

offices in Philadelphia and Durham, North Carolina, invests in rapidly growing businesses in the eastern U.S. that have sales of at least \$1 million in business services, consumer products, or "clean technologies" (reducing energy use and toxic waste). The firm – which expects repayment and investment gains in five years or less – strives to invest in companies that will create entry-level jobs and demonstrate environmental or workforce innovation.

Hoversten said: "In the venture capital model, out of 10 deals, you normally make almost all your money in one or two deals and might lose everything in three or four, and you just try to get your money back in the rest. Our investment 'sweet spot' is between the angel round and the first large institutional round."

SJF, originally called the Sustainable Jobs Fund, was formed in 1999 as a 10-year limited

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**SJF Ventures, which operates from offices in Philadelphia and Durham, North Carolina, invests in rapidly growing businesses in the eastern U.S. that have sales of at least \$1 million in business services, consumer products, or "clean technologies" (reducing energy use and toxic waste).**

# Under the Wings of Angel Investors

By Christy Chung Hevener, Consumer Specialist

Across the country, angel investors are spurring economic growth through investments in industries as varied as software, manufacturing, and health care.\* Angel investors are wealthy individuals or groups that provide capital to businesses, usually at an early stage – for instance, in the concept (pre-seed) or the start-up (seed) stage.

The capital provided by angels, often referred to as patient money, frequently serves as a bridge to more formal sources of capital. Compared with venture capital or other sources of capital, however, relatively little is known about the behavior and investing habits of angels.

The Federal Reserve System, which is committed to fostering economic growth, is interested in the activities of these early-stage investors whose efforts often make it possible to bring a concept to fruition or create a product. To learn more about this important activity, the Federal Reserve Banks of Cleveland, Philadelphia, Atlanta, and Denver hosted focus groups of eight to 12 angel investors from their respective Districts. Scott Shane, professor of economics at the Weatherhead School of Management at Case Western Reserve University in Cleveland, conducted the focus groups and compiled the results in a report published October 1, 2005. This article highlights some of the report's findings.

## A Diverse Group

According to the report, three common factors appear to be true of angel investors: they invest amounts of less than \$2 million, they invest in private

companies, and they invest from their own funds.

Beyond these common factors, angels differ in their approaches to investment. Some like to invest as individuals, while others prefer to invest as a member of an angel group or network. Angel investors may invest individually simply because they are financially able to do so or because they would like to remain anonymous, become involved in the business, or avoid the administrative costs of participating in a group. In some places, individual investing became the model simply because of a lack of angels in the area.

Network angels invest as a group in order to realize benefits such as pooled capital and knowledge, diversification, deal flow, division of labor, and social relationships. Angel networks can harness the capital contributions and the technology or industry knowledge of its members. Thus, networks create economies of scale by providing members access to a large number of deals and a diversified set of skills and technical competence with which to evaluate and conduct due diligence on those deals.

Other characteristics differentiating angel investors include their net worth, knowledge of start-up companies, extent of company involvement, preferred stage of investment, degree of formality, and degree of risk.

## Motivations

What motivates these investors?

The report says that “by spurring economic development through investments in start-up companies, the angels believe that they can keep jobs, technology, and talented people in the community.” Some investors describe this sense of giving back to the community as a “psychological return” on their investment. Angels also add value by helping others create and grow companies and by making their expertise available to companies. Some angels invest with a view to becoming the CEO of a company, while others look for a financial return or personal enjoyment.

## Evaluating a Deal

In general, angels are attracted to businesses that generate products that satisfy demand and can grow exponentially given the capital invested. As a result, sectors such as computer software, hardware, medical devices, and semiconductors are favored, while biotechnology, consumer, and commodity products are less favored.

When looking at businesses, angels tend to gravitate toward experienced entrepreneurs and a strong management team. Certain characteristics of the entrepreneur are also important. They include being able to accomplish tasks, knowing their own limits, working well with others, communicating openly and honestly, being charismatic, having a vision, and overcoming obstacles.

In terms of the financial deal, angels prefer to see valuations that are arrived at reasonably, or even undervalued, rather than overvalued.

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\* The Center for Venture Research at the University of New Hampshire's Whittemore School of Business and Economics estimates that angel investors invested a total of \$22.5 billion in 2004, 24 percent higher than the \$18.1 billion they invested in 2003.

# A State Tax-Credit Program Becomes Even Better: CSP Becomes NPP

By Amy B. Lempert, Community Development Advisor and Manager

Beverly Coleman is not the kind of person who stands by and watches things happen. So in the fall of 2003 when she realized that the first partnerships of the 10-year Comprehensive Services Program (CSP) would end beginning in 2004, Coleman, program director of the Philadelphia Neighborhood Development Collaborative (PNDC), a citywide funders' collaborative for neighborhood revitalization, took action. She convened a working group of key participants in the CSP, including banks, corporations, nonprofit community-based organizations (CBOs), state government, and community leaders around the state to make sure that the program had not only a future but also a bright one.

Several banks that had participated in CSP recognized that the program needed some fine-tuning to make it more attractive for banks and other corporations to invest. As diverse as the corporate and nonprofit partners are, under Coleman's leadership they came together to improve CSP based on the common belief that transforming neighborhoods into healthy communities not only helps local residents but also provides substantial benefits to the entire region. The group included the Pennsylvania Department of Community and Economic Development (DCED), which administers the program, as well as the Pennsylvania Department of Banking.

