



DEPARTMENT OF THE TREASURY
WASHINGTON, D.C.

SECRETARY OF THE TREASURY

July 15, 1999

MEMORANDUM FOR THE PRESIDENT

FROM: Lawrence H. Summers *LH*

SUBJECT: New Markets: Report on Visit to Harlem, USA and New York BusinessLINC

Harlem

Last Thursday, I visited Harlem, USA, a major retail and entertainment center under construction at 125th Street and Frederick Douglass Boulevard which has been supported by the New York Empowerment Zone, Chase Manhattan Bank (as part of its CRA-related activities), and other investors. I learned the following, striking – to me – facts:

- Within one square mile of this shopping center is a population of 360,000: more than Cincinnati, our 45th largest city. Upper Manhattan as a whole is the size of Seattle, the 22nd largest.
- There is no shopping mall in Harlem or – until recently – a major supermarket. Nor, I was told, has there been any major retail construction in Harlem since World War II.
- The Harlem, USA project has been associated with some general economic revival. The mall is 80% leased and its major corporate tenants – never before represented in Harlem – will pay rents more than twice as high as rents in the area before the mall was built. Local land prices have risen up to five-fold in the last 5 years (as much as technology stocks), and developers have had trouble purchasing even vacant lots.
- The mall – which will open before Christmas – was built with financing of \$65 million, including an \$11 million subordinated loan from the Empowerment Zone. It will generate around \$180 million in retail sales. According to one study, 60 percent of retail spending leaves the community – equal to almost \$1 billion annually. And it should produce approximately \$15 million in New York City sales tax collections. In other words, the public sector will be paid back in nine months of tax collections.
- Roughly 600 new jobs are expected to come out of the project, and mall tenants have agreed to allot 75 percent of slots to local residents. In 1990 – the most recent date for which the local rate has been calculated – Harlem's unemployment rate was 18.6%, three times the national average.

In short, Harlem right now appears to be a real emerging market, in the sense that capital is trying to get in rather than out. Indeed, at my press conference an observer contrasted

Harlem and all its new construction activity with the "poor and depressed" areas that you were visiting on your New Markets tour – underestimating both Harlem's continued needs and the economic potential of these other communities.

New York and BusinessLINC

We announced the formation of a local New York City BusinessLINC coalition at a roundtable with David Rockefeller, Henry Kravis, the new Chase CEO Bill Harrison and other corporate and community leaders. I was struck by the importance that both the financiers and those who had been in community development for many years put on equity investment, and on providing new market businesses with the opportunity to network with mainstream businesses and obtain business advice and information on market opportunities. Indeed, several people said that access to markets and expertise is sometimes more critical than access to capital, even if capital remains an important barrier for some.

I was impressed with the number of stories about mainline finance – from banks and other institutions – going into minority-owned and inner city businesses. Investments in one Hispanic entrepreneur's internet start-up had paid off nearly fifty to one, and people were rushing to get in to the next round. (Of course, most inner city businesses will not be able to come close to meeting the expected rates of return that venture capital firms demand but the story was an encouraging one.)

Conclusions

The challenge for us in spurring capital access is to catalyze private sector lending and investment in projects that are profitable but also would not have taken place without the public sector's intervention. Given the unmet demand for equity finance, I believe that the New Markets Initiative is properly focused on equity investment and technical assistance to new businesses, along with access to credit. The real test of what we are doing with the New Markets Initiative will be whether we can sustain the flow of capital and the business connections that are now being made when the next downturn comes.

Next Steps

We are working with the NEC and your scheduling office to set up an event for you to announce that Peter Bijur, CEO of Texaco, has agreed to chair a National BusinessLINC Coalition under the auspices of the Business Roundtable. We will also announce the formation of several local BusinessLINC coalitions, building on our announcement last Thursday of the formation of the New York City coalition. We are also actively seeking congressional co-sponsors for the New Markets Tax Credit, which we hope will be introduced soon in Congress. We also need to reach out broadly to the business community, both about the business opportunities in new markets and about how the New Markets Initiative, if enacted, would catalyze more private sector investment in these markets.

cc: The Vice President; The First Lady; Secretary Cuomo; Gene Sperling.

TREASURY CLEARANCE SHEET

No. _____ Date: _____

MEMORANDUM FOR: SECRETARY DEPUTY SECRETARY EXECUTIVE SECRETARY
 POTUS ACTION BRIEFING INFORMATION LEGISLATION
 PRESS RELEASE PUBLICATION REGULATION SPEECH
 TESTIMONY OTHER _____

FROM: SECRETARY SUMMERS
 THROUGH: _____
 SUBJECT: NEW MKTS TRIP

REVIEW OFFICES (Check when office clears)

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| <input type="checkbox"/> Under Secretary for Finance | <input type="checkbox"/> Enforcement | <input type="checkbox"/> Policy Management |
| <input type="checkbox"/> Domestic Finance | <input type="checkbox"/> ATF | <input type="checkbox"/> Scheduling |
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| <input type="checkbox"/> Public Debt | <input type="checkbox"/> General Counsel | <input type="checkbox"/> E & P |
| <input type="checkbox"/> Under Secretary for International Affairs | <input type="checkbox"/> Inspector General | <input type="checkbox"/> Mint |
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| | <input type="checkbox"/> Legislative Affairs | <input type="checkbox"/> Other _____ |
| | <input type="checkbox"/> Management | |
| | <input type="checkbox"/> OCC | |

NAME (Please Type)	INITIAL	DATE	OFFICE	TEL. NO.
INITIATOR(S) Flanders/ Ickerson		7/15/99	Sec/Exec Sec	2-0498
REVIEWERS GENSLER/BARK	<i>CB</i>	7/15/99	DOM FIN	
WOLIN			ACTING GC	
STERN			COUNSELOR TO SECY	

with pre add. - I would take out addendum

SPECIAL INSTRUCTIONS **PLEASE PROVIDE CLEARANCE TO DAVID ICKERSON BY CB TODAY THURSDAY, JULY 15**

Review Officer _____ Date _____ Executive Secretary _____ Date _____

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MEMO FOR THE PRESIDENT CLINTON

FROM: Lawrence H. Summers

SUBJECT: New Markets: Report on Visit to Harlem, USA and New York BusinessLINC

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CC: The Vice President; The First Lady; Secretary Cuomo; Gene Sperling.

