There have been a number of regulatory and non-regulatory suggestions made for ridding a community of the practice of redlining.

COINSURANCE: Both Federal and State monies join on making loans in high risk areas, 80/20. 80% would be insured by government, 20% by the originating institution.

REASSESSMENT BY INSTITUTION: Institution would pool existing resources and supply special low-interest rehabilitation loans to offset community decline on statewide basis. These institutions would reassess and readjust criteria for defining high risk areas in an effort to redefine some previously high risk loans as acceptable loans.

COMMUNITY ORGANIZATION: Within the communities, encourage neighborhood self-help cooperatives, create a high risk revolving fund, develop a mortgage counseling program in mortgage deficient areas.

GREENLINING: Moving a community's savings dollars from institutions practicing redlining to those that have signed contracts pledging that a fair share of the investment needed to keep the community stable will go to that community.

Although these various policies may have some effect on this one specific lending practice, it is necessary for us to examine most carefully the power of banks in general. Clearly, the power of money lies in the hands of private banks. Attempts can be made to help insure that the power of money is placed in more accountable hands.

Among the "solutions" being used in various states to help address investment policies are the following.

The state of Illinois has instituted a linked deposit system. State funds are deposited with respect to very definite criteria which would not only maximize returns, but would also make the best use of state funds to meet state objectives. Banks are being asked to pass a test. The test is graded with a certain number of points given to investments in minority businesses, a certain number of points to a high interest rate, and a certain number of points to other social goals the state determines.

The state of North Dakota has operated a state bank since 1919. It was originally created to save the homesteads of small farmers. It was awarded a monopoly of state treasury deposits. Together with income from its investments and the sale of its notes to private banks, it is able to assist high risk industrial, commercial, and agricultural start-ups and state enterprises. Bank profits are returned to the state treasury. Legislation to create a state bank has been introduced in New York and Massachusetts.

In examining these state programs that have been instituted to deal with the problems of investment power, several questions must be kept in mind.

1. Will this program truly help those who previously were deprived loans?

2. Will this program merely relieve the private banks of the responsibility that they are ignoring? and most importantly

3. Will this program hit at the core of the problem, the issue of where the power of money is controlled?

The Social and Economic Opportunity Council is an independent state council. We were established in November of 1975 by executive order of the Governor, and are funded by the U.S. Community Services Administration, to organize and advocate for low income citizens of the Commonwealth. We are concerned with the impact on the poor of state policies, programs and budgets.

This issue paper represents the second in a series. It is the hope of the SEOC that these papers will familiarize us all with the issues involved in solving the employment crisis in our state. It is essential that we come together and talk about these issues, learn about them, debate them, and collectively develop a People's Platform to rejuvenate Massachusetts by creating new employment.

THE NINE MEMBERS OF THE COUNCIL ARE:

Stanley Gawle (Chairman), Franklin Community Action Corporation; Federico Brid, Spanish American Union of Springfield, L.I.P.A.; Clorae Everteze, At-large Representative, Cambridge; William Flynn, Executive Office of Communities and Development; Paul Houlihan, South Middlesex Opportunity Council; John Keane, Mass. Union of Public Housing Tenants; Mary Lee Kelsey, Community Action Committee of Cape Cod and the Islands; James Westman, Mass. League of Cities and Towns; Agawam; Linda Winchell, At-large Representative, Lynn.

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