## **The Original Program: The Comprehensive Services Program**

CSP, a statewide program, was created in 1993 to encourage businesses to enter into long-term partnerships with CBOs, which develop com-

prehensive revitalization plans. The program sought collaboration among for-profit businesses, CBOs, and government agencies to improve the quality of life in distressed areas. Under the program, corporations made 10-year commitments to CBOs and provided cash and certain in-kind contributions. In turn, they received credits for 70 percent of their contributions against state business taxes, up to \$350,000 per year.

A report prepared by PNDC states that as a result of CSP more than 1600 housing units for rent or purchase have been developed or rehabilitated in Philadelphia. In ad-

dition, CSP-supported programs have enabled more than 4,000 Philadelphia residents to be trained or placed in jobs, created child-care centers and, in some neighborhoods, have lowered crime and high school drop-out rates and rid parks of drug dealers.

Perhaps most significantly, CBOs have learned to leverage CSP investments, resulting in nearly \$17 in outside funding for each dollar in contributions made by their corporate partner. For example, Project H.O.M.E. CDC worked with its CSP partner, Crown, Cork & Seal, to raise more than \$11 million for the development of a new community computer and

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As part of a Comprehensive Services Program partnership between the People's Emergency Center Community Development Corporation (PECCDC) and State Farm Insurance Companies from 1995 to 2005, PECCDC developed and preserved affordable housing, conducted financial education classes, engaged in economic development projects, and developed a welfare-to-work facility with a child-care center and the playground shown above.

# A State Tax-Credit Program Becomes Even Better: CSP Becomes NPP

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technology learning center.

## The Revised Program: The Neighborhood Partnership Program (NPP)

After nearly a year of discussions, the working group made several recommendations that were adopted by DCED and published in December 2004. Program changes are summarized in the table to the right. The changes lowered minimum corporate contributions and reduced the minimum partnership term from 10 to five years, making the program more accessible to community banks.

“Flexibility is the hallmark of the new NPP and there are no reams of paperwork to be completed,” said Ken Klothen, deputy secretary for community affairs and development in DCED. Once the investment is certified by Klothen’s office, the Pennsylvania Department of Revenue issues the credits. “We hope the changes will enable more organizations across the Commonwealth to use it,” Klothen said.

The benefits of CSP and its successor, NPP, extend beyond corporate partner contributions. Corporations share valuable expertise as well as grant funds, and CBOs offer structured volunteer opportunities for corporate employees and help train residents who will later enter the work force. Corporate partners also obtain favor-

able publicity and goodwill, help promote stable and healthy communities, and may add business relationships. (See table on page 7.)

The theme of corporations and CBOs working together for their mutual well-being was reiterated by several speakers at an event on NPP revisions held May 16 at the Federal Reserve Bank of Philadelphia. As J. William Mills III, president of PNC Financial Services Group in Philadelphia/Southern New Jersey and an NPP advocate, succinctly put it: “What is good for our communities is good for PNC.”

*For information on NPP, contact DCED’s Center for Community Empowerment at (717) 787-1984. Beverly Coleman, program director of PNDC, can be reached at (215) 665-2644.*

### Program Changes

Program Feature	CSP	NPP
Per (investor) partner Minimum annual contribution	\$250,000	\$50,000
Per project Minimum annual contribution	\$250,000	\$100,000
Number of investor partners	One primary	Up to three
Minimum length of commitment	10 years	5 years
Focus	All program areas <sup>1</sup>	Program areas with highest priority <sup>2</sup>
Oversight body	Board of directors	Neighborhood partnership advisory committee
Goal	Transforming community	Improve quality of life & sustain community development

<sup>1</sup> CSP and NPP program areas include community services, crime prevention, education, job training, and neighborhood assistance. (Neighborhood assistance is defined as financial assistance, labor, materials, or technical advice to aid in physical improvements for all or part of a distressed community.)

<sup>2</sup> Program areas with highest priority are based on the neighborhood partnership plan, which prioritizes projects according to relative need and existing community assets.

Source: *The Neighborhood Partnership Program*, a publication created by the Philadelphia Neighborhood Development Collaborative and produced by Sage Communications Partners. The publication was based on a report prepared by DCED.



The Federal Reserve Bank of Philadelphia hosted a meeting on May 16 to inform business leaders about NPP. Program speakers (from left) were J. William Mills III, President, PNC Financial Services Group, Philadelphia/Southern New Jersey; Beverly Coleman, Program Director, Philadelphia Neighborhood Development Collaborative; Charles Pizzi, President and Chief Executive Officer, Tasty Baking Company; Ken Klothen, Deputy Secretary for Community Affairs and Development, Pennsylvania Department of Community and Economic Development; Sister Mary Scullion, Executive Director, Project H.O.M.E.; A. William Schenck, Pennsylvania Secretary of Banking; and Rick Lang, Executive Vice President, Federal Reserve Bank of Philadelphia.