Addendum:

According to the former head of the Upper Manhattan EZ, the Harlem portion of the EZ has committed \$125 million of its \$300 million (which includes \$200 million from the state and city), and has disbursed \$35 million. The EZ investments have generated \$3.55 of private and other investment for each \$1.00 of EZ funding. Funding is slower than expected due to a slow start organizationally, political processes, and the approval of some projects requiring up-front commitments, but slower disbursements.

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	TS ON MDE			

SPECIAL INSTRUCTIONS

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DAVID ICKSON BY COB TODAY
THURSDAY, JULY 15

Review Officer

Date _____

Executive Secretary

Date _____

Prepared by Stephanie
Flanders

see clearance sheets
attached

NCC to LS (signature)
LS signed
NCC cc to TS
SS
SE
7/15/99

Osie original to WH

7/16/99

Please log IN

Memorandum for Secretary Rubin

From: Gary Gensler
Michael Barr

DRAFT

Subject: "New Markets" Trip
Meeting with John Podesta, Wednesday, May 5

John Podesta is scheduled to pull together a meeting on Wednesday to discuss the President's proposed "New Markets" trip to poor communities. The meeting will also be attended by Gene, Maria, Andrew Cuomo, Aida Alvarez, Bill Daley, and Rodney Slater.

The purpose of the meeting is to enlist your support for the President's trip in two ways: (1) participate in all or a portion of the trip; (2) enlist the support of CEOs in going on the trip and in making substantive announcements with respect to investment in low income communities during the trip. We have previously expressed your willingness to participate in a portion of the President's trip, under appropriate circumstances, but made clear that we have not discussed with you as of yet your willingness to enlist CEO support for the effort.

The trip, as currently envisioned, would begin with a CEO roundtable, a Rose Garden announcement, and a visit to Atlanta, Georgia on May 11, followed by a 3-4 day trip to places to be determined, sometime in July.

If the trip can be properly focused, we believe that you should participate, and be willing to enlist CEO support for specific actions. For example, if the Business Round Table is ready at the time of the Rose Garden event, we could announce the CEO that will head BRT's efforts to run the BusinessLINC national coalition, and use the trip to advance BusinessLINC around the country. Other suggestions are outlined below.

It would be useful, however, for you to express a number of concerns about the potential for the trip to go awry. First, although the trip seems to have as a parallel overseas trade missions with CEOs, unlike those trips, for which CEOs actively seek inclusion, it may be difficult to convince CEOs that they should have an active interest in investing in any particular community visited; or in poor communities generally. Second, we should be careful to not "parachute in" CEOs who have no connection to the community we visit. Rather, we should choose CEOs who have, or plausibly could have, an economic connection to the community. Third, we should be sure to focus on the substantive actions that we and the private sector can take to improve conditions, rather than a hodge podge of policy ideas and corporate philanthropic actions.

Background

If properly managed, the trip could be quite substantive. In some respects, the trip echoes Bobby Kennedy's visits to poor communities in 1966-67. In 1966, Bobby Kennedy went to the Bedford-Stuyvesant neighborhood of Brooklyn, New York, and saw first hand the devastated community. Recognizing that "to ignore the potential contribution of private enterprise is to fight the war on

poverty with a single platoon, while great armies are left to stand aside," Kennedy galvanized the business community to invest and provide technical assistance, and ten months later, the Bedford-Stuyvesant Community Development Corporation was born. Later that year, he visited Cesar Chavez's migrant laborers movement in California, and Indian lands in New York and Oklahoma. In the spring of 1967, Kennedy went with the Senate Labor Committee's Subcommittee on Poverty to hold hearings in Jackson, Mississippi (at which Marion Wright testified) and to visit the Delta. His visits helped to spark a dialogue on poverty in America. A visit to poor communities today could:

- Focus public attention on persistent poverty.
- Focus public attention on effective strategies to bring economic growth and opportunity to low income communities.
- Galvanize the private sector to invest in effective local strategies.

Potential kinds of places to visit include:

New Markets/Community Development Financial Institutions. Thus far, the Treasury Department's CDFI Fund has made \$125 million in awards to 164 CDFIs, including 25 CDFI "start-ups," and has certified another 185 CDFIs. The Fund is currently considering applications in its fourth round. This spring, a number of CDFIs will be closing on their awards from last fall, presenting an opportunity to highlight the Fund's investments. We are seeing whether any start-up institutions will be opening their doors in the near future, or potential site visits to projects funded by CDFIs. In addition, the Fund will likely be announcing fourth round CDFI program award winners in July. These events could also be the occasion for additional investors - including banks, investment banks, insurance firms and others, to fund CDFIs around the country. We could highlight a successful CDFI, and link the event to events at other CDFIs, so that there is in effect a national CDFI-investment day. We could visit a community development venture capital fund, organized around new sources of capital being attracted to their fund. There are a large number of strong CDFIs that we could visit. Potential sites include:

- Enterprise Corporation of the Delta (Jackson, Miss.) [start-up]
- Louisville Development Bankcorp [start-up]
- Boston Community Capital
- Delaware Valley Reinvestment Corporation (Philadelphia)
- Appalachian Development Federal Credit Union (The Plains, OH)
- Enterprise Community Fund (Akron, OH)
- First American Credit Union (Window Rock, AZ)
- Neighborhood Bancorp (San Diego, CA) [start-up]
- Santa Cruz Credit Union [major geographic expansion]

BusinessLINC. In June 1998, Vice President Gore launched the BusinessLINC initiative to encourage larger businesses to link with and advise smaller firms, particularly those in economically distressed communities. In December, we released a report on best practices and began to put together a national leadership coalition. In addition, as part of the effort, we held regional meetings in Los Angeles, Atlanta, Chicago, Dallas, Cleveland, and New York, and in

those communities, we are working to try to bring together local business and community leaders to form local BusinessLINC efforts. A visit to a small business in one of these communities that has been helped to grow by a larger firm could galvanize the local community to form a BusinessLINC local coalition that would sign up companies to provide technical assistance and other opportunities to small businesses in distressed areas. We could also announce that the Business Roundtable will launch a national BusinessLINC coalition at that time, akin to the Welfare-to-Work Partnership and provide link-ups to the other cities where we could organize local "chapters" of companies willing to commit to participating in BusinessLINC. There are hundreds of potential sites visits, including:

- GE Capital and Jesus Linares (commercial mover, Bedford-Stuyvesant, NY)
or Delilah Winder (barbeque, Philadelphia)
or other sites
- Wegman's Construction Division and Rochester MBDC
- Turner Construction and G.Stephens Construction, Akron, OH

New Markets. There are a wide range of visits that could highlight the New Markets initiative and attract additional private sector involvement. Long-awaited inner city shopping centers are going to open soon in Harlem and in Philadelphia, with support from LISC, and major corporations and banks. Site visits could highlight the potential of the new markets tax credit, the importance of CRA, etc. At the same time, the visits could be organized around additional investments in efforts such as LISC's national Retail Initiative, or announcements by major shopping center developers, working with non-profit organizations to develop additional sites. Potential sites include:

- Harlem USA site under development.

Low Income Housing Tax Credit. We could use the event not only to highlight our proposed 40% expansion of the low income housing tax credit, but also attract additional investors to affordable housing funds, such as the National Equity Fund, Enterprise's ESIC, or the National Community Development Initiative.

- In June, Enterprise is planning to celebrate the 100,000th home that it has funded. They are planning a press conference in Los Angeles or Dallas, with satellite linkups to events in 10 other cities (Atlanta, Baltimore, Charlotte, Cleveland, Denver, New York City, Rochester, Portland, San Antonio, and Washington DC, and with webcast (to Columbus, Miami, Orlando, St. Louis, Santa Fe, and York).

ADMINISTRATION HISTORY APPENDIX
CHAPTER FOUR: INCREASING ECONOMIC
OPPORTUNITY

PARTNERSHIP
IN
EDUCATION
PROGRAM
(PIE)



DEPARTMENT OF THE TREASURY
WASHINGTON, D.C.

SECRETARY OF THE TREASURY

March 5, 1999

**MEMORANDUM TO UNDER SECRETARIES
GENERAL COUNSEL
ASSISTANT SECRETARIES
INSPECTOR GENERAL
BUREAU HEADS
SENIOR STAFF**

FROM: Robert E. Rubin *R. E. R.*
SUBJECT: Establishment of Partnership in Education

Treasury has a strong commitment to investing in our local communities, and to the economic future of all Americans, especially in communities marked by the lack of access to opportunities. Recently, in support of this commitment we formally established the Treasury Partnership in Education (PIE) program. I ask each of you to support this program.

The PIE program began in 1995 as an effort to work with District of Columbia public high school students, providing internships and in-kind support. I have been impressed with the positive impact these efforts have had on students with whom we have worked. Many of the letters I have received from PIE students thanking Treasury for the program illustrate how important a role Treasury employees have played in the academic and work life development of these students. We have also seen preliminary results that show that students who have participated in the PIE program are going on to college at far higher percentage rates than the general school population. Many of these students had previously not considered post-secondary education as a realistic option.

As part of formally establishing the program within Treasury, a PIE Executive Advisory Board is being set up with Treasury and bureau executives who will provide policy guidance and support to the PIE program's efforts nationwide. A PIE Steering Committee will bring together all Treasury bureaus in the D.C. metropolitan area, in order to coordinate our school support activities and increase awareness of and participation in, bureau partnerships with schools and adopt-a-school programs, particularly in the technology area.

The PIE staff, led by an Executive Director, will consist of detailees primarily from Treasury bureau offices who have an interest in, and strong commitment to, supporting our public school system. In the near future, we will be asking you to identify a bureau or office representative to serve on the PIE Steering Committee and to serve as a contact point. You may also be asked for

nominations for detailees to the PIE staff to serve in a variety of roles: including working on-site at a designated Treasury sponsored academy; with schools as part of the technology support program; or in a program management role working on various PIE initiatives.

In establishing the PIE program as a permanent organization, Treasury is building on a commitment to our nation's youth and economic health. But the program cannot be successful without your support and encouragement to all Treasury employees to become involved as volunteers, mentors, tutors, or as part of the PIE staff. Through the PIE program we can not only make an investment in our future work force, but we can also play a direct role in improving economic opportunities for young people who might not otherwise have access to opportunities. I encourage you to support these efforts.



