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Economic Opportunity and Community Development Financial Institutions in Clark County, AR and Beyond: An Analysis

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Introduction

Arkansas is home to one of the greatest projects in the world of Community Development Financial Institutions: Southern Bancorp. Founded with the help and support of Bill Clinton, it pre-dates The Riegle Community Development and Regulatory Improvement Act of 1994, which is now used to fund similar Community Development Financial Institutions. According to the Opportunity Finance Network (2022), there are more than 1,200 Community Development Financial Institutions in the United States. These institutions span the country and operate in unique communities. The CDFI Coalition (2017) cites Arkansas as having 19 Community Development Financial Institutions in the state. It is important to study these institutions as they are longtime members in the communities they reside. As we move forward, understanding if/how Community Development Financial Institutions accomplish their mission will reveal needed changes to make their practices more effective or insights that can be taken to other areas of the community development or financial sectors. This study will attempt to prove if Community Development Financial Institutions, specifically Southern Bancorp, accomplish their mission in the state of Arkansas. This will be approached in three ways: first, providing a contextualized understanding of what the goals of Community Development Financial Institutions, the Riegle Act, and Southern Bancorp are; second, through data analysis of economic indicators for the county in which Southern Bancorp is headquarters and for an appropriate control county; and finally, through an interview with the current CEO of Southern Bancorp and testimonials of several Southern Bancorp customers.

What is CDFI?

Community Development Financial Institutions (CDFI) are an integral part of the financial landscape in the United States. However, CDFIs have only been in formal existence since 1994, less than 30 years ago. While President Bill Clinton - an Arkansas native - is typically credited with the formal creation of CDFI through signing the Riegle Act into law in 1994, the concept of CDFI is the brainchild of Cliff Rosenthal.

In the 1980s, Rosenthal drew from several historical financial inspirations – the Freedman's Savings and Trust Company from post-Civil War America, traditional credit unions, and Co-op banking structures – to write the concept paper for Community Development Financial Institutions. Rosenthal proposed nationalizing the idea of finance and banking aimed at developing communities left behind by traditional institutions due to marginalization (CDFI Statute and History – CDFI Institute, n.d.). Even before President Clinton was elected, the CDFI Coalition (whose mission is self-described as "to encourage fair access to financial resources for America's underserved people and communities") fought to ensure Clinton was aware of the idea of CDFI. Two years into his term, President Clinton signed The Riegle Community Development and Regulatory Improvement Act of 1994 into effect, creating the CDFI Fund.

The CDFI Fund is financed by Congress. The Fund awards certified CDFIs funds through a multitude of programs aimed at small dollar loans (Small Dollar Loans Program), CDFI training (Capacity Building Initiative), Native and Indigenous communities (Natives Initiatives), and many others.

The Goals of the CDFI Fund

As stated in the first subsection of The Riegle Act (1994), the CDFI Fund was created “to promote economic revitalization and community development through an investment and assistance program for community development financial institutions.” Below, I will break down the two defining portions of this goal: “economic revitalization and community development” and “community development financial institutions.”

Economic Revitalization and Community Development

Ross Gittell (1990) defines economic revitalization as “an on-going activity requiring strong local leadership, competent local development institutions, and broad-based public and private sector participation.” Economic revitalization is sometimes misconstrued as a synonym for community development. Community development has traditionally been considered almost entirely in an economic context. However, the separation of these two terms in the Riegle Act suggest that CDFI should have goals outside of the economic sphere. Economic revitalization focuses on building or rebuilding areas of economic activity. Community development, however, spans much farther.

The term community development is widely used across an array of fields, from business to ecology to politics. Narrowing down a definition that encompasses the vast scope of community development while maintaining nuances of its applicability to individual situations is a difficult task taken on by many scholars. Phillips and Pittman (2009) teach that “community development should be considered as both a process and an outcome.” A traditional or neo-liberal view of community development is that community development includes teaching those within the community the skills needed to work together and solve problems (Phillips and Pittman, 2009). Chang and Grable (2014) expand upon the definition of neo-liberal development in their book *Reclaiming Development*. They state, “The term ‘neoliberalism’ refers to the contemporary adoption of the free-market doctrines associated with the classical ‘liberal’ economists of the eighteenth and nineteenth centuries (such as Adam Smith and David Ricardo).” Neo-liberalism turns away from the idea that state-regulated development programs are the best or most effective. Cecil Sagoe (2011) argues that development as it is currently viewed (in its neo-liberal state) is neo-colonialist and fails the people it attempts to serve. This is shown in the historical context of the word development with its roots in the European Enlightenment. Sagoe (2011) shows that much of this traditional view of development is founded upon elevating non-European or non-privileged people to a modern European standard. Lionel J. Beaulieu (2014) of Purdue University categorizes the specifics of community needs into areas of community capital. There are seven distinct types of community capital: natural, cultural, human, social, political, built, and financial. Beaulieu (2014) continues “So, the question is this: ‘Is there a subset of community capitals that should be given priority attention over the other capitals?’ The answer depends on the unique strengths and needs of each community. In other words, there is no one size fits all when it comes to which of the capitals deserve precedence over others in any community." This view of community development is much more comprehensive than a piecemeal strategy of neo-liberalism community development, which primarily seeks to only improve large-scale economic indicators, such as growth rate. The one size fits all approach of traditional community development is economic growth. Sagoe (2011) uses Botswana as an example of how economic growth as the only indicator of development fails to showcase the true story. As Botswana's economic growth rate has risen since the 1960s when foreign aid came pouring into the country, the country's economic inequality has also increased.

Beaulieu's (2014) view of community development includes development in areas that have little to no direct impact on economic growth in the short run. Some of these include preserving natural resources, establishing accessible healthcare infrastructure, and investing in community libraries. The areas of community capital also differ from the neo-liberal approach as it does not seek to give communities additional, foreign frameworks. Rather, it provides a problem-solving system focusing on communities adapting with organizational knowledge already present.

Community development and economic development go hand in hand as "the purpose of community development is to *produce* assets that may be used to improve the community, and the purpose of economic development is to *mobilize* these assets to benefit the community" (Phillips and Pittman, 2009). While this definition is more neo-liberal in scope, applying the community capitals framework helps us expand upon this idea of what economic revitalization is. Replace the word "assets" with "community capitals" in the above quote. Community capitals, as defined by Beaulieu (2014) are "resources that can be invested or tapped for the purpose of promoting the long-term well-being of communities." Producing in the area of natural community capital (by way of preserving current natural resources or replanting diminished foliage) can be mobilized for the benefit of the community. But the greatest benefit for the community may fall outside of the scope of the economy. Perhaps the greatest benefit for the community of their natural capital is creating a public park, which the economic impacts are hard to quantify in a traditional sense.

CDFI is both a solution in producing community assets and mobilizing them. CDFIs pull in financial assets and capital from the CDFI Fund and assist in mobilizing these funds throughout the community in the form of loans or venture capital. In addition to providing loans, many CDFIs also assist recipients in crafting business plans and understanding entrepreneurial financial literacy, a focus on the human community capital. Some CDFIs host events that allow members of the community to gather together to build social community capital. And even still, many CDFIs advocate for political changes on the local, state, and even federal level to build political community capital. CDFIs have the potential to impact and produce in many areas of the community capital framework.

Community Development Financial Institutions

The CDFI Fund was established to support local CDFIs. But what exactly is a CDFI?

A CDFI is a private financial intermediary institution whose primary goal is assisting in community development. According to the CDFI Coalition (2022), there are six distinct types of

CDFI: Community Development Banks, Community Development Credit Unions, Community Development Loan Funds, Community Development Venture Capital Funds, Microenterprise Development Loan Funds, and Community Development Corporations. To be a CDFI, the mission of the institution must be community development. As will be discussed later, community development takes many forms. It is fitting that there are a plethora of financial options to drive development forward.

According to the Council of Development Finance Agencies (CDFA - What is Development Finance?, 2022), there are five categories of financial development tools.

1. Bedrock Tools – Large debt, typically bonds
2. Targeted Tools – Tools that target specific geographic areas
3. Investment Tools – Incentivize private investment in development
4. Access to Capital Lending Tools – Small business capital support, including microfinance
5. Support Tools – Federally funded government programs

CDFIs most commonly fit into the fourth category. However, the value of other community development financial avenues cannot be discounted.

Criticisms and Problems with the CDFI Fund

In 2012, Sean Lowry (2012), a finance analyst, outlined major criticisms and problems with CDFI and the CDFI Fund. As he continues, the scope of these critiques narrows from the question of the effectiveness of government funding intervention to specifics of how the CDFI Fund is managed.

Neoclassical economic theory hinges upon supply and demand and their critical role behind every economic activity, spanning from production to pricing. Neoclassical economics also totes specialization of production and free trade based on the principle of comparative advantage (meaning if one group can make something more efficient than the other, the other should not make it at all and, instead, trade for it with the item they make more efficiently). Because of these ideals, neoclassical economists oppose government intervention as doing so would interfere with the natural dichotomic resolution of supply and demand. Those who revere the neoclassical school of economic thought are strong proponents against CDFI. They argue government should not have a hand in creating or encouraging economic development within an individual sector as this thwarts the market from allocating resources most efficiently. Further, neoclassicists believe if the market does not bring about a producer (company) then that producer altogether unnecessary. Neoclassical economic theory does not take into consideration outside social factors such as historical marginalization, chronic underdevelopment, or large-scale changes in how we have come to interact with the economy in the last 50 years (like technological change). There are schools of economic thought that do take a more holistic approach such as the Sufficiency Economic Theory developed in Thailand that emphasizes sustainability, morality, and understanding the cultural impacts of globalization (Mongsawad and Thongpakde, 2016). Another example is Dependency Theory. Dependency Theory is centered on combining social sciences to evaluate societies' development alongside rejecting the notion that communities are self-contained (Friedmann and Wayne, 1977). Lowry (2012) does point out that most neoclassicists would agree that this funding might be economically appropriate if adequate thresholds of spillover benefits are observed. Spillover benefits refer to externalities from the dispersion of funds that are not directly related to the entity receiving the funding. However, it is difficult to measure spillover benefits as the link between the fund recipient and a beneficiary of spillover can be near imperceptible. In essence, Lowry (2012) is stating that until there is an accurate way of measuring spillover effects that neoclassicists have no reason to support CDFI.