## Partnerships Under the Former Comprehensive Services Program\*

Corporate Partners	Community-Based Organizations
<b>Altoona</b>	
M&T Bank Investment Savings Bank Reliance Savings Bank	Greater Altoona Economic Development Corp.
<b>Bethlehem</b>	
M&T Bank	Community Action Development Corp.
<b>Carlisle</b>	
M&T Bank	Hope Station Opportunity Area
<b>Harrisburg</b>	
Allfirst Bank	Community Action Commission
<b>Lancaster</b>	
M&T Bank	The Inner City Group
<b>Philadelphia</b>	
Allstate Insurance Co.	Fern Rock/Ogontz/Belfield CDC
M&T Bank	Frankford CDC
Mellon Financial	Greater Germantown Settlement Greater Germantown Housing Development Corp.
Ace American Insurance Co. Comcast Corporation	Impact Services Corp.
Citizens Bank	Nueva Esperanza Inc.
PNC Bank	Norris Square Civic Association
State Farm Insurance Co.	People's Emergency Center CDC
Crown Cork & Seal Co. Inc.	Project H.O.M.E. CDC
PECO Energy Co.	The Partnership CDC
Wachovia Bank	Women's Community Revitalization Project Hispanic Association of Contractors and Enterprises, Inc.
Tasty Baking Company	Allegheny West Foundation
<b>Pittsburgh</b>	
Dollar Bank	Manchester Citizens Corp.
Citizens Bank	Hosanna House, Inc.
PNC Bank	Southside Local Development Corp.
Mellon Bank	Bloomfield-Garfield Corp.
H.J. Heinz Co.	Northside Leadership Conference
<b>York</b>	
Waypoint Bank Susquehanna Pfaltzgraff Co.	Crispus Attucks Community Development Corp. CDC

## Partnerships Under the New Neighborhood Partnership Program

Corporate Partners	Community-Based Organizations
<b>Allentown</b>	
Air Products and Chemicals Inc. PPL Corp.	Housing Association & Development Corp.
<b>Easton</b>	
Easton Hospital Lafayette Ambassador Bank	Community Action Committee of the Lehigh Valley, Inc.
<b>Erie</b>	
Erie Insurance Group	Bayfront East Side Task Force
<b>Philadelphia</b>	
Ace American Insurance Co.	Impact Services Corp.
Beneficial Savings Bank	Archdiocese of Philadelphia, Office for Community Development
PNC Financial Services Group	Project H.O.M.E.
PECO Energy Co.	The Partnership CDC
<b>York</b>	
Glatfelter Insurance Group Kinsley Construction Susquehanna Pfaltzgraff	Crispus Attucks Association
People's Bank York Building Products Inc. M&T Bank	Crispus Attucks YouthBuild Charter School
Fulton Bank	Spanish American Civic Association
Glatfelter Insurance Group The Wolf Organization PeoplesBank	YWCA of York

\* Some CSP partnerships are still operating, while others have been completed.

Source: Pennsylvania Department of Community and Economic Development. Information shown is as of June 2006.



## Disasters, Public Needs, and Public Policy

Typically, after a disaster occurs, serious consideration is given to what it would take to prevent or survive a similar future calamity. This reflection occurs among individuals and within public agencies at all levels of government. The devastation caused by Hurricane Katrina along the Gulf Coast of Louisiana and Mississippi captured our attention and prompted a public debate on our collective ability to deal with a catastrophe of this proportion.

Many aspects of the hurricane and its aftermath have been investigated. Of interest here is the health and other concerns of those affected by Katrina as well as their experiences during and after the storm. The disturbing images in the news media constantly reminded us of the health and other needs of Katrina's victims. Although the accounts were compelling, many were qualitative rather than quantitative in nature.

A study by Mollyann Brodie, Erin Weltzien, Drew Altman, Robert J. Blendon, and John M. Benson increases our understanding by supplying facts and figures to underscore the health problems and other pressing concerns of Katrina's victims.<sup>1</sup> The authors use the results of a survey of evacuees conducted

in Houston-area shelters to provide an extraordinary view of the experiences of those most affected by Katrina, including the evacuees' views of the efforts to assist them.<sup>2</sup> The study seeks to "shed light on how the public health community can promote the recovery of Hurricane Katrina victims and protect people in future disasters." Given that nearly three-quarters of those surveyed in the study had incomes of \$29,999 or less, and that roughly a third had incomes less than \$10,000, the results should be of particular interest to those organizations that serve the low- and moderate-income community.

### Study Method

The authors relied on a survey designed jointly by the *Washington Post*, the Kaiser Family Foundation, and the Harvard School of Public Health. The survey was administered from September 10 to 12, 2005, to "680 randomly selected respondents 18 years or older who were evacuated to Houston from the Gulf Coast after Hurricane Katrina." The survey sample was composed of "439 respondents from the Houston Reliant Park complex (i.e., the Astrodome and Reliant Center), 152 from the George R. Brown Convention Center, and 12 whose location was



Marvin M. Smith, Ph.D.  
Community Development  
Research Advisor

not recorded." The remainder of the sample came from several smaller Red Cross shelters in the Houston area.<sup>3,4</sup>

The survey, according to the authors, "was intended to cover that population hardest hit by the hurricane: those who did not initially evacuate in time, had to rely on government help to evacuate, and did not have access to housing on their own."<sup>5</sup>

### Results

#### *Demographics and Health Characteristics*

The vast majority of those surveyed were from the New Orleans area.<sup>6</sup> The authors found that "compared

<sup>1</sup> "Experiences of Hurricane Katrina Evacuees in Houston Shelters: Implications for Future Planning," *American Journal of Public Health*, March 29, 2006, online release. Forthcoming in print.

<sup>2</sup> In addition, Brodie et al. gleaned valuable information on the demographic and economic makeup of those who suffered the most from the storm and its aftermath.

<sup>3</sup> To ensure that the sample reflected the composition of the shelters surveyed, the authors made sure that "interviews were distributed across shelters in proportion to best estimates of the actual shelter populations, which totaled more than 8,000 during the interviewing period. This number represented approximately 30 [percent] of the estimated 27,100 evacuees residing in the main Houston shelters sites at the peak of occupancy."