DEPARTMENT OF THE TREASURY
WASHINGTON

August 15, 1997

INFORMATION

MEMORANDUM FOR SECRETARY RUBIN

Through: Neal Comstock *NCC*
From: James B. Coleman *[Signature]*
Subject: Partnership in Education (PIE) Update

To: Jim Coleman

For: Bud Rubin

Please see my notes, and set up discussion with me. I think I should

participate in some event, subject to our director's scheduling.

As you leave for a well-deserved vacation, I wanted to provide you with an update on PIE program initiatives.

First, on behalf of the students and PIE staff, we would like to thank you for taking the time to meet with many of the us during the photo shoot on August 12. This was a special opportunity for many of the students and bureau representatives, as well as PIE staff members involved in the program. Students expressed to me their sincere appreciation in your talking to them, and signing quite a few dollars.

PIE Summer Program

With the quick coordination by PIE summer program manager, Malinda Johnson, and the excellent support by our graphics and printing staff, attached are the student letters for the summer program. Although some letters are still being received, the book includes 112. We have also provided some statistics on the summer program in terms of students who attended the College Information Center workshops, and Treasury sponsored computer literacy classes. We were not able to do everything we had envisioned, but the majority of students have participated and benefitted from these learning activities.

In light of the DC school opening delay, (from September 2, to September 22) we are exploring the feasibility of extending the summer program for three weeks. We will be talking to the bureaus, and within DO, Neal will talk to Alex Rodriguez about the financial impact. We want to ensure any decision is fair to all the students who have an interest in continuing. If we are able to continue the program, we will have the opportunity to conduct additional computer literacy classes, and college information seminars. In addition, we are planning writing workshops with small groups of students at a time in an effort to improve their skills in this area.

[Handwritten notes on right margin:]
Also, I have a few sample of the student letters.
Once again, regard to each camp, etc.
I have appropriate with the files.
James

[Handwritten note at bottom left:]
This has been a terrific program. What did you not do?

Wilson Business and Finance Academy

Three Wilson academy teachers have completed their work assignments at the Mint. The experience proved extremely beneficial, with teachers being exposed to Mint operations, and actually developing work products.

FMS will be hosting the academy prep session for many of the 115 students on August 25 and 26. Working with the school we have arranged for speakers from Treasury (through Neal's coordination), the College Information Center, Bell Atlantic, as well as a tour of the Bureau of Engraving and Printing.

Earlier this week Joe Coffee, Lynn Parrish, Al Gaines, and myself, met with Michael Barr regarding potential support for the academy by the OCC. A meeting with OCC representatives will be held next week.

Lynn has also indicated OTS may have an interest in supporting the academy as well.

*Wbs
this?*

Academy Teacher Training

The training for Anacostia and Wilson academy teachers arranged by Joe Coffee took place the week of August 4 - 8. Instructors included Grace Sammon, a consultant, who has worked extensively with federally sponsored career academies within DC, and teachers from Florida career academies. Ralph Neal, Deputy Superintendent for DC High Schools also spoke in support of public/private partnerships in establishment and operation of career academies. Sol Hurwitz was attended the first day's session and found it very informative. (Having spoken to him earlier this week, he wanted you to know he is eager to move to the next stage.)

With Neal's help, and PIE staff member Al Gaines' coordination, we hosted a reception for over fifty people in the Diplomatic Room for those involved in the training. The reception proved very successful, providing the opportunity for sharing of ideas, and information. Among the Treasury attendees were Mike Froman, Michael Barr, Maurice Jones, Mozelle Thompson, Sandy Mancini, Sarah Fordney, Peter Necheles, and Jason Solomon.

Proposed National Strategy for High School Career Academies

Joe Coffee has been working with the Departments of Justice, Health and Human Services, and the National School to Work Office, to devise a strategy for relating crime prevention, school reform, and community development to career academies.

The immediate issue is whether or not you are comfortable articulating a general strategy as outlined in the attachment in conjunction with the Attorney General, and the Secretary of Health and Human Services.

The immediate issue is whether or not you are comfortable articulating a general strategy as outlined in the attachment in conjunction with the Attorney General, and the Secretary of Health and Human Services.

In September (date not yet set), Janet Reno will chair the Coordinating Council on Juvenile Delinquency. Assuming career academies are part of the agenda, and a national strategy outline is articulated, we believe you should be part of that meeting if your schedule permits. We believe Donna Shalala will also participate.

The strategy emphasizes the forming of partnerships among national corporations, government agencies, major non-profit organizations, and schools. The strategy proposes no new programs or legislation, but builds on and integrates legislation and programs that already exist. Once the basic strategy is announced key stakeholders will be brought together to work out the details of implementing the strategy. Page three of the strategy outlines the short-term plans. We recommend that Treasury support the basic concept outlined in the strategy, and we will be available to brief you at your convenience.

Attachments

cc: Larry Summers
Ray Kelly
Mike Froman
Alex Rodriguez
Joe Coffee
Lynn Parrish

~~Janet Reno~~

Janet asked me to do something on Sept 11, and said I'd check our schedule to see if this

Please set this up through Esther Watkins

**PROPOSED NATIONAL STRATEGY
HIGH SCHOOL CAREER ACADEMIES**

INTRODUCTION

Although career academies have existed since the late 1960's, there has been no sustained effort to use academies as a community development effort with a focus on youth. Career academies bring together most of the elements that have proven to lead youth to become responsible citizens, self sufficient, effective and productive workers and students. Some of those elements include interaction with adults in a variety of settings,, opportunities to help create their own learning communities, clear expectations with a supportive structure to help achieve those expectations experiences in the workplace with an integration into a school curriculum, follow up and reinforcement activities.