While some might agree that it is beneficial for the government to step in with this kind of intervention, debate over whether capital or labor is more important quickly arises. Incentivization lies at the heart of this debate. Lowry (2012) points out the economic principle of balancing the output effect and the substitution effect to determine the total effect of the policy. The total effect represents all economic activity within the scope defined in the policy (such as a county, community, or group). The output effect is the concept that "the increase in total output increases the use of both capital and labor." The substitution effect is where a firm's use of one input is in direct detriment of another. In this case, those against CDFI can argue that a firm using capital is doing so at the expense of employing more labor. This further encourages the previous argument that spillover benefits are decreased by preventing increased labor. However, in the case with many CDFIs, providing capital is necessary to employ labor. A small business that does not exist cannot employ laborers. If a small business is created with capital investment through a CDFI, employment is sure to follow.

In a 2009 fiscal year report from the Office of Management and Budget under President George W. Bush's administration, the OBM states "The CDFI Program is not unique because several states administer similar programs, and CDFIs can use private sector equity investment to accomplish activities they otherwise would accomplish with CDFI Fund awards." This is the third criticism Lowry (2012) poses. Even on the CDFI Fund's website there is a list of other avenues of government funding for CDFIs. With so many additional options outside of the CDFI Fund, is the CDFI Fund itself not simply a redundancy of other government funded programs?

Finally, Lowry (2012) evaluates claims over poor management of the CDFI Fund. Within the first three years of the Fund's creation, the General Oversight and Investigations Subcommittee in the House of Representatives published a report on the practices of the CDFI Fund after multiple complaints were filed for a round of 1996 funding. The investigation found that the Fund failed to follow recommendations from the Treasury's Office. In 1998, a progress report of the CDFI Fund published by the Government Accountability Office found it was difficult to track progress of the CDFI Fund due to lack of clear performance goals. Since then, members of Congress have raised concerns over "the lack of CDFIs that serve U.S. territories and rural communities," lack of research "in the performance of CDFIs compared with their non-CDFI peers," and "the use of funds from the Troubled Asset Relief Program (TARP) for assistance to CDFIs" (Lowry, 2012).

While Lowry's paper was published almost a decade ago and updated data is yet to be produced, the list of specific Congressional concerns is sure to have grown regarding the role CDFIs have played in COVID-19 relief.

McCall and Hoyman (2021) point out that there are few industry-standard metrics of evaluation for CDFIs. On the topic of job growth they state "there is no accepted CDFI industry definition of what job creation or retention entails, how either concept should be measured, and even whether employment is a primary outcome of lending activities." This poses an issue in a world where data grows in importance daily. Measuring impacts without industry-standard metrics means an inability to analyze across individual institutions. If one institution's definition of a "job" differs from another, data accuracy is lost through either inflation or deflation of total job growth. This sentiment is echoed by Benjamin, Rubin, and Zielenbach (2004) as their paper concludes "Like all entities engaged in promoting social change, CDFIs struggle to identify appropriate indicators for measuring the impact of their activities." While Benjamin et al. do recognize this is not a unique struggle to CDFIs, it is still "important to calibrate expectations of CDFI impacts more appropriately." With the example of jobs, CDFIs are not the ones expressly creating these jobs. Just as they are not themselves constructing buildings. CDFIs are financial institutions first and foremost. Some of their most common evaluation metrics (such as jobs created or particular community entity built) are not in the workings of a financial institution. Rather, they are the outcomes of access to financial capital previously unavailable to community members. Benjamin et a. (2004) suggest greater distinctions between direct and indirect impacts of CDFIs need to be made. McCall and Hoyman (2021) call for use of utilization-focused evaluations (UFE) which involves stakeholders in deciding on evaluation metrics and creating goals of how to utilize the metrics.

Best Practices in CDFI

The most consistently positive practices of Community Development Financial Institutions are the additional technical assistance they provide for their customers. Outside of monetary awards, the CDFI Fund also provides training to CDFIs to build capacity in their organizations. The CDFI Fund (2022) explains on their website: "Capacity building, or increasing an organization's ability to operate effectively, is critical to the success of community-based lenders and the people who depend on them. The CDFI Fund's Capacity Building Initiative offers a variety of training and direct technical assistance opportunities to CDFIs looking to strengthen their organizations and, ultimately, serve distressed communities in new and innovative ways." The CDFI Fund offers a variety of online trainings that cover a vast scope of communities and issues. Some of these include "Foreclosure Solutions," "Financing Health Food Options," and "CDFI Capitalization."

Additionally, CDFIs provide technical assistance to those in the community they serve. Lendistry, the only fintech CDFI, offers several online courses for small business owners to learn the ins and outs of everything from human resource management to web design and marketing (Lendistry | Technical Assistance, 2022). Southern Bancorp also offers courses for small business owners. However, they go a step further and provide access to financial literacy programs available to the community online and in person through their Opportunity Center (Southern Bancorp Home Page, 2022). Increasing financial literacy among prospective customers within the community helps to increase the likelihood of loan repayment for Southern (Bancorp) and empower the people they serve. A 2015 study by Agarwal, Chomsisengphet, and

Zhang found that those with financial literacy skills are less likely to default on their mortgages. While this study did not encompass all loans (only mortgages) or CDFI, the conclusion of mortgage defaults being negatively correlated with financial literacy helps to provide scholarly backing for trends seen with Southern.

Proposed Solutions

In May of 2021, the Subcommittee on Economic Growth, Tax, and Capital Access of the Committee on Small Business in the United States House of Representatives held a hearing entitled "Examining the Role of Community Development Financial Institutions and Minority Depository Institutions in Small Business Lending." The hearing consisted of a handful of notable leaders in CDFI and Minority Depository Institutions (MDI) bringing forward potential solutions to better serve the financially isolated and marginalized communities. Aissatou Barry-Fall, the president and CEO of a credit union in New York City focused her solutions around improving how CDFIs interact with the Small Business Association (SBA). Early in the COVID-19 pandemic era, the SBA did release a tool to help small business get connected to CDFIs for the purpose of distributing Payroll Protection Program funds. However, the role of CDFIs in the life of small business America is significant enough in Barry-Fall's view to warrant expanding this ease of connection to a relationship of formalized cooperation. In 2011, the SBA rolled out the Community Advantage Program (CA), a loan program to help small businesses in underserved community obtain capital without being barred with balance sheet size or collateral requirements. The goal of CA aligns almost perfectly with that of CDFI. However, not all CDFI are certified lenders through the CA, meaning they do not receive the funding from the SBA to make CA-qualified loans. According to the SBA's Community Advantage Program Participant Guide only "Non-federally regulated Community Development Financial Institutions (CDFIs) certified by the U.S. Treasury Department" are qualified lenders. The two most prominent forms of CDFI that handle entrepreneurial loans (Community Development Banks and Community Development Credit Unions) are excluded from this CA-approved group as both are federally regulated. Barry-Fall proposed that the Community Advantage Program should expand all forms of CDFI to be qualified lenders as CDFI are experts in the process CA wants to emulate. Barry-Fall also argues for streamlining the loan approval process through the SBA for loans under $150,000. This is due to the fact most CDFI loans are below this threshold. The bureaucratic holdup with the SBA in making these loans has dire consequences on the small businesses who need them most. Finally, Barry-Fall proposed the idea of creating an office within the SBA dedicated to providing assistance across all areas for CDFIs.

Everett Sands, founder, and CEO of Lendistry, the only fintech CDFI, advocated for significantly more avenues of funding for CDFIs. Even though there are many small businesses and individuals who have benefited from CDFI, "the capital access landscape many small businesses must traverse as they grow resembles the desert where the lifeblood of responsibly-priced capital is scarce." Sands argues that the COVID-19 pandemic has exposed the increasing need for small businesses in underserved communities to have well-funded, supportive financial institutions accessible. Sands' solution falls in line with the current goal of the CDFI Coalition, which is to encourage Congress to allot more funds to the CDFI Fund. The CDFI Fund was initially created through bipartisan support and since there have been multiple instances of bipartisan support of CDFIs and the CDFI Fund. Reading through the House of Representatives hearing in which these solutions were proposed also shows thoughtful questioning from Representatives from both parties. Though trends of current political polarization could quickly deter bipartisan support, especially in an area where the federal budget is concerned, currently bipartisan support is shown for the CDFI Fund and its mission. Carmines and Fowler (2017) proved "Congress's capability has declined in recent decades partially as a result of increased polarization. Simply stated, Congress is underperforming as a problem-solving institution and not functioning as a coequal branch of government." Flink and Jordan (2021) studied the volatility of federal budgets in relation to political polarization and found that "precisely because no party has the ability to generate the super-majority required to make traditional, substantive policy beyond continuing resolutions or reconciliation, budgetary authority has become more routine and less volatile, even as the parties disagree more sharply over what priorities should be funded." This financial support through the CDFI Fund could become more volatile as time goes on, but at the current state of affairs there are few overpowering negative opinions given a voice.

A History of CDFI in Clark County, AR

In the late 1980s, Bill Clinton was inspired by the work of the long-standing community development bank in Chicago called ShoreBank. ShoreBank was one of the first modern community development banks. Seeing potential for a similar financial institution in rural Arkansas, Bill Clinton invited prominent figures of ShoreBank to Arkansas to begin developing a community development bank. Richard P. Taub in his book *Doing Development in Arkansas: Using Credit to Create Opportunity for Entrepreneurs Outside the Mainstream* primarily chronicles the work of Southern Bancorp, the creation of the collaboration between Bill Clinton, other prominent Arkansans, and ShoreBank. The economic landscape of rural Arkansas is vastly different from inner-city Chicago: "In Chicago's South Shore, the story was revitalization. In Arkansas, it was dealing with a long-term, very depressed economy" (Taub, 2). As such, the beginnings of Southern (Bancorp) are not glamorous or completely smooth sailing. The help of so many outside experts (non-Arkansans) made local potential customers feel infantilized and distrustful of those outside the community. Many noted "the implicit message from Southern: 'We are going to end the poverty in which you people are mired, just like a third world country'" (Taub, 30). It was difficult to find a financial institution to buy to begin implementing their practices. Confusion on different products and procedural help from multiple branches of the entity dissuaded their use. Furthermore, the most early successful entity of Southern Bancorp was the Good Faith Fund. Unlike the other entities, the Good Faith Fund was not housed in Arkadelphia, Clark County, but in Pine Bluff. Given this history, how does Southern Bancorp become a successful Community Development Financial Institution?