<sup>4</sup> The authors were unable to survey evacuees in the other shelters in the area. They didn't think that the responses would be significantly different from those surveyed, but they couldn't rule that out.

<sup>5</sup> The interviews were conducted face-to-face in the most private area possible and lasted approximately 20 to 25 minutes. The interviewers used paper questionnaires to record the responses. Those interviewed were told that their responses would be anonymous; thus no names or other identifying information would be collected. Brodie et al. enjoyed a 90 percent response rate from those selected to be interviewed.

<sup>6</sup> See the study's tables for more detail on the survey.

to New Orleans and Louisiana residents as a whole, disproportionate numbers of evacuees were African American, had low incomes and low rates of home ownership, had no health insurance coverage, and were at low educational levels.” Moreover, 41 percent of the respondents indicated that they had chronic health conditions that included heart disease, hypertension, diabetes, or asthma. Prior to Katrina, the evacuees reported that they relied on the network of hospitals and clinics that comprised the New Orleans public hospital system for the vast majority of their health care. Many depended on Charity Hospital (the city’s flagship institution), which was demolished by the storm.<sup>7</sup>

The authors discovered an interesting conundrum when it came to the evacuees’ need for health care and their ability to obtain it through a program of government-sponsored care. Roughly half of the evacuees were less than 65 years old and childless, which rendered them ineligible for Medicaid or Medicare. Yet “their health status was nearly identical to that of their peers with children, suggesting similarities between the health care of the two groups but differences in their ability to obtain care.”

#### *Evacuation Orders and Experiences After the Storm*

Slightly less than half of those surveyed reported that they had heard the order to evacuate prior to the hurricane and that the instructions were clear on how to leave. This prompted 38 percent to leave before the storm hit. About a third of those who stayed in New Orleans indicated that they did not hear an order to evacuate, while nearly 30 percent had heard the order but thought the evacuation information was unclear.

A little over a third said they received clear evacuation information but remained anyway.

For purposes of future planning, it is of interest to know the reasons why some Gulf Coast residents did not evacuate before the storm. The survey revealed that 34 percent reported a lack of transportation, while 28 percent underestimated the magnitude of the storm and its aftermath. Others said they were physically unable to leave or were caring for someone with a disability that prevented their evacuation. Not too surprisingly, economic factors figured prominently in determining those who stayed or left: “39 [percent] of those who said that they could not have found a way to leave reported earning less than \$10,000 in the previous year, compared with 29 [percent] of those who said they could have found a way to leave.”<sup>8</sup>

Equally revealing were the experiences of the respondents in the immediate aftermath of Katrina. Who can forget the wretched conditions in New Orleans’ Superdome and its Convention Center? More than a third of the respondents spent time in the former and 7 percent in the latter. The survey also showed that 40 percent indicated that they had spent at least a day living on the street, while 34 percent were trapped in their homes. Many reported not having sufficient food, fresh water, prescription medicines, or the medical care that they needed.<sup>9</sup>

#### *Evaluation of the Emergency Response*

The evacuees’ views on who provided the most and least help during the storm are well worth noting. The National Guard, Coast

Guard, or military were identified as most helpful by 25 percent of the respondents, while 19 percent named private organizations such as the Red Cross.<sup>10</sup> However, nearly 40 percent indicated that they did not receive assistance from any of these organizations.

A majority of those surveyed were quite critical of the response to the hurricane by all three levels of government (federal, state, and local). But they reserved their highest disapproval (70 percent) for the federal government. Perhaps even more revealing is that nearly 70 percent believed that the government’s response would have been timelier if the affected areas had a higher percentage of wealthy white residents, instead of a higher proportion of poor black residents.

#### **Implications for Disaster Planners**

Among the study’s lessons for those responsible for disaster planning are the need for better emergency communication for urban evacuations, transportation by bus or truck to evacuate lower-income, elderly, or disabled residents, and designated facilities able to house people for long periods of time that have emergency supplies readily available.

#### **Implications for Health Care**

Katrina exposed the “health challenges facing poor, largely uninsured populations after massive dislocation.” Brodie and co-authors believe that such circumstances suggest the need to provide short-term public insurance coverage to those in need and access to public hospitals.<sup>11</sup> Reflecting on the health-care requirements of Gulf Coast residents, the authors stated that any post-Katrina rebuilding plan requires a safety net system to accommodate the health-care needs of those who are most vulnerable.

<sup>7</sup> New Orleans’ University Hospital was also used heavily by the evacuees, but it too sustained tremendous damage and is closed.

<sup>8</sup> Brodie et al. found “few demographic differences between the Houston shelter residents who said that they evacuated their homes before the storm and those who did not.” But tenure in New Orleans did seem to play a role. The survey revealed that 77 percent of those who did not evacuate before the storm were lifelong residents of New Orleans, as compared with 67 percent of residents who left before Katrina hit.

<sup>9</sup> Some even reported having been threatened with violence.

<sup>10</sup> Eleven percent of the respondents listed federal agencies such as the Federal Emergency Management Agency or the Department of Homeland Security as being most helpful.

<sup>11</sup> This might be accomplished by extending Medicaid benefits to childless adults, whether as a uniform federal response or using state-by-state waivers.

# Building Wealth and Ownership for All Americans

By Andrea Levere, President, Corporation for Enterprise Development (CFED), Washington, D.C.