Creating and managing career academies requires the ability, capacity and tenacity to bring about a significant organization change within traditional school bureaucracies. As a result career academies are often part of school reform initiatives as well as the School-to-Work Program of states and communities.

Recently academies have also been viewed as part of community youth violence and gang prevention strategies. In many ways, academies can serve as alternatives to gangs and create a constructive focus for youth. Academies improve student school attendance and increase graduation rates. They also provide after school alternatives, a sense of community with reinforcing peer support.

The link between youth violence and economic opportunities has always been fairly well understood. The lack of a meaningful education simply reduces a youth chances of obtaining well paying jobs with benefits. As the Committee on Economic Development has stated.... "education has become the stark dividing line between success and failure in the new labor market. The skills required for work that can support a family are no longer very different from the skill required to succeed in college. Yet while the realities of the market have been changing, the typical American school system looks much as it did 70 years ago, characterized by classes divided into 50-minute periods that bear no relationship to each other, *skill and drill* methods of instruction that encourage student passivity, insulation from the influence of technological and economic change, and a commitment to excellence and achievement for only a minority of the population."

Businesses throughout the country are experiencing more and more difficulty obtaining the type of entry level workers they need in todays economy. The results of the National Assessment of Educational Progress (NAEP) show that half the 11th and 12th grade students in the U.S. are not proficient in most of the skills required today. Needless to say, companies of all sizes have a great concern about the ability of today's school systems to produce the quality of graduate they need. Many are looking for ways to help. Some have chosen career academies as one strategy.

II. CAREER ACADEMIES ----- STRATEGY OUTLINE

Because career academies are so multifaceted and require multiple partnerships to be effective, this strategy is one that emphasizes the forming of partnerships. The strategy also makes two basic assumptions:

- 1) no new program or legislation is needed but rather better integration of current efforts and some funding for such integration,
- 2) that an academy effort will be part of community based comprehensive strategies focusing on community development, crime prevention and school reform.

Currently a significant number of organizations (government, private, non-profit and colleges) support academies and research their effectiveness. Yet no overall national strategy exists, especially one that promotes the full potential of academies. The lack of such a strategy makes local implementation and management of academies more difficult.

This draft strategy, divided into six parts, attempts to take the above into consideration. Those six parts involve:

- 1) National criteria and definitions as guides for the various types of academies (examples at Attachment A),
- 2) A process for integrating career academies into current programs and legislation such as the Community Prevention Grants Program, the School -to-Work Opportunities Act and the Community Reinvestment Act,
- 3) Partnerships with national businesses and government agencies that allow communities to tap into available resources to support specific academies,
- 4) Supporting the development of skill standards as a means of increasing linkages between what is taught at school and needed in the workplace.
- 5) Technical assistance, training and materials to help communities and their school systems to establish and maintain academies and integrate them with comprehensive strategies for community development, school reform and crime prevention,
- 6) Additional research to verify further academy effectiveness in preventing juvenile delinquency, improving school effectiveness and supporting community economic development.

III. PROPOSED MILESTONES: 1997-----CAREER ACADEMY INTEGRATION INTO CURRENT PROGRAMS AND LEGISLATION

- By September Key federal organizations and others agree to a general strategy.
- September At Coordinating Committee meeting Attorney General Reno, Secretaries Rubin and Shallala and others announce the general strategy.
- October Convene a planning meeting of representative organizations, government, private, non-profit, universities, to:
- 1) Agree on general criteria and definitions of career academies,
 - 2) Begin the formation of national partnerships around career themes (eg. Business/Finance Academies---- Treasury, American Express, NAF)
 - 3) Develop a method or process for integrating career academies with related programs and legislation,
 - 4) Develop a process for providing technical assistance and training,
 - 5) develop a research agenda.
- December Issue a Juvenile Justice Bulletin describing academies in general and the basic strategy as outlined in September. STW and other participating organizations issue similar types of information.



The Secretary of the Treasury

September 2, 1997

NOTE FOR JIM COLEMAN

FROM: BOB RUBIN

Please see my notes, and set up discussion with me. I think I should participate in Reno event, subject to our discussion and scheduling.

Also, I read a fair sample of the intern's essays. Does anyone respond to each essay, either with acknowledgment or where appropriate with that plus comment?

PIE Summer Program

This is a terrific program. What did you not do?

Page 2 - Academy Teacher Training

What is this?

Page 3 - Second Paragraph

Janet asked me to do something on September 11, and said I'd check our schedule. Is this, that?

Third Paragraph

Please set this up through Esther Watkins.

Attachment



DEPARTMENT OF THE TREASURY
WASHINGTON

May 16, 1997

MEMORANDUM FOR SECRETARY RUBIN

Thru: Ben Nye *[Signature]*
From: James Coleman *[Signature]*
Subject: Update on Partnership in Education (PIE) program

Go: J. Coleman
cc: Ben Nye
I think this is
temp. I wonder if
some
creative
use of

In keeping with your request to keep you informed on our progress with the PIE program activities, this is a brief status update on some key initiatives.

Wilson High Business and Finance Career Academy

Joe Coffee and I continue to work closely with representatives from Wilson High School planning for the initial Fall '97 semester of the Business and Finance Academy. The Mint with the personal involvement of Phillip Diehl is prepared and very interested in being the lead bureau working with the academy. The Mint, because of its unique "private business" operation is a natural fit. The Office of the Comptroller of the Currency as well as other bureaus have also expressed interest in providing varying levels of support.