While Taub does not deny Southern Bancorp had a slow start, it has grown into one of the largest community development organizations operating in the United States. The Elk Horn Bank, one of the main programs of Southern Bancorp, became incredibly successful in the early 1990s. Development lending from 1991 to 1993 was 20% of all the lending done at Elk Horn. Taub expounds on this: "A great deal of what the bank considered development lending continued to be most successful in Clark County and had a substantial impact on Arkadelphia. A bowling alley was opened by a young couple who had been unable to find funding elsewhere. A franchise of a mainstream national motel chain opened near Interstate 30. A greeting card and gift store received money for expansion, and a few other shops downtown were funded as well" (Taub, 109). Additional quantitative accolades include investing over $56 million in development loans in the 1990s, creating and sustaining around 2600 jobs, being a Small Business Administration top lender for the state, and being named a Lender of the Year in 1996 (Taub, 110). This momentum fueled greater community, county, and region-wide success stories. The turning point in Southern Bancorp's history is when local management began operating without supervisory oversight from ShoreBank. The ability of Southern Bancorp to connect individually with people they are familiar with in their community is a key ingredient in their success. On Southern Bancorp's website today, it celebrates its success as a "$2 billion asset organization with over 65,000 customers and 51 branches located primarily in underserved markets in the Mid-South."

The Goals of Southern Bancorp

"Southern Bancorp's mission is to create economic opportunity in rural and underserved communities by providing responsible and responsive financial products and services that balance profits with purpose." *- Southern Bancorp's Website (2022)*

"To promote economic revitalization and community development through an investment and assistance program for community development financial institutions." - The Riegle Act (1994)

A quick side-by-side comparison of the mission of Southern Bancorp and the goal of the CDFI Fund reveal a few key differences. The first is the distinction between "create economic opportunity" and "promote economic revitalization." This distinction is vital in demonstrating how the CDFI Fund and CDFIs work together. CDFIs are part of the communities they serve. They are not to be a faceless conglomeration. Conversely, the CDFI Fund is not meant to be a personal or individualistic approach to funneling funds into a community. Neither is set up to perform the work of the other.

Data

The data used for this study is from the St. Louis Federal Reserve Economic Data (FRED). I have used five economic indicators to show changes in economic opportunity in both Miller and Clark counties. These five indicators are unemployment rate, median household income, number of persons on SNAP benefits, median house price, and persons in poverty. All these indicators are measured annually from 1990 through 2010. The Riegle Act was signed into law in 1994, but Southern Bancorp first opened its doors in 1986. Due to a lack of comprehensive data from before 1989 and lack of federal funding before the Riegle Act, 1994 is what I am considering as the turning point when looking for trends.

I have chosen two counties for the comparing of trends and descriptive statistics. The first is Clark County, the treatment group. Clark County is home to Southern Bancorp. CDFI presence is considered "treatment." Miller County is the control county. Miller County was chosen due to the similarities in demographics between it and Clark from 1990 census data. While Miller County is not a perfect control group or match to Clark County, it is the closest when comparing pre-Riegle Act demographic data. Clark County was chosen as the treatment group because of its similarities to the aggregate demographics of the state of Arkansas from 1990 Census data.

Each of the economic indicators used was chosen with consideration for the area of economic opportunity it encompasses. Below is a table to illustrate the reasoning behind each indicator.

Indicator	Opportunity
Unemployment Rate	Have a job when desired, stability
Median Income	Consumption, support household
SNAP Benefits	Lack of adequate wage or income
House Price Index	Home ownership possibility
People in Poverty	Lack of financial health; encompasses other areas of economic impact not previously covered

Limitations

There are many limitations with this kind of study. First, only two counties were used. This is a statistically underpowered sample size. It is a reach to say findings here can be applied to the entire state of Arkansas. In the future, a larger sample size could provide better depth of knowledge and understanding. Second, because Southern Bancorp was created prior to the Riegle Act and before data used in this study begins, impacts of Southern Bancorp between the years of 1986 and 1990 are not documented. If accurate data of these economic indicators exists from that time period and before, a less limited analysis could be performed. Finally, the type of analysis used could be improved upon. For this study, I have compared descriptive statistics in the pre- and post-Riegle Act timeframes. Because the data set is statistically underpowered, using time series analyses and regressions would have yielded statistically underpowered results. Using a larger sample size would help fix this issue. Given additional research and resources, a greater scope of study could have been conducted with a potential survey of community perspective (further detailed in the Data Conclusions and Recommendations for Expanded Study section of this paper). An undergraduate thesis's purpose is to apply skills and critical thinking acquired and developed throughout one's college career to a topic of personal interest. While many limitations exist for this study, I believe I have stayed true to the purpose of an undergraduate honors thesis. To help provide a more holistic view of the analysis, I have supplemented the data with an interview with Darrin Williams, CEO of Southern Bancorp, and overviews of the experiences of three Southern customers from Clark County. These interviews do not seek to replace what is learned from the data analysis but is provided to bring an in-community perspective of the impacts of Southern Bancorp, something that cannot be achieved through data analysis alone.

Methodology

Due to the size of the study (two counties) running a regression or time series analysis would result in underpowered results. Instead, I have gathered the descriptive statistics of the economic indicators for the two counties. Further, I have divided the data for each indicator into two sections with their own descriptive statistics: 1990-1994 and 1995-2010. Because the Riegle Act was passed in 1994, the data from 1990-1994 represents trends before the Act was passed. The data of 1995-2010 represents trends after the Act was passed. Each economic indicator has a summary of the findings below the visual outputs. The main descriptive statistics I will be analyzing are the mean, kurtosis, standard deviation, and skewness.

Output and Analysis

Below are graphs generated by the FRED with Clark and Miller County trendlines side by side. Please note shaded areas denote economic recession in the United States. The inserted vertical line at 1994 is to help point out changes in trends after the implementation of the Riegle Act. Along with the graphs are the outputs of descriptive statistics for each of the counties and the economic indicators. I have divided the outputs from 1990-1994 and 1995-2010. This is to show pre-Riegle Act trends and compare them with post-Riegle Act trends. Following each graph, I have included a summary of the findings.

Unemployment Rate

Pre-Riegle Act Data

CLARK		*MILLER*	
Mean	5.26	**Mean**	7.28
Standard Error	0.70042844	**Standard Error**	0.36796739
Median	4.7	**Median**	7.5
Mode	#N/A	**Mode**	#N/A
Standard Deviation	1.566205606	**Standard Deviation**	0.822800097
Sample Variance	2.453	**Sample Variance**	0.677
Kurtosis	-1.272821004	**Kurtosis**	0.776669161
Skewness	0.505582866	**Skewness**	-1.059537183
Range	3.9	**Range**	2.1
Minimum	3.5	**Minimum**	6
Maximum	7.4	**Maximum**	8.1
Sum	26.3	**Sum**	36.4
Count	5	**Count**	5

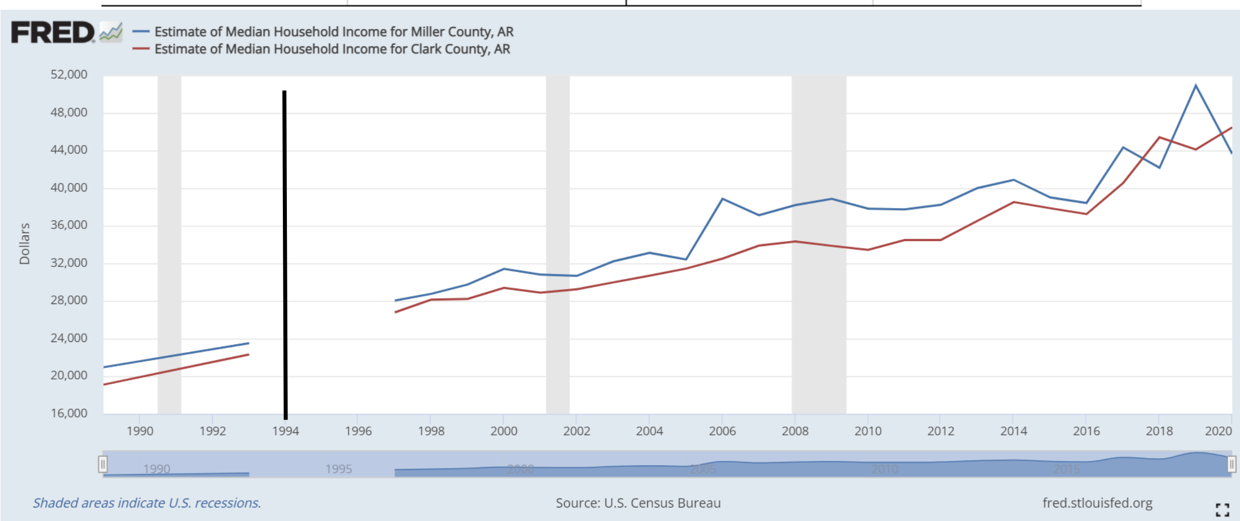
Post-Riegle Act Data

CLARK		*MILLER*	
Mean	5.0875	**Mean**	5.03125
Standard Error	0.439969222	**Standard Error**	0.181364906
Median	5.65	**Median**	4.8
Mode	5.9	**Mode**	4.8
Standard Deviation	1.75987689	**Standard Deviation**	0.725459624
Sample Variance	3.097166667	**Sample Variance**	0.526291667
Kurtosis	-0.925083355	**Kurtosis**	0.67118097
Skewness	0.110207403	**Skewness**	1.050536118
Range	5.5	**Range**	2.7
Minimum	2.6	**Minimum**	4
Maximum	8.1	**Maximum**	6.7
Sum	81.4	**Sum**	80.5
Count	16	**Count**	16

The unemployment data shows very little evidence of any difference in trends between Clark and Miller County after 1994. Overall, Clark County has a lower average unemployment rate across both time periods and a larger standard deviation and error. This means while Clark County might have a lower average level of unemployment, it is more volatile than Miller County. Sharp changes in unemployment in the short fun (volatility) can be caused by businesses in Clark County moving through the business cycle in a quicker fashion or rapid opening and subsequent closing of local businesses. Trend lines stay fairly consistent until the year 2000 where a significant break in pattern occurs. There are many possible explanations for this break such as demographic shifts, a large employer closing or opening, or isolated natural disasters. Late 2000 brought a large winter ice storm that was declared an emergency in both of these counties. Cooper Tire is the largest employer in Miller County. It has been in operation since 1964, more than likely contributing to the less volatile unemployment trend for Miller County. During the 1980s, Clark County lost around 1,000 jobs in the manufacturing sector when multiple plants closed. The early 1990s brought some new businesses opening and new manufacturers moving into the area. This is shown in the steep drop-in Clark County unemployment rates between 1990 and 1997. In 1997, Levi announced its factory in Clark County would be shutting down. Reynolds Metal followed suit in 1998, just five years after reopening the plant after its mid-80s closing.