Over the past 10 years, a movement to build assets for the poor as an enduring route out of poverty has steadily gained momentum. This movement is charting a new path to economic opportunity, although, in fact, every policy over the past 200 years that has succeeded in building wealth for Americans, be it the Homestead Act of the 19th century or the GI Bill of the 20th century, has been grounded in the same principle, the ownership of assets. Assets—most commonly savings, a home, an education, or a business—offer the means to amass the financial resources that go beyond what it takes merely to survive.

CFED has been at the heart of this movement for the past decade, managing policy demonstrations; conducting applied research and policy advocacy; convening practitioners, policymakers, and financial institutions; delivering training and technical assistance; and investing in product development. This engagement began in the mid 1990s with the design and execution of the American dream demonstration (ADD), which tested the notion of whether low-income people could save money through individual development accounts (IDAs). IDAs are matched savings accounts to purchase a home, continue education, or start a business. Pioneering research throughout ADD conducted by the Center for Social Development at Washington University proved that low-income people would save and launched activities that range from access to checking accounts in mainstream financial institutions to retirement strategies.

CFED's role in the asset-building

field began with IDAs, and the organization continues to provide research, policy advocacy, events, and training services in a field that spans at least 500 programs and has increasing engagement by private- and public-sector institutions. Two years ago, CFED launched its Saving for Education, Entrepreneurship, and Downpayment Initiative (SEED), a children's initiative with 12 community partners that seeks to demonstrate the impact of providing savings accounts to all children at birth. In addition, CFED works at the federal level and with state partners to remove barriers to asset building, primarily through the elimination of asset limits for those receiving public benefits.

CFED is experimenting with incentives to employers to provide asset-building products and financial

- Adapt the asset-building incentive structures or policies that have been so successful for middle- and upper-class people to the needs of low-income people.
- Pair product offerings that address the real needs and preferences of low-income people with necessary investment in financial education.
- Make the asset-building system universal and inclusive with benefits commensurate with need.

CFED has found that it takes the nonprofit, government, and private sectors to effectively build assets for the poor. CFED is just learning how imperative it is to leverage private-sector product development, delivery, and distribution systems in order to bring unbanked and underbanked people into the mainstream

**CFED is experimenting with incentives to employers to provide asset-building products and financial education services at the workplace as a powerful means of achieving scale and access to asset-building opportunities.**

education services at the workplace as a powerful means of achieving scale and access to asset-building opportunities. CFED helps low-income homeowners protect their investments through the regulation of predatory lending and is working to transform manufactured housing into an asset-building rather than asset-depleting strategy through access to conventional mortgages and well-designed homes and resident ownership.

Three principles are central to the success of asset-building products, policies, and programs:

system of financial services. Yet this type of integration rarely happens through private-sector action alone. CFED has also learned the power of linking financial products and services with capacity-building and training services that are delivered by the nonprofit sector. Finally, products and services alone do not create new economic opportunity; they must be paired with necessary and sufficient incentives aligned through every level of government.

CFED has also learned a new truth in its work over the past decade.

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# Banks Open Branches in Low-Income Areas

...continued from page 1

At Rockey's initiative, a PNC team conducted extensive market analysis and concluded that this was a viable branch opening. "PNC did not open this branch because of CRA requirements," Rockey explained. "Rather, we knew it had the potential to be profitable. We also wanted to have a key role in the economic development of the community and be a catalyst for change in this neighborhood." Rockey, who has moved his office to the branch, said the bank received commitments from municipalities, nonprofits, and other organizations in the area to open accounts at the branch.

PNC opened the branch in October 2005. It is open on Saturdays so that residents can bank on weekends. PNC also hired a bilingual staff, ensured that materials would be available in both English and Spanish, and programmed nine languages in the ATM outside the building.

In addition, PNC offers its Foundations of Money Management program through the branch. The program enables many people who have had credit problems to open a bank account after they complete a two-hour PNC course. As part of the program, PNC teaches participants to budget, limits daily ATM withdrawals, and monitors the new accounts.

Since the opening last October, Rockey said the South Allison Hill branch has outperformed expectations for new account activity in PNC's peer group of LMI branches in the bank's nine-state service area.

## Allentown, Pa.

Other banks have opened branches in LMI areas. In September 2003,

Nazareth National Bank and Trust Company opened a branch at 9th and Hamilton streets in downtown Allentown. While there are several other banks downtown, Nazareth National was the first bank to open a new branch there in over 30 years. In October 2003, shortly after the branch opened, Nazareth National merged with Keystone Savings Bank, forming Keystone Nazareth Bank and Trust (KNBT).

The branch is located in The Plaza at PPL Center, which was formerly the site of Hess's department store. This area is part of a low-income census tract in which 56 percent of residents are below the poverty line and the 2005 estimated median family income is \$15,970.

In partnership with the city of Allentown and PPL Corporation, Liberty Property Trust redeveloped



Joyce Crosby (left), vice president and branch manager of a KNBT branch in downtown Allentown, Pa., is shown with Joanne Diaz, a customer service specialist at the branch. Diaz provides one-on-one financial literacy training to Spanish-speaking customers.

oped the entire site and approached Nazareth National about opening a branch. Scott Fainor, a Lehigh Valley native who was previously the president and CEO of Nazareth National Bank and is currently president and CEO of KNBT, wanted

*Cascade* asked Alan Jennings, executive director of the Community Action Committee of the Lehigh Valley, about bank branch openings in low- and moderate-income (LMI) areas in the Lehigh Valley, including the KNBT branch opening in downtown Allentown.