Our next steps include:

- Development of a formal partnership agreement or memorandum of understanding with the principals that more clearly defines roles and expectations. This will also be used to support Treasury funding of activities for the academy.
- Joint training with academy teachers from Wilson and Anacostia programs. This provides the opportunity for the Wilson teachers, who have yet to work in an academy environment to learn and interact with teachers who have.
- Utilizing the Intergovernmental Personnel Act (IPA) to bring academy teachers into the Treasury offices during the summer for workplace experience. This will also allow teachers to work together on curriculum planning that incorporates more operational examples. This is extremely beneficial to teachers who are often unfamiliar with the real working environment. The real beneficiary however will be the students who will have more meaningful classroom instruction.
- Weekend planning session with Wilson academy representatives, other local business partners, and Treasury personnel. This will be an opportunity to do more detailed planning and discuss the establishment of the academy advisory board.

1997 PIE Summer Program

change
This summer, Departmental offices and the bureaus will provide over 120 students from Anacostia, Wilson, and Eastern High Schools summer jobs. This is an increase of twenty percent from last summer.

We are focusing not only on providing employment, but developmental activities for the interns. *good*
This point may need to be reinforced within the bureaus, and to intern supervisors. In addition to every student having a mentor, or "college intern buddy", three learning assignments will be required. *good*
These learning assignments will include a college research project, successful completion of basic computer literacy classes to be offered, and two writing assignments, one stating expectations for the summer program, and the letter to the Secretary, to be completed by the end of the program.

As with last summer, several workshops, tours, field visits are planned. Specific student projects will include development of the PIE web page, and a PIE student newsletter.

CAMP EXCEL

CAMP EXCEL is a high intensity one week residential program which challenges the students mental and physical abilities with an emphasis on leadership, team building, social issues, and citizenship. The program was designed by the Defense Protective Service, DOD, with staff provided by federal and military enforcement organizations.

In the past years this program has been open to students from the Anacostia Law, Justice and Security, and Public Service academies. With the key efforts of Herb Jones in the Office of the Under Secretary (Enforcement), and Joe Coffee, students from Eastern and Wilson have been invited to attend this years camp. CAMP EXCEL is free for students attending. *good*

This is an exciting opportunity that we hope will evolve into a yearly summer job preparation activity. The objective would be to expand the agenda to include school-to-career, employability exercises as well.

24
We currently have a total of 24 students from the three schools signed up for the camp.

cc: Larry Summers
Ray Kelly
Mike Froman
George Muñoz



The Secretary of the Treasury

May 22, 1997

NOTE FOR JIM COLEMAN

FROM: BOB RUBIN

I think this is terrific. I wonder if Howard Schloss could make some creative use of this.

Wilson High Business and Finance Career Academy

Agreed.

1997 PIE Summer Program

Terrific.

Camp Excel

Good.

Attachment

Copy to: Ben Nye

1997-SE-002793



DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

March 18, 1997

MEMORANDUM FOR SECRETARY RUBIN

THROUGH: Ben Nye: *BN*

FROM: Joe Coffee
James Coleman

SUBJECT: D.C. Partnership in Education and Academies

This memo seeks to inform you of our goal of establishing two new career academies with our partnership schools. In recent discussions with both Woodrow Wilson and Eastern Senior High School administrators, we have broached the idea of forming career academies similar to the "Law, Justice and Security Academy" that Enforcement currently operates together with the Justice and Defense Departments. Both schools answered enthusiastically. Woodrow Wilson is interested in our assisting them with forming a "Business and Finance Academy." Eastern Senior High School is interested in creating a "Law and Public Service Academy." These proposals are discussed in more detail below.

The academy concept is to create a "school within a school." They reduce student to teacher ratios, and allow students to choose their areas of concentration. This self-selection raises the quality and intensity of students' overall educational experience. Academies teach the basic high school curriculum, as well as their own enhanced curriculum which encourage students to plan for post-high school careers. Teachers for these academies are recruited from within the school system from among those who express specific interest in the subject area. Moreover, the academies provide credit for relevant work experience and often assist in hiring students for summer jobs. Career academies are also school-to-work transition vehicles, an area Dr. David Hamburg suggested our Partnership aggressively and publicly support.

In addition to their educational benefits, Enforcement has found that academies offer one of the best opportunities to compete with gangs and other delinquent behaviors. They give high school age students the opportunity to experience a different kind of life through work experiences that can lead to professional careers. This equates to an economic incentive similar to what some gangs and drug trafficking offer. Often, it also results in higher graduation rates among students.

To date four cabinet agencies, Treasury, Health and Human Services, Transportation, and Defense are managing their own academies at D.C. public schools. We have reviewed this idea with the Offices of General Counsel and Enforcement, and would be happy to brief you on this proposal at your convenience.

The Business and Finance Academy:

The Secretary's Partnership in Education Program is working to establish and support a Business and Finance Career Academy, at Woodrow Wilson High School in conjunction with the D.C. public school system. This academy will serve several goals:

1. Similar to the existing Law Enforcement, Justice and Security Academy, this academy can provide an alternative to youth gangs and reduce youth violence and drug use.
2. Support the President's and the Secretary's efforts to improve D.C. schools and communities ensuring that it effectively links with the District of Columbia school reform strategy.
3. Increase the academic achievement and graduation rate of students in the academy environment.

Background and Progress To-date

Over the past eighteen months, Treasury has established a successful track record working with students from Eastern and Woodrow Wilson Senior High Schools as part of the Treasury/DC Partnership in Education (PIE). More recently PIE has expanded to include other Treasury bureau educational support and outreach efforts. As an example, the Law, Justice and Security Academy, at Anacostia High School, jointly sponsored by Treasury Enforcement, Justice Department and Defense Department now is a part of PIE.