Estimate of Median Household Income

CLARK		*MILLER*	
Mean	29902.375	**Mean**	31694.9375
Standard Error	837.9725178	**Standard Error**	1185.351469
Median	29679	**Median**	31105
Mode	#N/A	**Mode**	#N/A
Standard Deviation	3351.890071	**Standard Deviation**	4741.405874
Sample Variance	11235167.05	**Sample Variance**	22480929.66
Kurtosis	0.185083158	**Kurtosis**	-0.756701932
Skewness	-0.593985141	**Skewness**	0.208848989
Range	12019	**Range**	15352
Minimum	22308	**Minimum**	23508
Maximum	34327	**Maximum**	38860
Sum	478438	**Sum**	507119
Count	16	**Count**	16

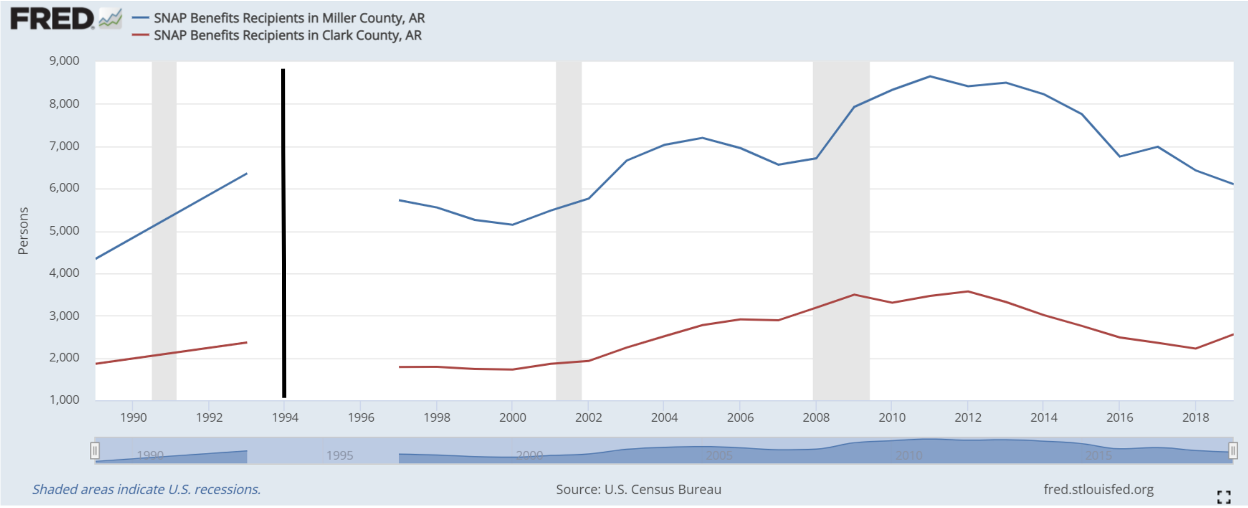


Unfortunately, there is a lack of data before 1994 for the estimate of median household income, with only 1989 and 1993 being the only data points. Because of this, I was not able to run descriptive statistics on pre-Riegle Act median household income. Instead, the 1993 data point is combined in the post-Riegle Act descriptive statistics.

Both Miller and Clark Counties follow similar trend patterns. As with the unemployment rate, there is no observable change in the trend line after 1994. Consistently, Clark County has a lower median household income than Miller County, a smaller standard error and standard deviation.

SNAP Benefit Recipients

CLARK		*MILLER*	
Mean	2419.375	**Mean**	6426.5
Standard Error	151.3091998	**Standard Error**	232.3486784
Median	2302	**Median**	6461.5
Mode	#N/A	**Mode**	#N/A
Standard Deviation	605.2367994	**Standard Deviation**	929.3947134
Sample Variance	366311.5833	**Sample Variance**	863774.5333
Kurtosis	-1.231196905	**Kurtosis**	-0.34193002
Skewness	0.403885702	**Skewness**	0.501317394
Range	1768	**Range**	3187
Minimum	1724	**Minimum**	5144
Maximum	3492	**Maximum**	8331
Sum	38710	**Sum**	102824
Count	16	**Count**	16



It is important to note with this data that it is counted by total number of persons as opposed to percentage of the population. Miller County has a much larger total population than Clark County, impacting the number of total SNAP beneficiaries. As with the estimate of median household income, the only data points before 1994 are 1989 and 1993. Therefore, the 1993 data point is included in the descriptive statistics of post-Riegle Act.

The Miller County trend line is much more erratic than that of Clark County. It has a smaller standard deviation, skew, and range. It does seem there was a change in trend after 1994 for both Miller and Clark County, but it is impossible to accurately analyze this change without more data points. Additionally, both trend lines change around the 1994 mark, meaning the passing of the Riegle Act would not be a distinctive factor. Other factors that could play into this change are legislative adjustments, unemployment rates, or access to resources to apply for or receive SNAP. Unemployment rates around 1994 were dropping in both counties, making it probable the drop in SNAP beneficiaries was impacted by this drop.

Housing Index

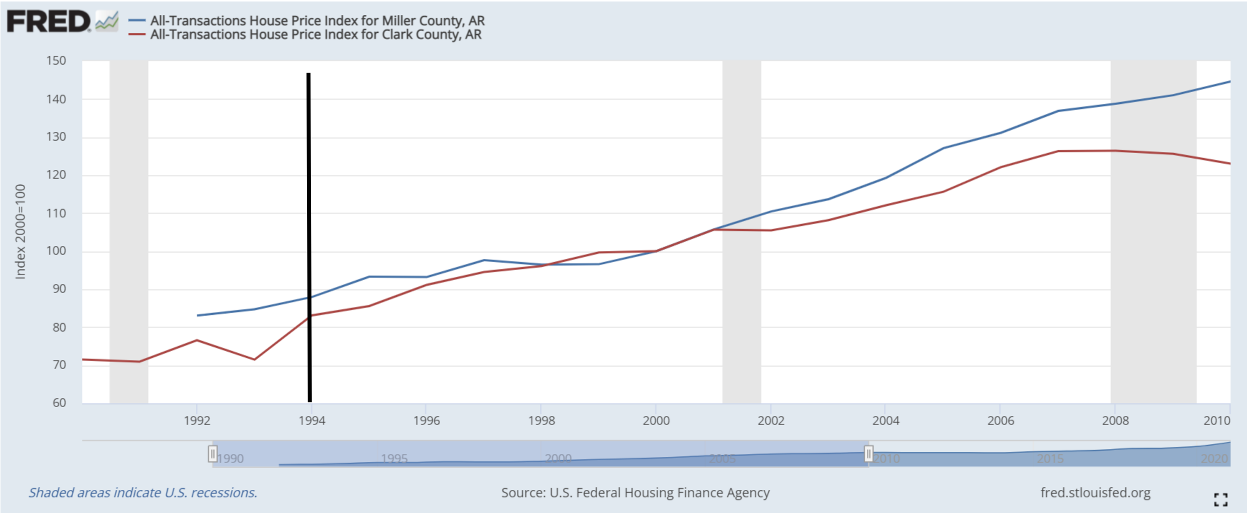
Pre-Riegle Act / Post-Riegle Act

Pre-Riegle Act

CLARK		*MILLER*	
Mean	74.73	Mean	85.505
Standard Error	2.337890074	Standard Error	2.435
Median	71.51	Median	85.505
Mode	#N/A	Mode	#N/A
Standard Deviation	5.22768113	Standard Deviation	3.443610024
Sample Variance	27.32865	Sample Variance	11.85845
Kurtosis	1.064810308	Kurtosis	#DIV/0!
Skewness	1.391123852	Skewness	#DIV/0!
Range	12.19	Range	4.87
Minimum	70.94	Minimum	83.07
Maximum	83.13	Maximum	87.94
Sum	373.65	Sum	171.01
Count	5	Count	2

Post-Riegle Act

CLARK		*MILLER*	
Mean	108.589375	Mean	115.36375
Standard Error	3.376561919	Standard Error	4.691998586
Median	106.92	Median	112.07
Mode	#N/A	Mode	#N/A
Standard Deviation	13.50624767	Standard Deviation	18.76799434
Sample Variance	182.4187263	Sample Variance	352.2376117
Kurtosis	-1.274545651	Kurtosis	-1.577283081
Skewness	-0.050581207	Skewness	0.288724933
Range	40.86	Range	51.42
Minimum	85.56	Minimum	93.19
Maximum	126.42	Maximum	144.61
Sum	1737.43	Sum	1845.82
Count	16	Count	16