*"KNBT deserves tremendous credit for going where so few other banks were bold enough to go, and the downtown Allentown branch is performing well. A striking aspect is that no other banks have learned from KNBT's experience and followed their lead in the Lehigh Valley. All is not good in LMI areas as far as branching is concerned. For example, it is very troubling that the borough of Emmaus, with its 12,000 residents, has about a dozen branches, while south Bethlehem, with 18,000 residents and nearly \$1 billion in actual or planned investment, has just two branches. The difference is that more LMI and minority residents live in south Bethlehem than in Emmaus. Why is it so difficult to get new investment in neighborhoods where it has been proven that a bank can make money? Check-cashers are making money in these neighborhoods. Are check-cashing store owners better business people than bankers?"*

## Banks Open Branches in Low-Income Areas

...continued from page 11

the bank to be part of revitalization efforts in downtown Allentown.

David Kennedy, regional president at KNBT, noted: "It was Scott Fainor's vision and support for the city of Allentown that led to the branch opening. The branch was an important investment in the community and made good business sense."

Kennedy said the branch was meeting expectations and, as of the end of the first quarter of 2006, had approximately three times the amount of deposits as the South 4th Street branch, which opened a month earlier in another part of Allentown.

Two of the six staff members at the downtown branch are bilingual, and other staff members are beginning a six-class course to learn conversational Spanish. A KNBT team is exploring how it can better serve the Spanish-speaking community throughout KNBT's service area, including downtown Allentown. Joyce Crosby, vice president and branch manager, explained that much of the interaction with customers is

through informal one-on-one financial literacy training. In addition, KNBT allows nonprofits and city officials to use meeting room facilities at the branch. KNBT's downtown Allentown branch is not currently open on Saturdays, but the bank continues to evaluate this aspect of its facility.

### York, Pa.

Integrity Bank opened a branch on South George Street in downtown York in February 2005, offering banking services from Monday through Saturday. The branch is in a low-income census tract in which 18 percent of residents are below the poverty line and the 2005 estimated median family income is \$29,579. James Gibson, president and CEO of Integrity Bank, said that at the time of the opening there were at least eight other branches in downtown York, but none were open on Saturdays.

Part of Integrity's business strategy is to offer more convenient banking hours, including ex-

tended hours during the week and on weekends. Gibson and his team recognized a need in the downtown York market for residents to be able to bank on Saturdays. Gibson said that "after being open for only 120 days, the branch had obtained profitability and had by far exceeded expectations."

Other banks have also opened branches in LMI areas. Karen Whitehill, senior vice president and CRA officer at KNBT, had these comments for banks when they evaluate branch locations: "You should not assume that if an area is low income, it will be low volume. There are a lot of good business opportunities in LMI areas, including first mortgage and small business loans."

*For information, contact Christopher Rockey at PNC (717-231-3783; Christopher.Rockey@pnc.com), Karen Whitehill at KNBT (610-807-5837; karen.whitehill@knbt.com), or James Gibson at Integrity Bank (717-920-4900; jgibson@integritybankonline.com).*

## Venture Investment Fuels Job Expansion in Rural Area

...continued from page 3

partnership with \$17.1 million in capital from eight banks and other institutional investors. Hoversten estimated that the internal rate of return would be 7 percent to 9 percent at the end of the 10-year term. About 1,600 jobs have been created or retained through SJF's investments, according to the firm's Durham office.

Two of SJF's success stories are:

- EdMap, an online book distribution and fulfillment company in Nelsonville, Ohio, for distance-learning programs and universi-

ties. When SJF invested \$600,000 in the company in 2004, it had previous-year revenues of \$1.7 million and 23 employees.

EdMap currently has revenues of about \$30 million and 70 employees and is still expanding. In March, EdMap distributed over \$700,000 to SJF as part of a \$3 million payment to preferred investors and common shareholders.

- HDS Cosmetics Lab Inc. in Yonkers, New York, which makes

the Doctor's Dermatologic Formula line of skincare products designed to treat aging, acne, sensitive skin, and sun damage. SJF invested \$250,000 in 2001 in HDS and exited its investment in less than three years with a 70 percent internal rate of return. HDS created more than 100 manufacturing jobs in the course of its rapid expansion.

On the other hand, SJF also invested in Allegheny Child Care Academy, a Pittsburgh-based firm that operated

...continued on page 13

day care centers. It went through a Chapter 11 bankruptcy and was reorganized as Brightside Academy. Hoversten explained: "SJF was fortunate enough to have invested using a senior note with warrants, instead of traditional equity. As a result, we were able to come out of the Allegheny bankruptcy almost intact. We did, however, renegotiate our note with a lower interest rate and longer maturity in order to help the company survive and turn itself around."



Dan Hoversten

SJF Ventures has commitments of over \$16.3 million for a second 10-year partnership fund expected to close by the end of 2006, Hoversten said. He noted that the Community Reinvestment Act (CRA) "appeared to be the primary motivating factor in the decisions of banks to invest in our first fund, but financial return

and CRA are equally important in bank investment decisions in the second fund. Similarly, SJF Ventures is giving equal emphasis in our second fund to both financial and social objectives."

Investors in an SJF Ventures fund become limited partners with a partnership interest

based on the amount of their investment divided by the total size of the fund. Proceeds from dividends or sale of a business are distributed on a pro rata basis to all limited partners. Prospective investors can obtain a confidential offering memorandum. Investors receive a limited-partnership agreement.