The Law, Justice and Security Academy at Anacostia was established in 1995 and now has 200 students enrolled. The Academy provides for academic and career development in the areas of law enforcement, law, and security. In addition, government personnel support the Academy through on-site day-to-day operational management, recruitment, mentoring and liaison with private sector businesses, universities, nonprofit and government agency partners.

Through the school-year internship program with Eastern and Wilson High Schools, we have built a relationship with over 100 students, and the school's counselors and principals, who value Treasury as a committed partner and supporter of their educational goals. We now have an opportunity to institutionalize Treasury's involvement with Eastern and Wilson through the support of their respective career academies.

Wilson High School is planning to begin phasing in its business and finance academy during the Fall '97 semester. Eastern High is considering the establishment of a Law, and Public Service Academy within the next year. Both of the schools would consider Treasury support a significant step forward. However, because of the nature of partner support they must also look to other partners as well. For instance, Wilson's long standing partners INTELSTAT, Department of Energy, National Institutes of Health, Giant, and Safeway will also be asked to support the Business and Finance Academy. Fannie Mae, another federal economic focused entity, is also being discussed as a potential partner.

Treasury however, is better positioned to take leadership role among the partners for the academies based on our prior experience managing the Law Justice and Security Academy. We can use the Anacostia, Wilson Business and Finance, and Eastern Law and Public Service Academies, as models which could then be replicated throughout the country. Treasury's wealth of talent, expertise, and resources in these professional career areas could have the kind of direct impact on the educational experience benefitting students we as a community are seeking. For instance, Sol Horowitz could be a tremendous help from building support from the private sector.

We have already had discussion with representatives from the District of Columbia Public Schools System, District Department of Employment Services, and the National School-to-Work office, which is jointly supported by the Departments of Labor and Education. They are extremely supportive of Treasury's involvement. Career academies are a key component of the District's school reform efforts at the high school level.

cc: Mike Froman
Ray Kelly
George Munoz
Mozelle Thompson

Basis for Proposal

- The Secretary's Partnership in Education and Treasury's Law Enforcement Bureaus have already developed an experience base and success with career academies, and District of Columbia High schools working to establish such academies.
- ONDCP, through its HIDTA Program and in partnership with Treasury Bureau, has invested (\$150,000.00) in academies at Anacostia High School in Washington, D.C., to determine their effectiveness in reducing youth involvement in gang violence and drugs.
- A John Hopkins University study found that Patterson High School, identified as one of the worse schools in Maryland, showed dramatic improvement in overall school climate especially student behavior after converting to career academies.
- The preliminary report on a ten site national evaluation of career academies; funded by the Ford, Westinghouse, Rockefeller, Alcoa Foundation and others found that career academy's "can be implemented in a wide range of school settings," and can benefit "students who are at risk of performing poorly or dropping out of school as well as students who do well in school.
- The States of California and Florida have invested heavily in career academies as have the City of Philadelphia and many other jurisdictions throughout the country.
- The Departments of Defense, Health and Human Services, and Transportation also support career academies in Washington D.C., and want to work in partnership with Treasury sponsored academies.

Plan for Establishing the Academy of Business and Finance

The expected costs of starting and operating an academy are \$100,000 per year. A number of possible funding options are listed below:

1. Earmark High Intensity Drug Trafficking Area (HIDTA) funds to support each career academy. In 1996 the Baltimore/Washington HIDTA "invested" \$150,000 for two established academies (Law Enforcement and Public Service) at Anacostia High School.
2. Earmark an appropriation line item to use ONDCP Special Asset Forfeiture Fund's specifically to support career academies.
3. Earmark a portion of Treasury's appropriated funds to support the development of two career academies during the next fiscal year.
4. Petition the Gang Resistance Education and Training (GREAT) program for funds to establish and operate the career academy. This measure would require approval from the National Policy Board, District of Columbia Police Department and/or Congress. Currently G.R.E.A.T. is under-funded to meet State and local enforcement agency needs for its programs below the high school level.

Plan for use of Funds:

These funds would be used to start a new academy in a District of Columbia School. Such academies demand a significantly different approach to learning than traditional schools provide. Learning takes place outside of the school walls as much as within the school. As a result, significant recruitment of willing teachers and training in new skills is required. In addition, a sense of community and ownership must be built with the students, teachers, and business/government partners. Use of the \$100,000 in the 1997-98 school year would be as follows:

• Teacher recruitment and training	\$30,000
• Student leadership and community building	\$10,000
• Student experiences with career-related organizations	\$20,000
• Curriculum building	\$20,000
• Learning material, equipment, and miscellaneous support	<u>\$20,000</u>
Total	\$100,000

1996-SE-012037



DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

To: J. Coleman
B. Nye

From: Ben Nye

INFORMATION

MEMORANDUM FOR SECRETARY RUBIN

THROUGH: Ben Nye *BNye*
FROM: *for* James Coleman *JColeman*
SUBJECT: Status Report of the Treasury - D.C. Partnership in Education

Good work

This is a brief note to post you on the progress of Treasury's Partnership in Education. We now have just over 100 high school intern volunteers working in the Treasury Department. The students are spread throughout the policy and management offices as well as in several bureaus. This week we are running two career planning workshops and will be holding a holiday reception for the students on Thursday. We are now turning our attention to further developing the tutoring portion of the Partnership. Finally, this is the last week for Erika Irish who has been member of the Partnership in Education from its founding. She will be missed.

Tutoring

Building on the success of the school-to-work program, the Partnership is now developing a tutoring program. Over 15 students have already expressed an interest in this service and we are now assessing the level of interest from among Treasury personnel. Our plan is to provide tutoring for up to one hour (not on official time) per week, here at the Treasury building. The Partnership will serve as a clearinghouse and will provide an orientation for new tutors to give them an idea of what to expect.