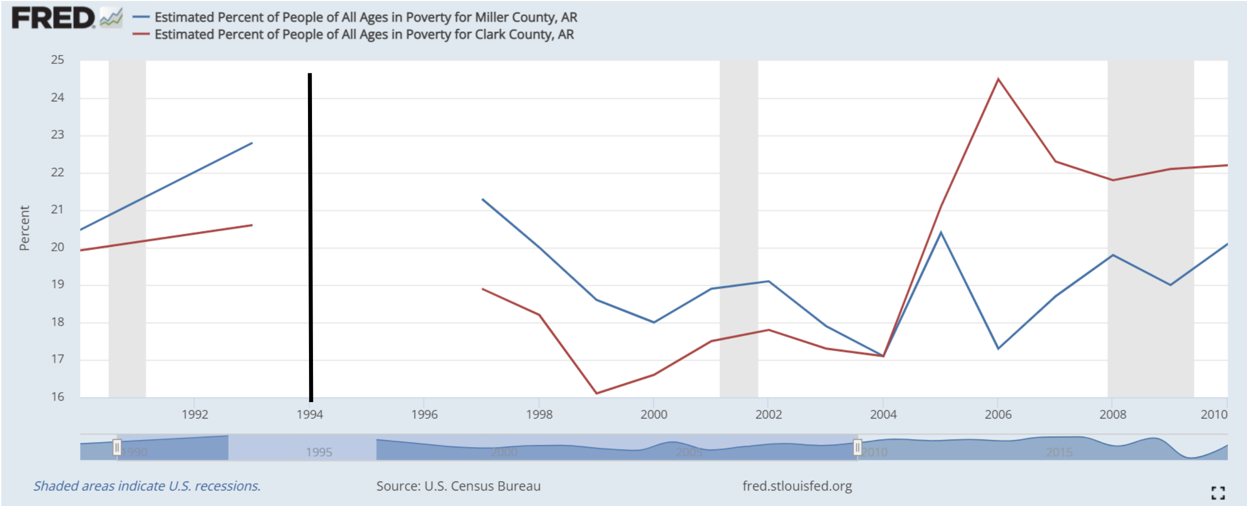
The All-Transactions House Price Index uses 2000 as the base 100 for the index. This means the prices of homes in 2000 is considered "normal." Anything below 100 is considered below average and anything above 100 is considered above average.

Both trend lines are relatively similar to one another, a steady growth in home prices over a twenty-year period. Between the years of 1998 and 2000 the trends flip with Clark County having higher home prices to Miller County. Both pre- and post-Riegle Act descriptive statistics indicate that the price of homes increased dramatically across both counties. While Clark County's range was almost triple that of Miller's in pre-Riegle Act statistics, it was down ten points compared to Miller's in post-Riegle Act statistics. Clark County had lower standard deviation and standard error in both descriptive statistics. There does seem to be a break in home prices in Clark County after 2007 (most likely caused by the popping of the Housing Bubble of 2008).

Again, there is no indication that after 1994 there is a change in the trend lines of housing prices.

Estimated Percent of People in Poverty

CLARK		*MILLER*	
Mean	19.66875	**Mean**	19.475
Standard Error	0.633161298	**Standard Error**	0.422640509
Median	19.75	**Median**	19.05
Mode	20.6	**Mode**	#N/A
Standard Deviation	2.532645192	**Standard Deviation**	1.690562037
Sample Variance	6.414291667	**Sample Variance**	2.858
Kurtosis	-1.141146203	**Kurtosis**	-0.099845376
Skewness	0.238534088	**Skewness**	0.666773421
Range	8.4	**Range**	5.7
Minimum	16.1	**Minimum**	17.1
Maximum	24.5	**Maximum**	22.8
Sum	314.7	**Sum**	311.6
Count	16	**Count**	16



Due to a significant break in data points, only one output for descriptive statistics was run. There does seem to be a change in the trendline between 1993 and 1997 for both counties. Because of the lack of data, the time frame cannot be pinpointed.

A significant change in both trendlines occurs in 2004 after a clear decline in the percentage of people in poverty, both counties have large increases. Clark County increases significantly more than Miller County. This makes the standard deviation and standard error for Clark County much higher. The average percentage of people in poverty over this time period is slightly higher in Clark County, but the difference is negligible (less than 2 tenths of a percent).

No conclusions can be drawn from this set of poverty data if treatment changed projected trendlines.

Data Conclusions and Recommendations for an Expanded Study

While there are no solid conclusions from this data that treatment had significant impact on economic indicators throughout Clark County, this does not discount the individual impacts that Southern Bancorp and other CDFIs have in communities. Individual impacts are not the only way that CDFIs can use to quantify or qualify their work. As explained above, there were imitations of time and data on this study. With more time, another way to measure impact on a community is by recognition of the CDFI. A survey could be conducted among people in Clark County to see if they 1) know what Southern Bancorp is and 2) if yes, to categorize how they know it (are they a customer, know a customer, or have just seen advertisements) and to 3) provide a ranking of their interactions using a Likert Scale (1 is very bad and 5 is very good). This data could be used to determine what percentage of the population of Clark County knows about Southern and what they think about it. Survey data is not 100% foolproof, but it would provide an inside of the community perspective on a larger scale than individual testimonials. More research and data could be collected on the effectiveness of specific programs CDFIs offer. In the Housing hearing, the effectiveness of technical assistance negatively correlating to loan defaults was touted. Darrin Williams also speaks to that. Solid research into that specific area would be useful in substantiating this claim.

In the following sections I have included a summary of my meeting with Darrin Williams. Mr. Williams provides an industry perspective and firsthand accounts of the impacts that CDFI have made and will continue to make particularly in Clark County. Following that section are accounts of Southern Bancorp's customers and their experiences with the CDFI. These individual perspectives do not replace the lack of concrete data analysis completed by this study. Instead, they are to help contextualize the analysis and bring in an element of human, in community perspective that would not have been possible through data analysis alone.

Meeting with Darrin Williams, CEO of Southern Bancorp

On February 25th, 2022, I met with CEO of Southern Bancorp Darrin Williams to discuss CDFIs from the industry perspective. Darrin Williams has an expansive career spanning multiple industries prior to his leadership at Southern. He graduated with his Juris Doctorate from Vanderbilt University. He was a managing partner at Carney, Williams, Bates, Pulliam & Bowman, PLLC and served in the Arkansas House of Representatives from 2008 to 2013. Mr. Williams began his career at Southern in 2013. In addition to his impactful time as CEO of Southern, Mr. Williams is also on the board of the St. Louis Federal Reserve Little Rock Chapter. Mr. Williams is an advocate for financial literacy and involved in the communities Southern serves. Some topics we discussed were the role of government in community development, his thoughts on the solutions outlined above from the May 2021 hearing, and best practices in a CDFI.

The topic of the role of government in community development is a hot button issue. Mr. Williams recognizes that partnership with government on all levels (local, state, and federal) is critical in community development. Separating a community from its government's influence is an incredibly difficult, if not entirely impossible task. This relates back to interconnectedness of the different community capitals, which includes political community capital. Mr. Williams believes CDFI is overlooked by the federal government in general. Since the inception of the CDFI Fund, less than $13 billion has been awarded to CDFIs from the federal level. To put it into perspective, the federal government spent almost $2.3 trillion in financial business assistance during the first two years of the COVID-19 pandemic. Mr. Williams pointed out that many large corporations and industries have lobbyists that fight for tax breaks and revisions that benefit their bottom lines. These changes ripple throughout the economy and bolster the financial and social power of large economic players. CDFIs "punch well above their weight," as Mr. Williams told me. Southern Bancorp alone is the only bank in seven of the markets it serves and one of two in six other markets. This strengthens Mr. William's argument that governments investing in better partnerships with CDFIs is a wise use of time and taxpayer money.

Southern Bancorp also works with the community to advocate to local and state governments. Mr. Williams told me about their policy shop at Southern. This is where community members collaborate with leaders at Southern to workshop changes in local or state policy. One issue currently being worked on is changing a provision that states if a family is on government assistance, they cannot have more than $2250 in assets in a bank account or assistance is lost. This provision discourages saving and inhibits families from moving out of the poverty trap. Southern Bancorp meets with state legislators to bring about change for communities they serve.

Mr. Williams, when asked what some of the best practices Southern Bancorp were has deployed, reaffirmed the importance of providing technical assistance to their customers and community. Southern Bancorp offers HUD-Certified (United States Department of Housing and Urban Development) home buying counselors for customers of any bank. Mr. Williams said that when Southern Bancorp identifies a need among their customers or in the community that they are not expertly equipped to aid with, that Southern Bancorp will partner with external technical assistance providers for their community or customers to access.

We discussed the proposed solutions other CDFI leaders presented to Congress, particularly about the relationship between the Small Business Association and CDFIs. Mr. Williams said the relationship between Southern Bancorp and the SBA has improved greatly over the last five years. Five years ago, Southern Bancorp could make SBA loans but had trouble maintaining the guarantee. The turning point in this relationship was hiring private SBA loan coaches. Mr. Williams did agree that the SBA loan process is very detailed and time consuming and that attempts to streamline those efforts would be welcome.

At the end of our conversation, Mr. Williams wanted to emphasize the great strides in funding that have been made available for CDFIs within the last 18 months. The Emergency Capital Investment Program, passed in early 2021, provided $9 billion in funding for CDFIs. Up until that point, less than $4 billion had been awarded to CDFIs since the inception of the CDFI Fund. Mr. Williams said this came at a great time as the number of CDFIs across the nation are increasing, but generally the total amount of awards available has remained stagnant, decreasing the individual award amounts for CDFIs.

From speaking to Mr. Williams, I gathered that the lack of change in the trend line after the CDFI treatment in the data analysis could be contributed to different individuals or groups fulfilling the needs in Miller County that Southern Bancorp does for Clark County. The main areas Mr. Williams touched on such as government funding, SBA loans, and community advocacy are not areas that CDFI have a monopoly on providing for the community. SBA loans are obtainable through other financial institutions. A potential reason why there was no change in trend after CDFI treatment could be the fact that SBA loans are available to anyone in the state with multiple providers. Some of the holes that Southern Bancorp fills financially for Clark County could be receiving attention from other sources, such as the SBA. The same is true with the advocacy Southern Bancorp does with their policy workshop. Other actors in Miller County can also be making differences similar to what Southern Bancorp does. The difference with Southern Bancorp and CDFI is the centralized nature of it. In other areas it might take multiple organizations to deliver the same services that CDFIs deliver under one umbrella. This shows that not every county or every community requires a CDFI present. CDFI is one possible solution in growing community capital.