SJF Advisory Services, a nonprofit affiliate in Durham, provides technical assistance to businesses, especially in underserved rural

and urban areas, helps the businesses identify grant sources for employee training, and promotes asset-building tools such as broad-based stock options. A report on these tools, "Beyond Paycheck-to-Paycheck," is available at [www.sjfund.com](http://www.sjfund.com). The nonprofit also showcases CEOs of clean technology companies at an annual event.

According to the Community Development Venture Capital Alliance, SJF Ventures is one of 68 active community development venture capital funds that have \$870 million under management.

*For information, contact Dan Hoversten of Salvage Direct at (814) 827-0300 or Rick Defieux of SJF Ventures at (215) 545-1750; [www.sjfund.com](http://www.sjfund.com); [www.cdvca.org](http://www.cdvca.org).*

— John J. Wackes, Community Affairs Specialist, and Keith L. Rolland, Community Development Advisor

## Under the Wings of Angel Investors ...continued from page 4

### Social Networks

The report noted that "among the common sources of deal flow are attorneys, accountants, investment bankers, former colleagues, previously funded entrepreneurs, customers and suppliers of companies that they have funded, other angels, and venture capitalists."

### Return on Investment

Many angels point out that "successful companies tend to generate positive returns," and that the calculation of a rate of return is a less important exercise, especially given inconsistent revenue streams and the

difficulty of accurately assessing risks and costs. While a typical expected return is 10 times the initial investment, anticipated returns can range from one to 15 times the initial investment.

According to the report, "The focus group participants believe that successful angel investing in a region depends on the presence of seasoned entrepreneurs and managers, first generation capital, a relevant industrial base, strong universities, the right culture, scale, and successful experience."

*To see the report, go to [www.clev.org](http://www.clev.org), select regional research and data, and highlight angel investing. Readers may also be interested in Angel Investment Groups, Networks and Funds: A Guidebook to Developing the Right Angel Organization for Your Community, a publication on the website of the Ewing Marion Kauffman Foundation at [www.kauffman.org](http://www.kauffman.org). Another resource is the Center for Venture Research, which focuses on early-stage equity financing for high-growth ventures, at <http://wsbe.unh.edu/cvr/>.*

# New Predevelopment Funds for Rental Housing Preservation

Nonprofits in Pennsylvania that plan to preserve affordable multi-family rental housing can apply for predevelopment assistance from two recently established loan funds.

The Local Initiatives Support Corporation (LISC) and Pennsylvania Housing Finance Agency (PHFA) have established a \$500,000 fund for use in Philadelphia, while the National Housing Trust Community Development Fund (NHTCDF) and PHFA have established a \$1 million fund for use outside Philadelphia. Both LISC and NHTCDF, a national nonprofit intermediary based in Washington, D.C., can provide nonprofits with technical assistance.

The two funds, which lend at below market rates, enable nonprofits to explore the financial feasibility of

development that preserves the affordability of rental housing for low- and moderate-income individuals and families. Ultimately, nonprofits will use one of PHFA's programs to acquire and rehabilitate rental housing or to rehabilitate rental housing they presently own.

Both loan funds can be used for such predevelopment costs as hiring consultants and paying for market studies and appraisals, environmental studies, deposits and options for site control, and architectural fees.

Brian L. Shull, senior development officer of PHFA, explained that preservation is generally defined as an infusion of capital that keeps housing affordable in markets where rents are escalating or where

the affordable housing is at risk of conversion to market rate.

In the two loan funds, qualifying developments must meet one of four criteria: subsidized mortgages are at risk of prepayment and termination of use restrictions; project-based Section 8 contracts are expiring; 15-year compliance periods of low-income housing tax credit developments are expiring; and developments have been assisted under one of the previously mentioned programs and need rehabilitation to maintain compliance with required physical standards.

*For information on the LISC-PHFA loan fund, contact Randy Belin at (215) 923-3801 or [rbelin@liscnet.org](mailto:rbelin@liscnet.org). For information on the NHT-PHFA fund, contact Brian L. Shull at (717) 780-3909 or [bshull@phfa.org](mailto:bshull@phfa.org); [www.phfa.org](http://www.phfa.org).*

## People In the News

**Anthony Daniels**, previously a community development officer at Sovereign Bank, is now a senior program officer at Philadelphia LISC where he manages lending and recoverable grants...**Arthur Fleming** is executive vice president and chief lending and investment officer at the Opportunity Finance Network after serving with the Fannie Mae Foundation and GMAC Mortgage's Housing Initiatives Group...**Dana Hanchin**, previously director of real estate development for the Women's Community Revitalization Project, has become an affordable housing lender with The Reinvestment Fund...**Marilyn Hedge**, based in Lancaster, PA, is vice president and compliance and CRA manager for Susquehanna Bank PA...**Alan Jennings**, executive director of the Community Action Committee of the Lehigh Valley, Inc. (CACLV), received a trophy from the IRS for

CACLV's accomplishments in operating four volunteer income tax assistance (VITA) sites. CACLV was recognized for the low error rate on returns prepared by CACLV-trained volunteers and a high volume of returns...President George W. Bush has announced his intention to appoint **Farah M. Jimenez**, executive director of Mt. Airy USA in Philadelphia, to the CDFI Fund's advisory board...**Paul R. Levy**, president and CEO of the Center City District, received the annual Philadelphia Award for doing the most "to advance the best and largest interest of the community"...**Cathy Niederberger**, senior vice president of PNC Bank, N.A. in Pittsburgh, PA, has become managing director of community development banking for the bank's service area in eight states and Washington, D.C....**Alisa Orduna-Sneed** is executive director at The Partnership CDC in Phila-

delphia...**Matt Quigley**, previously director of community affairs with the Federal Reserve Bank of Boston, is director for community development at the Office of the Comptroller of the Currency...**Barry Seymour** is executive director of the Delaware Valley Regional Planning Commission...**John Ungar** is executive director of Inter Community Development Corporation, which provides home repair services, job training, and commercial corridor improvements in northwest Philadelphia...**Alan White**, supervising attorney for Community Legal Services, Inc. in Philadelphia, has been appointed to a three-year term on the Consumer Advisory Council to the Federal Reserve Board of Governors...**Michael D. Zarcone**, previously special assistant to the (Pennsylvania) secretary of banking for economic development, is senior vice president of commercial banking services with Community Banks, Inc. in Harrisburg, PA.

