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New "Banking on Communities" Initiative Brings More Money to Urban Communities

Posted on Monday, July 05 @ 05:25:27 EDT By rnjmorris

Anonymous writes " SAINT PAUL, Minn., June 3, 2004—
Socially-motivated investors now have a new opportunity to invest up to \$5 million in Twin Cities urban neighborhoods—with full FDIC insurance coverage—by investing in University Bank in Saint Paul.



Two national organizations, the Community Development Bankers Association (CDBA) and the Promontory Interfinancial Network launched the innovative "Banking on Communities" initiative at a briefing at Promontory's headquarters. This new initiative will allow socially-motivated investors and banks to receive up to \$5 million in Federal deposit insurance coverage when depositing funds in a community development bank that's a member of Promontory and the CDBA.

University Bank, the first federally-insured Community Development Financial Institution in Minnesota, is a member of the CDBA and the Promontory Network, and is now accepting deposits under this program.

"We are excited about the opportunity we have now to accept larger deposits, offer FDIC insurance on the full amount of the deposit, and use these deposits to fund our development activities here in the Twin Cities," said David Reiling, University Bank President. " 'Banking on Communities' can bring urban neighborhoods in Saint Paul and Minneapolis enormous benefits."

"We have joined forces to enable investors and banks to do good while doing well," said Eugene Ludwig, Chairman and CEO of Promontory. "It is a 'win' for everyone involved: investors, banks, and, perhaps most of all, the communities themselves."

"This promises to be a tremendous opportunity for CDFI-banks," said Robert M. McGill, Board Chair, CDBA, and President, Neighborhood National Bank, San Diego, CA. "We can envision hundreds of millions of dollars of investments flowing into underserved communities to finance housing and to launch new businesses – once potential investors understand they can put their money on a social mission with no danger of loss. Our goal is to channel \$1 billion in deposits to community development banks in the first two years of this initiative."

The \$5 million of Federal insurance protection is made possible through a service offered to banks by Promontory: the Certificate of Deposit Account Registry Service, or CDARS. Banks that are members of the Network place certificates of deposit with each other for their customers through a sophisticated computer match engine. For example, a customer's deposit of \$250,000 may be divided among three banks so that the entire amount of principal and interest are covered, that is to say within the FDIC insurance limit. A Promontory member bank will receive deposits from customers of other banks equal to the amount of

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customer funds it is placing. Because banks swap deposits dollar for dollar, all of the money deposited in a community development bank using CDARS goes to work in the local community. For example, when a depositor makes a \$500,000 CDARS deposit in a bank, that bank can use all of the money to fund loans.

"With CDARS, community development banks can open doors, doors to new homes, doors to new enterprises," said Ludwig. "With CDARS, community development banks can open the door to a better life for millions of Americans."

Call the CDBA at 202-289-2636 or email info@communitydevelopmentbanks.org if interested in participating.

About the Community Development Bankers Association: CDBA is the national membership trade association of the community development banking industry. CDBA was organized in 2001 for the purpose of facilitating the revitalization of disinvested low income communities and promoting the growth and development of community development banks that are certified by the U.S. Department of the Treasury as Community Development Financial Institutions (CDFIs). To learn more about CDBA, go to www.communitydevelopmentbanks.org.

About Promontory Interfinancial Network: Based in Arlington, VA, Promontory Interfinancial Network was founded in 2002 by former Comptroller of the Currency Eugene Ludwig and other leading figures in the banking industry to develop and provide creative solutions to issues confronting bank management. To learn more about Promontory, go to www.promnetwork.com. To learn more about CDARS, go to www.cdars.com.

About University Bank

The \$108 million University National Bank was designated a Community Development Financial Institution by the U.S. Treasury in 2001. University Bank's mission is to be the leader in improving the urban community. University Bank is a member of the Sunrise Community Banks family. For more information on "Houses to Homes" and other University Bank programs, visit www.universitybank.com at call 651-265-5600."

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