Customer Stories

Southern Bancorp has a multitude of customer stories posted on their website in the format of short videos. There are three businesses located in Clark County, AR that share their experience with Southern on their website. The perspective of these community members adds value to this analysis by giving us both a customer and community member perspective. The first people to be impacted by Southern Bancorp are their customers. Furthermore, these individuals are uniquely positioned to see some of the ripple effects from their dealings with Southern Bancorp. Below is an overview of those videos for each of the three customers.

Roger Perry of RP Detail in Arkadelphia, AR

Roger Perry is a longtime resident of Arkadelphia. For over a decade prior to meeting with Southern Bancorp he worked detailing vehicles at an abandoned gas station, enduring the extremes of weather in Arkansas. Roger recounts in the video how when he would sometimes wash cars in the winter the water would immediately freeze to the vehicle.

Bill Wright, an employee of Southern Bancorp, took an interest in Roger and his detailing business. Bill reached out to Roger about the services and help Southern could provide in getting Roger a proper shop for his work. Roger already had his eye on a property he had wanted to purchase for his shop: the lot right across the street. Fortunately, the previous owners were ready to sell. Bill and Southern Bancorp helped Roger work out the paperwork and provided him with a loan to not only open his detailing shop, but to provide space for Roger's wife to open a beauty salon in the building and to fix up the house on the property. Since the project's completion Roger rents the house out as an additional income stream. Roger sums up his feelings about Southern Bancorp when he says "Southern Bancorp can give you hope when there is none. Even if you don't qualify, they'll tell you the things that you need to do to get qualified. They are the bank of hope for me."

From the recounting of the story, it seems Roger did not know about the possibility of assistance from Southern nor had sought financial support from other banks. This could be due, in part, to the low number of banks in the Arkadelphia and Clark County areas. This one loan generated immense economic gain in the community: from the building of the shop to the creation of an additional small business to securing a proper work environment for expansion of another small business.

Mike McKenzie, Owner of American Made Silk in Gurdon, AR

American Made Silk is an artificial tree and plant making business based in Clark County, AR. Mike McKenzie currently owns the business. Mike says any business in Gurdon helps grow the small community. Many of the employees at American Made Silk have been with the company for 15 to 20 years, making it a staple in the community. While American Made Silk is a successful company, it lacked the ability to capitalize on growth opportunities due to a lack of available loans. Mike says he was turned down by many banks because of their over-emphasis on the bottom line and strictly numbers. Mike says what makes Southern Bancorp stand out is that they truly believe in local entrepreneurs and what they are doing with their business as opposed to only looking at the numbers. Southern Bancorp's financing has allowed American Made Silk to expand their business from just artificial trees to a plethora of other arrangements and owning all their trucks to ship product all over the country.

Regina Jackson, Owner of Print Mania in Arkadelphia, AR

Print Mania is a screen printing, embroidery, and specialty item business with a relationship with Southern Bancorp that spans over two decades. Regina speaks heavily of the strong give and take; small town relationship Southern Bancorp has with her business. Regina has received loans of all sizes from Southern Bancorp, and they rely on her for specialty business items and occasional screen printing. Regina says Southern has "always been there when we needed somebody. They know your story. They know you'll take care of your business." A defining factor of Southern Bancorp's relationships is trusting in those they invest in. In turn, Southern gains trust within the community to support more businesses and individuals.

These three testimonials paint a vivid picture of the personal relationships Southern Bancorp builds with its customers. Inferences about greater community impact can also be drawn with insights provided. These potential community impacts have weight as all three of the customers are long time members of the communities, they run their businesses in. It is fair to assess from these testimonials that Southern Bancorp helps to grow businesses that hire local workers and stimulate the local economy, particularly through the testimonials of Roger Perry and Mike McKenzie. Using Beaulieu's community capitals framework, Southern Bancorp is seen contributing to social and financial capitals directly through the development of trust within the community business sphere and providing loans and other financial services. Southern Bancorp also contributes to built and human capital indirectly by providing business owners with the means to finance construction, hiring new workers, and training new workers with additional skills.

Conclusion

The Community Development Financial Institutions Fund was founded on the idea that it would "promote economic revitalization and community development through an investment and assistance program for community development financial institutions" (Riegle Act, 1994). The data analysis conducted in this study found no changes in trend lines in either the control group or treatment group after the Riegle Act was passed. These findings do not conclude whether CDFIs accomplish their mission in Clark County, Arkansas. The ambiguity of the findings emphasizes that CDFIs are one of several potential theorized solutions in creating economic opportunities among financially marginalized people. Given the demographic make-up of both Miller and Clark Counties (low median income and primarily rural), the similarities in trend lines despite differences in CDFI presence conclude that with services provided to Clark County by CDFI, Miller County has alternative means of receiving these services. The services and community capital (social, financial, built, and human) provided to the communities where CDFIs reside is not monopolized by CDFIs. Through the literature presented above, it is shown CDFIs can serve as a centralized provider to these services and foster community, but they are not the only potential providers. Further study into the organizations or individuals providing similar services in Miller County could give more insight into other potential solutions outside of CDFI. There is much to be continually studied about CDFIs, from the impact of technical assistance to the greater macroeconomic trends it spurs. However, to be able to accurately assess these impacts, those within the CDFI industry need to create standardized definitions of their impact measurements for cross-industry evaluation. This lack of clarity in definitions could be a reason for the major disconnect between the data analysis of impact and the testimonials and interview presented in this study. The St. Louis Federal Reserve has high, strict standards for data collection and definition as required by the industry and the government. Impacts seen through the human experience might be excluded from definitions of the indicators. Through the interview with Darrin Williams and testimonials of Southern Bancorp customers, it is shown that Southern Bancorp builds trust in the communities it serves while providing needed financial services to populations previously denied such services or without basic access to them. Economic indicators such as percentage of population that is banked and percentage of population that owns their home would be better equipped to show through data what the testimonials have attested to. Unfortunately, data on these indicators is not available for Clark and Miller Counties pre-Riegle Act.

Though the initial hypothesis of this study predicted that CDFI influence within a financially underserved community in Arkansas would cause incremental economic improvement compared to a non-CDFI counterpart, data throughout this study suggests no distinguishable difference across the identified statistics. Therefore, the greatest benefit of the CDFI initiative in Clark County is found primarily in the local trust of financial institutions and improvements in individual lives and businesses in Clark County Arkansas.

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Appendix A – The Riegle Act of 1994

Conference report filed in House (08/02/1994)

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Riegle Community Development and Regulatory Improvement Act of 1994 - **Title I: Community Development and Consumer Protection** - **Subtitle A: Community Development Banking and Financial Institutions Act** - Community Development Banking and Financial Institutions Act of 1994 - Establishes the Community Development Financial Institutions Fund (the Fund) as a wholly owned government corporation to promote economic revitalization and community development through an investment and assistance program for community development financial institutions. Vests Fund management in an Administrator.

(Sec. 104) Establishes the Community Development Advisory Board to advise on Fund policies, but not on the granting or denial of any particular application. Prescribes selection criteria for community development partnerships and institutions. Mandates Fund assistance for a geographically diverse group of applicants from metropolitan, nonmetropolitan, and rural areas. Makes exceptions to non-Federal matching funds requirements in the case of an applicant with severe constraints on available source of matching funds.

(Sec. 109) Provides for a Fund training program to assist the financial services industry to undertake community development activities. Authorizes the Fund to provide capitalization assistance to enhance the liquidity of community development financial institutions.

(Sec. 114) Sets forth incentives within the parameters of the Bank Enterprise of 1991 for depository institutions to engage in community development banking through private investments in targeted activities in qualified distressed communities. Mandates that a community development financial institution receiving Fund assistance compile and maintain specified user profile data. Prescribes guidelines for coordinated recordkeeping and oversight by the Fund and the appropriate Federal banking agency. Directs the Fund to study and report to the President and the Congress on lending and investment practices on Indian reservations and other land held in trust by the United States. Instructs the Comptroller General to submit to the President and the Congress an evaluation of Fund structure, governance, and performance. Establishes an Inspector General for the Fund and authorizes appropriations for it.

(Sec. 120) Amends the Federal Credit Union Act to authorize the National Credit Union Administration Board (NCUAB) to invest idle moneys from the Community Development Credit Union Revolving Loan Fund into Treasury securities, and to use the interest earned for technical assistance to community development credit unions.

(Sec. 121) Authorizes appropriations for FY 1995 through 1998.

Subtitle B: Home Ownership and Equity Protection - Home Ownership and Equity Protection Act of 1994 - Amends the Truth in Lending Act to set forth disclosure requirements for certain (closed- end) consumer credit transactions secured by a consumer's principal dwelling (other than a residential mortgage transaction, a reverse mortgage transaction, or a transaction under an open end credit plan) which meet specified criteria with respect to: (1) the annual percentage rate; and (2) points and fees which exceed certain limits. (Sec. 152) Prohibits such mortgages from containing: (1) prepayment penalties; (2) balloon payments; (3) negative amortization; and (4) prepaid payments. Prohibits a creditor from extending credit without regard to a consumer's repayment ability. Imposes a civil penalty for violations of this Act.

(Sec. 154) Amends the Truth in Lending Act to require a creditor to conspicuously disclose specified lending data to a consumer in connection with reverse mortgage transactions.

(Sec. 157) Directs the Board of Governors of the Federal Reserve System (the Board) to: (1) study and report to the Congress on the adequacy of Federal consumer protections in connection with an open end credit transaction secured by the consumer's principal dwelling; (2) report to the Congress on whether, for purposes of such transactions, a more appropriate interest rate index exists than the yield on Treasury securities; and (3) conduct periodic public hearings on the home equity loan market and the adequacy of existing consumer protection laws to protect low-income consumers.