# Building Wealth and Ownership for All Americans ...continued from page 10

When many of today's senior practitioners entered the world of economic and community development, the major challenge was expanding access to capital. CFED believes that entire communities were redlined by private-sector financial institutions. Minorities and women faced significant discrimination in accessing credit. But in most places in the U.S., this is no longer the situation. Access to capital from high-cost predatory lenders who operate without adequate regulation and oversight has led to asset stripping of profound dimensions.

the asset-building movement has come is the partnership between the Federal Reserve System and CFED to conduct four forums and an additional event at the Federal Reserve Board of Governors to showcase innovations in asset-building products, policies, and programs and to identify key actions that lead to a much higher level of performance and impact.

It is time to make the public case that the proven incentives in building wealth for the middle and upper classes should be employed for the

benefit of low-income Americans. There is bipartisan political support to do this as well as 10 years of policy development, program experience, and infrastructure development. More networks of talented advocates, practitioners, lenders, and funders are needed to work together toward this common vision.

*For information, contact Andrea Levere at (202) 408-9788 or [alevere@cfed.org](mailto:alevere@cfed.org); [www.cfed.org](http://www.cfed.org).*

Perhaps most symbolic of how far

## How Do States Compare in Building and Preserving Assets?

The Corporation for Enterprise Development (CFED), a national nonprofit dedicated to expanding economic opportunity, has developed a detailed report on asset building and asset protection opportunities in all 50 states and the District of Columbia. CFED's 2005 Assets and Opportunity Scorecard looks at six areas generally believed to be key indicators of performance: financial security, business development, homeownership, health care, education, and tax policy and accountability. The scorecard measures how easy or hard it is for families across the U.S. to get ahead.

CFED uses 31 outcome measures and 38 policy measures for each state and

State	Homeownership		Low-Income Children Lacking Health Insurance		Four Years of College		Households with Savings Accounts	
	%	Rank	%	Rank	%	Rank	%	Rank
Delaware	77	2	14	17	28	18	59	30
New Jersey	67	42	21	41	35	4	62	27
Pennsylvania	74	13	17	28	26	24	70	15

*The 2005 Assets and Opportunities Scorecard can be found in its entirety online at [www.cfed.org/go/scorecard](http://www.cfed.org/go/scorecard) along with the first edition of the scorecard, the 2002 State Asset Development Report Card (SADRC), which can be found at [sadrc.cfed.org](http://sadrc.cfed.org). Both reports can be downloaded to Excel spreadsheets. CFED has also published a 20-page version of the findings of the 2005 scorecard that can be ordered on CFED's website at [www.cfed.org](http://www.cfed.org).*

the District of Columbia and ranks states by their outcome measures, with one being the most desirable outcome and 51 being the least. For example, the state with the highest net worth is ranked number one as is the state with the lowest asset-poverty rate. Grades from A to F are assigned in five performance areas. State policies are assessed separately and are rated as either favorable, standard, or substandard. Grades are not issued for the tax policy area, since it does not

include outcome measures. According to CFED, regardless of the ranking, there is room for improvement in every state.

The accompanying table shows a few of the measures from the 2005 Assets and Opportunities Scorecard for the three states in the Third Federal Reserve District. The table shows the percentages for four specific outcomes in each state and how that measurement ranks among all states and the District of Columbia.

# Calendar of Events

## **A Lifetime of Assets: Building Families, Communities, and Economies**

September 19–21, 2006, Pointe Hilton Tapatio Cliffs, Phoenix, Ariz.

CFED is organizing an annual conference about strategies for helping individuals and families obtain assets.

*For information, call (800) 340-4007 or visit [www.cfed.org](http://www.cfed.org).*

## **Financing Community Development: Learning from the Past, Looking to the Future**

2007 Federal Reserve System Research Conference

March 29–30, 2007, The Capital Hilton, Washington, D.C.

The Community Affairs officers of the Federal Reserve System are jointly sponsoring their fifth biennial research conference to encourage objective research into the factors governing the availability of credit and capital to individuals and businesses within the changing financial services environment.

For the call to papers, go to [www.philadelphiafed.org](http://www.philadelphiafed.org).

## **American Planning Association National Conference**

April 14–18, 2007, Pennsylvania Convention Center, Philadelphia

*For information, contact [conference@planning.org](mailto:conference@planning.org) or call (312) 786-6397.*

## **Congress for the New Urbanism XV: New Urbanism and the Old City**

This event will be attended by architects, planners, government officials, and developers who are interested in improving the quality of the built environment. Some of the leading architects and planners from around the world are expected to attend.

May 17–20, 2007, Loews Philadelphia Hotel

*For information, contact Sandrine Milanello at [sandrinem@cnu.org](mailto:sandrinem@cnu.org).*

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