



The Louisville Community Development Bank

Creating jobs, restoring homes, building businesses, and revitalizing neighborhoods

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Once upon a time, banking was so simple that even a child could understand it. Do you remember opening your first savings account, trading \$5.78 in assorted dimes, nickels, and pennies for a passbook with your name on the cover? Perhaps your mom or dad explained how the bank would take your deposit, combine it with money from your friends and neighbors, and use it to improve your community. Thanks to you, homes would be built, businesses would be started, lives would be improved. And you'd earn a little interest in the bargain.

Sounds simple, doesn't it? Well, it was—and it is. Because that's just what the Louisville Community Development Bank (LCDB) does. The bank doesn't offer passbook savings—and its average deposit significantly exceeds \$5.78—but it still believes in the power of banking to transform neighborhoods. And that the power of banking is really the power of people.

It's that power that motivates Pedro Bryant, the bank's new president and CEO. "I've known that I wanted to be a banker since I was 16 years old," Bryant said. "Growing up in a small community and seeing the positive influence that a bank can have in the lives of individuals and small businesses is what made me want to be a banker."

LCDB's mission is to stimulate economic growth in the West End, Smoketown, Shelby Park and Phoenix Hill with an array of financial and development resources. By creating jobs, restoring homes and building businesses, the bank is helping to revitalize Louisville's distressed neighborhoods.

And those neighborhoods are distressed. The unemployment rate in the bank's investment area is three times the national average. Thirty-eight percent of residents, including 13,000 children, live below the federal poverty line. Nearly half of adults don't have a high-school diploma or GED.

LCDB is combating those statistics with some statistics of its own. Since its founding in 1997, the bank has made over \$31 million in loans in the neighborhoods it serves, loans that helped create or rescue 1,167 jobs. Last year alone, the bank made 113 loans, 80 percent of which went to minority-owned businesses and 39 percent of which were made to women.

Behind those statistics, of course, are people. People who want a chance for a better job, a better home, a better life. People like the residents of the James S. Taylor Memorial Home, Kentucky's only minority-owned-and-operated nursing home.

Founded as a Christian outreach facility in 1982, the home has offered hundreds of elderly West End residents a loving environment, quality medical care and a roof over their heads. In July 1999, however, that roof began to sag—literally sag. Faulty fire-retardant material applied to the building's roof trusses two decades ago had eaten away at the wood, causing ceilings to sag and threatening the building's structural integrity. After an inspection revealed the extent of the damage, it became apparent that the home would have to be completely evacuated, and quickly.

That would have been the end of the story if the home's board of directors and Mt. Zion Baptist Church, which sponsors the non-profit facility, had been willing to give up. But they didn't give up. Instead, they began the task of starting over, which included arranging financing for the renovations.

Through Fifth Third Bank and CMC Mortgage, the home learned that it might be eligible for a special loan program sponsored by the U.S. Department of Housing and Urban Development (HUD). In 2000, HUD agreed to cover a loan of up to \$5 million.

But there was a catch—a Catch 22 to be precise. The home had to have \$450,000 in assets to qualify for the \$5 million, but it couldn't offer its building as collateral. And any cash on hand was being used to cover staff salaries and expenses.

It was readily apparent that the home would have to borrow the money. But the home didn't have anything for collateral. Moreover, HUD controlled when any other lender would get repaid; only when HUD was satisfied that there was sufficient cash flow to repay the HUD financing would it allow the home to pay other lenders.

"You basically had a situation where somebody else tells you when you can get paid back in some ambiguous future," explained Keith Talley, senior vice president of LCDB. "That just doesn't make sense from a traditional banking standpoint."

But LCDB is not a traditional bank. It is one of just 39 U.S. banks certified as a Community Development Financial Institution and the only bank in America that intentionally restricts 100 percent of its activities to distressed neighborhoods.

In conjunction with its nonprofit affiliate, the LCDB Enterprise Group (LEG), the bank found a way to help the home, an arrangement that made good business sense and that met HUD's requirements. The Bank extended a \$450,000 line of credit to the home, which was placed into a certificate of deposit. This allowed the home to show assets of \$450,000, as required by HUD.

Finding a way to help the home was hard work, but LCDB works hard to find a way to get the deal done, frequently in collaboration with other local lenders. As Talley said, “This home was a longstanding business in the community. A lot of the residents probably grew up in our bank’s neighborhoods. It only made sense for us to find a way to make this deal work.”

It’s ironic that a certificate of deposit played a central role in saving the James S. Taylor Memorial Home, because CDs fuel the bank’s success. The loans that the bank makes are funded solely through certificates of deposit that individuals and corporations purchase in order to help rebuild inner-city neighborhoods—not from public funding or grants. The bank offers market-rate CDs, as well as special Community CDs that offer a lower interest rate in return for greater investment in the community.

The Louisville Community Development Bank is not just another bank. Instead, it is people pooling their resources to build homes and start businesses and improve lives. And that’s a concept so simple that even a child could understand it.