Title II: Small Business Capital Formation - **Subtitle A: Small Business Loan Securitization** - Small Business Loan Securitization and Secondary Market Enhancement Act of 1994 - Amends the Securities Exchange Act of 1934 to define a "small business related security" (SBRS) as generally a high rated security that represents or is secured by promissory notes or leases of personal property evidencing the obligation of a small business concern. Extends to SBRS subject to Board jurisdiction the same exemptions from margin requirements and credit prohibitions as currently apply to mortgage related securities.

(Sec. 206) Amends the Home Owners' Loan Act, the Federal Credit Union Act, and related statutes to allow banks, credit unions, and other depository institutions to invest in SBRS.

(Sec. 207) Amends the Secondary Mortgage Market Enhancement Act of 1984 to: (1) authorize any U.S. person or entity to invest in SBRS to the same extent such person is authorized to invest in U.S. obligations; and (2) exempt SBRS from any State law's security registration and qualification requirements to the same extent as U.S. securities. Permits the States to enact registration or qualification requirements for SBRS within seven years of enactment of this Act (thus overriding its preemptions).

(Sec. 208) Mandates that accounting principles applicable to the transfer of a small business loan or lease of personal property with recourse contained in federally required reports or statements be consistent with generally accepted accounting principles. Requires the amount of capital required to be maintained by a depository institution with respect to the sale of a small business loan or personal property lease with recourse to equal an amount sufficient to meet its reasonable estimated liability under the recourse arrangement. Sets forth capital and reserve requirements for the transfer by qualified insured depository institutions of small business loans with recourse.

(Sec. 209) Directs the Board and the Securities and Exchange Commission (the Commission) to conduct a joint study and report to the Congress on the impact of the small business loan securitization provisions of this Act upon the credit and securities markets.

(Sec. 210) Directs the Financial Institutions Examination Council to report to the Congress on its recommendations for the use of consistent financial terminology by depository institutions for small business loans or leases of personal property sold for the creation of small business related securities.

Subtitle B: Small Business Capital Enhancement -Establishes the Small Business Capital Enhancement Program to enhance the availability of financing for small business concerns through State implementation of small business capital access programs. Authorizes any State to apply to the Community Development Financial Institutions Fund for approval as a participating State eligible for reimbursement. Sets forth application approval criteria and implementation guidelines.

(Sec. 253) Provides that a non-participating State that has its own capital access program providing portfolio insurance for business loans (based on a separate loss reserve fund for each financial institution) may apply to be approved as a participating State.

Specifies that: (1) if a State is approved, each financial institution with a particular agreement in effect with the State shall immediately be considered a participating financial institution; and (2) a State with an existing program that is approved may continue to implement the program utilizing the reserve funds accumulated under the State program.

(Sec. 255) Establishes requirements for the terms of participation agreements.

(Sec. 257) Provides for reimbursement by the Fund of participating States, based on specified formulas. Requires a participating State that withdraws funds from a reserve fund pursuant to terms of the participation agreement to reimburse the Fund according to a specified formula.

(Sec. 260) Authorizes appropriations.

Title III: Paperwork Reduction and Regulatory Improvement - Prescribes guidelines under which the Federal banking regulatory agencies must: (1) implement specified measures to reduce paperwork and administrative burdens upon banks (including an adequate transition period for new regulations); (2) streamline and make uniform various regulatory requirements; (3) consider the impact that specified regulations prescribed under the Federal Deposit Insurance Act have upon credit availability for small business, residential, and agricultural purposes, and on low- and moderate-income communities; (4) eliminate duplicative filings; (5) conduct coordinated and unified regulatory examinations; (6) raise the asset threshold for certain small banking institutions that qualify for an 18-month regulatory examination cycle; and (7) simplify and make electronically available the call report filing and disclosure system. Repeals certain publication requirements.

(Sec. 309) Mandates that each appropriate Federal banking agency and the National Credit Union Administration Board: (1) establish an independent intra-agency appellate process to review material supervisory determinations in agencies under their purview; (2) appoint an ombudsman to act as liaison between the agency and any affected person; and (3) implement an alternative dispute resolution pilot program. Directs the Administrative Conference of the United States to submit an evaluation report regarding the program to the Congress.

(Sec. 310) Amends the Bank Secrecy Act to permit electronic filing of mandatory currency transaction reports by uninsured banks or financial institutions.

(Sec. 311) Requires the Secretary of the Treasury to publish all rulings related to reporting for money laundering enforcement, and to issue annual staff commentaries pertaining to them.

(Sec. 312) Amends the Real Estate Settlement Procedures Act of 1974 to exempt from its purview certain business, commercial, agricultural, and governmental credit transactions.

(Sec. 314) Modifies the Federal audit requirements for certain insured institutions whose holding companies provide comparable auditing functions. Requires the Federal Deposit Insurance Corporation (FDIC) to submit written notification to an institution of its determination to require a review of its quarterly financial reports.

(Sec. 315) Amends the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 to direct the Appraisal Subcommittee to encourage the States to develop reciprocity agreements allowing certified appraisers to perform appraisals in sister States.

(Sec. 316) Amends the Home Owners' Loan Act to accelerate the effective date for interaffiliate transactions by well-capitalized savings associations.

(Sec. 317) Amends the Federal Deposit Insurance Act (FDIA) to permit agreements made by a governmental entity for the collateralization of deposits even though the agreement was not executed contemporaneously with the acquisition of the collateral or with any changes in the collateral made in accordance with such an agreement.

(Sec. 318) Amends the FDIA to require each appropriate Federal banking agency to prescribe by regulation or guideline (currently by regulation only) standards relating to asset quality, earnings, and stock valuation for insured depository institutions. Excludes depository institution holding companies from the scope of such standards.

(Sec. 319) Amends the Bank Holding Company Act of 1956 and the FDIA to set forth expedited procedures for bank holding company formation and conversion transactions respectively.

(Sec. 320) Amends the Securities Act of 1933 to exempt from its registration requirements certain holding company formations transacted in the context of the reorganization of a depository institution into a holding company structure.

(Sec. 321) Amends Federal law to reduce the post-approval waiting period for: (1) bank holding company acquisitions; and (2) bank mergers.

(Sec. 322) Amends Federal banking law and the Home Owners' Loan Act to: (1) authorize national banks and Federal savings associations to purchase shares in a bankers' bank in cases where some of the other investors are depository institution holding companies; and (2) permit bankers' banks to provide services to such holding companies, and to provide correspondent banking services upon request.

Amends the Federal Reserve Act to increase from 10 to 15 percent the percentage of a member bank's capital and surplus that may be represented by equity-secured loans.

(Sec. 325) Amends the FDIA to allow the FDIC to waive in advance the right to subsequently repudiate an insured depository institution's sale of its credit card accounts receivable.

(Sec. 326) Amends the Federal Reserve Act and the FDIA to limit, in cases of political upheaval or actions by foreign governments or instrumentalities, the liability of member banks for deposits made at foreign branches.

(Sec. 327) Requires reports to the Congress by: (1) the Comptroller General regarding FDIC compliance with FDIA strictures only when the FDIC has outstanding obligations (currently regardless of the existence of outstanding obligations); (2) the Secretary of the Treasury regarding the impact upon the domestic economy of risk-based capital standards for depository institutions; (3) the Board of Governors of the Federal Reserve System (the Board) and selected Federal agencies upon the monetary and budgetary impact of the payment of interest on certain sterile reserves held by insured depository institutions; and (4) the Secretary of the Treasury regarding inconveniences in the process by which credit is made available for consumers and small businesses.

(Sec. 331) Amends selected banking laws to delineate the parameters of administrative autonomy for the Comptroller of the Currency and the Office of Thrift Supervision.

(Sec. 332) Amends the Truth in Savings Act to modify the definition of account to mean one offered by a depository institution and intended for and generally used by consumers primarily for personal, family or household purposes (thus excluding certain nonprofit business accounts from the Act's strictures).

(Sec. 333) Requires the Board to study and report to the Congress on the advisability of extending the statutory period for the availability of funds from one business day to two business days.

(Sec. 334) Amends the Federal Reserve Act to authorize the Board to make exceptions to the Act's strictures governing insider lending if it finds that an individual neither actually participates in major policymaking functions of the member bank, nor has authority to do so.

(Sec. 336) Amends the Truth in Lending Act to prescribe reduced disclosure guidelines for radio broadcast advertisements for consumer leases,and (2) provide a toll-free telephone number to secure related information. Directs the Board to report to the Congress on credit advertising rules.

(Sec. 337) Provides that well capitalized insured depository institutions do not have to register as deposit brokers.

(Sec. 338) Amends the Depository Institution Management Interlocks Act to extend from 15 to 20 years the period during which certain management officials may continue dual service with unaffiliated institutions or holding companies, subject to timely review on a case- by-case basis by the appropriate Federal regulatory agency.

(Sec. 339) Amends the Fair Credit Reporting Act to require a consumer reporting agency to disclose to the consumer details of checks upon which an adverse characterization of the consumer is based.

(Sec. 340) Amends the FDIA to set forth alternative customer notice procedures in lieu of written customer acknowledgement for a depository institution that is not federally insured.

(Sec. 341) Directs the Federal Financial Institutions Examination Council to study and report to the Congress on the feasibility of establishing a data bank for the depository institution reports submitted to a Federal banking agency.

(Sec. 343) Mandates that Federal banking agencies finalize actions on applications within one year of receipt.

(Sec. 344) Directs the Board to submit recommendations to the Congress whether it would benefit consumers to have the option of waiving or modifying their rights of rescission with respect to debt consolidation or refinancing (without new advances).

(Sec. 345) Amends the Real Estate Settlement Procedures Act to provide that creditors are in compliance with its mortgage transaction disclosure requirements if they submit a statement that the person making the loan has previously assigned, sold, or transferred the servicing of federally related mortgage loans (thus simplifying current disclosure requirements).

(Sec. 346) Amends the Bank Holding Company Act of 1956 to prescribe 60-day notice procedures in lieu of current application requirements for bank holding companies seeking Board approval to engage in nonbanking activities or to acquire certain ownership interests.

(Sec. 347) Amends the Securities Exchange Act of 1934 to include commercial real estate within the definition of "mortgage related security" (thus conferring upon such securities the benefits of the Secondary Mortgage Market Enhancement Act of 1984 and permitting depository institutions to purchase such securities subject to Federal regulatory oversight). Permits the States to "opt-out" of this Federal definition of mortgage related security upon enactment of specific legislation to the contrary.

(Sec. 348) Amends the FDIA to: (1) require the FDIC to minimize the regulatory burden imposed upon well-capitalized insured depository institutions in the implementation of its data collection prescriptions; and (2) direct the Federal Financial Institutions Examination Council to issue guidelines establishing standards for discretionary use by Federal banking regulatory agencies to determine the adequacy of State examinations.

(Sec. 350) Sets forth: (1) a six-month period during which the Federal banking regulatory agencies must review and revise regulations to better reflect the credit risk exposure of an insured depository institution regarding the transfer of assets with recourse; and (2) a cut-off date after which the amount of risk-based capital required to be held by an insured depository institution regarding those assets may not exceed the maximum amount of recourse for which it is contractually liable.

Title IV: Money Laundering - Money Laundering Suppression Act of 1994 - Amends Federal law to prescribe guidelines for both mandatory and discretionary exemptions from monetary transaction reporting requirements for depository institutions.

(Sec. 402) Directs the Secretary of the Treasury (the Secretary) to: (1) submit an annual status report to the Congress on the consequent reduction in the overall number of currency transaction reports; (2) streamline currency transaction reports to eliminate information of little value for law enforcement purposes; (3) assign a single designee to receive reports of suspicious transactions; and (4) submit annual reports to the Congress on the number of suspicious transactions reported.

(Sec. 404) Requires each appropriate Federal banking agency to review and enhance: (1) training and examination procedures to improve the identification of money laundering schemes involving depository institutions; and (2) procedures for referring cases to appropriate law enforcement agencies.

Requires the Secretary and each appropriate law enforcement agency to provide information regularly to each appropriate Federal banking agency regarding money laundering schemes and activities involving depository institutions in order to enhance agency ability to examine for and identify money laundering activity.

Requires the Financial Institutions Examination Council to report to the Congress on the usefulness of the reporting of criminal schemes by law enforcement agencies.

(Sec. 405) Includes negotiable instruments drawn on foreign banks within the purview of monetary transactions subject to Federal recordkeeping and reporting requirements.

(Sec. 406) Requires the Secretary to delegate to Federal banking agencies any authority to assess civil money penalties.

(Sec. 407) Expresses the sense of the Congress that the States should: (1) establish uniform laws for licensing and regulating non- depository institution businesses which engage in currency transactions; (2) provide sufficient resources for regulatory enforcement; and (3) develop a model statute to implement the regulatory scheme. Directs the Secretary to study and report to the Congress: (1) on the States' progress towards such a model statute; and (2) on possible Federal funding sources to cover costs incurred by the States in implementing a licensing and enforcement scheme.

(Sec. 408) Sets forth Federal registration requirements for money transmitting businesses. Directs the Secretary to prescribe regulations establishing a threshold point for treating an agent of a money transmitting business as a money transmitting business. Establishes civil and criminal penalties for violation of such requirements.

(Sec. 409) Amends Federal law regarding monetary instruments transactions to include within the definition of "financial institution" a casino, gambling casino, or gaming establishment with specified annual gaming revenues which is either State-licensed, or a certain class of Indian gaming operation (thus subjecting Indian casinos to the more comprehensive currency reporting and recordkeeping requirements of the Bank Secrecy Act).

(Sec. 411) Sets forth criminal penalties for structuring domestic and international transactions to evade Federal reporting requirements (currently such violations must be wilful in order to be penalized).

(Sec. 412) Requires the Comptroller General to study and report to the Congress on: (1) the vulnerability of cashiers' checks to money laundering schemes; and (2) the need for additional recordkeeping requirements for such checks.

Title V: National Flood Insurance Reform - National Flood Insurance Reform Act of 1994 - **Subtitle A: Definitions** - Defines specified terms under the Flood Disaster Protection Act of 1973 and the National Flood Insurance Act of 1968.

Subtitle B: Compliance and Increased Participation - Amends the Robert T. Stafford Disaster Relief and Emergency Assistance Act to prohibit any waiver of its flood insurance purchase requirements for recipients of disaster assistance for flood-damaged structures.

(Sec. 522) Amends the Flood Disaster Protection Act of 1973 to prohibit Federal agency lenders and government-sponsored enterprises for housing from entering into, or extending, any loan secured by improved real estate located in identified special flood hazard areas unless the property is adequately covered by flood insurance for the term of the loan. Exempts certain small loans from such flood insurance purchase requirements.

(Sec. 523) Mandates that, with respect to loans secured by improved real estate or a mobile home, each: (1) Federal entity for lending regulation require specified lending institutions to establish escrow accounts for any flood insurance premiums; (2) Federal agency lender require and provide for escrow and payment of flood insurance premiums and fees; and (3) lender or servicer of such loans notify borrowers of such flood insurance purchase requirements. Requires such entities, upon borrower inaction, to purchase flood insurance on behalf of the borrower.

(Sec. 525) Establishes civil penalties for regulated lending institutions with a pattern or practice of failure to require flood insurance or to notify borrowers of flood insurance purchase requirements. Authorizes lender fees for determining the applicability of such requirements.

(Sec. 527) Amends the National Flood Insurance Act of 1968 to modify the special flood hazard notice requirements incumbent upon regulated lending institutions and Federal agency lenders.

(Sec. 528) Sets a deadline by which the Director of the Federal Emergency Management Agency (FEMA) must develop a standard flood hazard determination form in connection with loans for residential properties located in special flood hazard areas.

(Sec. 529) Amends the Federal Deposit Insurance Act, the Federal Credit Union Act, and the Federal Housing Enterprises Financial Safety and Soundness Act of 1992 to require the respective Federal regulatory agencies to report to the Congress on the compliance of lending institutions under their purview with the National Flood Insurance Program.

(Sec. 530) Amends the Federal Financial Institutions Examinations Council Act of 1978 to direct the Financial Examinations Council to assist Federal entities for lending regulation to develop uniform flood insurance standards and requirements.

Subtitle C: Ratings and Incentives for Community Floodplain Management Programs - Amends the National Flood Insurance Act of 1968 to establish a voluntary community rating system and premium rate incentives for community floodplain management in the form of credits on premium rates. Provides for program funding.

Subtitle D: Mitigation of Flood Risks - Amends the National Flood Insurance Act of 1968 to: (1) repeal the Flooded Property Purchase and Loan Program; (2) terminate the erosion-threatened structures program; (3) set forth a flood mitigation assistance program under which the FEMA Director must provide planning assistance grants to States and communities to implement flood damage mitigation activities; (4) establish the National Flood Mitigation Fund to finance such mitigation assistance program; and (5) mandate that the national flood insurance program enable the purchase of insurance to cover the cost of compliance with land use and control measures for specified damage- or loss-prone properties.

Subtitle E: Task Forces - Establishes a two-year interagency Flood Insurance Task Force to: (1) make recommendations regarding standardized flood insurance enforcement procedures; (2) study and report on compliance assistance and compliance models; (3) develop recommendations for enforcement and compliance procedures; and (4) study the reasonableness of flood hazard determination fees.

(Sec. 562) Establishes a two-year Task Force on Natural and Beneficial Functions of the Floodplain to study: (1) floodplain functions that reduce flood-related losses; and (2) develop recommendations on how to reduce flood losses by protecting the natural and beneficial functions of the floodplain.

Subtitle F: Miscellaneous Provisions - Amends the National Flood Insurance Act of 1968 to extend from September 30, 1995, to September 30, 1996: (1) the national flood insurance program; and (2) the authorities for its emergency implementation. Sets forth an annual limitation on chargeable risk premium rate increases for flood insurance on properties within any single risk classification.

(Sec. 572) Amends the Housing and Community Development Act of 1987 to repeal the limitation on premium rate increases with respect to the National Flood Insurance Program.

(Sec. 573) Increases the maximum flood insurance coverage amounts for residential and nonresidential property and its contents. Prescribes guidelines under which the FEMA Director is required to assess the need to update and revise floodplain areas and flood-risk zones at least every five years.

(Sec. 576) Establishes the Technical Mapping Advisory Council to advise the FEMA Director on flood insurance rate maps.

(Sec. 577) Instructs the FEMA Director to study and report to the Congress on: (1) the impact of erosion hazards upon the national flood insurance program; (2) a cost-benefit analysis of mapping erosion hazard areas; (3) the economic effects of charging actuarially based premium rates under the national flood insurance program for certain structures not constructed or substantially improved after a specified date; and (4) the appropriateness of existing requirements regarding the effective date and time of coverage under flood insurance contracts obtained through the national flood insurance program.

(Sec. 580) Permits certain required land use and control measures to provide for the repair and restoration to predamaged conditions of specified damage- or loss-prone agricultural structures. Declares such structures ineligible for Federal disaster relief assistance. Requires the FEMA Director to report biennially on the effects of implementation of this Act upon the national flood insurance program. Prohibits granting Federal disaster relief assistance in a flood disaster area to certain persons obligated to obtain flood insurance but who have failed to do so.

Title VI: General Provisions - Expresses the sense of the Senate that: (1) the Majority Leader and the Republican leader should meet to determine the timetable, procedures and forum for hearings on all matters related to Madison Guaranty Savings and Loan Association, Whitewater Development Corporation, and Capital Management Services Inc.; (2) no immunity shall be granted over the objection of Special Counsel Robert B. Fiske, Jr., to witnesses called to testify at such hearings; and (3) the hearings should be structured and sequenced in a manner that in the judgment of the leaders they would not interfere with the Special Counsel's ongoing investigation.

(Sec. 602) Makes technical amendments to Federal banking laws.