Workshops

For the Fall program, two workshops in career planning will be held the week of December 16, and we will offer resume writing workshops in January. These workshops are staffed by career counselors from Georgetown and American Universities.

Eastern High School Recognition of Treasury's support

As a part of annual Education Week, November 17-22, 1996, Eastern High School hosted an assembly to publicly thank organizations who have supported the school in various partnerships throughout the year. The Department of Treasury received a Certificate of Appreciation plaque, and enthusiastic student response at the ceremony.

Treasury - DC School to Work Proposal

As part of the effort to institutionalize the partnership program, we have recently had discussions about our program with the national School-to-Work (STW) Opportunities office. We are exploring the possibility of developing a STW proposal, building on our existing program with Eastern and Woodrow Wilson High Schools, as well as our Law, Justice and Security Academy at Anacostia High School. With this proposal we would take the lead in the federal sector to develop a comprehensive STW program within the District of Columbia schools.

As part of the development process we will be meeting with representatives from the Departments of Labor, and Education, as well as the Office of Management and Budget (OMB) in the near future. We will keep you informed on our progress.

cc: George Muñoz
Scott Gould
Tony Fleming



The Secretary of the Treasury

December 20, 1996

NOTE FOR JAMES COLEMAN
BEN NYE

FROM: BOB RUBIN

Good work.

Attachment

1996-SE-008392



DEPARTMENT OF THE TREASURY
WASHINGTON, D.C.

September 9, 1996

SECRETARY OF THE TREASURY

**MEMORANDUM FOR SENIOR STAFF
BUREAU HEADS**

SUBJECT: D.C.-Treasury Partnership in Education

FROM: Robert E. Rubin *R.E.R.*

I want to thank all of you who took part this summer in employing 103 interns under the "D.C.-Treasury Partnership in Education" with both Eastern Senior High School and Woodrow Wilson High School. I had the opportunity to read many of the memoranda your student interns wrote to me detailing their experiences of this past summer. I was impressed by the enthusiasm and energy the students brought to their jobs. It was also evident from their essays that many of you were able to afford them a valuable developmental opportunity. Whether it was facilitating moves and communication after the fire in Main Treasury, working with personnel files at Customs, developing an inventory management system at the IRS, or researching and summarizing bombing material at the ATF, the students appear to have made real contributions throughout Treasury and, in the process, learned a great deal. Also, based on several accounts I have received from those who worked directly with the interns, it seems to me that this program worked enormously well.

I hope we can now build on the success of the summer program. With their return to school, we read daily about the financial and administrative challenges confronting the D.C. public school system. In thinking of ways we can help enhance District students' educational and professional development I have decided to continue our Treasury-wide internship programs this fall to allow for after-school unpaid student interns. Your own personal involvement in promoting this program within your own bureau will be enormously helpful to ensuring the success of this program. Given the enormous educational opportunity and direction these jobs provide young people, we can help make a meaningful difference in their lives.

*NCC to file
- prepared by
Ben Nye
- Linda J.
distributed
9/11/96*

ADMINISTRATION HISTORY APPENDIX
CHAPTER FOUR: INCREASING ECONOMIC
OPPORTUNITY

PREDATORY
LENDING

FAX COVER SHEET

DATE: June 12, 2000

TO: Undersecretary Gary Gensler
Assistant Secretary Baer

Fax No.: (202) 622-0265 Tel. No.: (202) 622-2035

FROM: Tom Donilon Fax No.: (202) 752-7318 Tel. No.: (202) 752-2047

Pages (including cover sheet): 5

Message:

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NOTE FOR SECRETARY GENSLER

Attached is a short paper on predatory lending and the role that the secondary market, particularly the GSEs might play in addressing the abusive primary market lending practices identified in your recent public forums. As the forums demonstrated, predatory lending abuses are overwhelmingly a primary market phenomenon. Moreover, Wall Street has been much more closely connected to this issue than the GSEs. The secondary market can however play a constructive role in extending standardization of responsible practices into the subprime market. As you know, Fannie Mae and Freddie Mac have issued guidance and policies to their lenders setting forth criteria for loans they will purchase in order to avoid supporting predatory lending practices.

We know that you are considering recommending legislation as to GSE loan purchases in the Task Force Report. As a matter of policy it does not seem advisable to legislate (cast in stone) specific underwriting guidelines, which by their nature evolve and require judgment in their application. This approach may be particularly inappropriate with regard to predatory lending, where it is often the combination of factors that raises concerns and eliminating any one or two may only serve to encourage alternative forms of abuse. Additionally, it would seem to be a mistake to establish de facto ceilings on purchasing guidelines. You want the industry to compete and develop guidelines to expand credit availability. Finally, legislating as to only the GSEs will not be effective. The loans not allowed to be purchased by the GSEs – which are already principally sold to Wall Street investors – will find their way to other, non-GSE purchasers. What is needed is a set of industrywide principles – a “good housekeeping seal” – that is put to all

the industry's players for signature. I encourage you to talk to Wade Henderson about his efforts in this regard.

If the Task Force chooses to act with report to the secondary market, it could recommend directing the relevant regulators to issue guidance on predatory lending and the policies and practices secondary market players should put in place. This approach has the advantage of the flexibility of regulatory guidance, the expertise of regulators that understand the complex businesses of the secondary market entities, and comprehensiveness in terms of coverage.

Other alternatives are addressed in the paper as well.

Please call with questions or comments.

The Role of the Secondary Mortgage Market

It is clear from the public forums that most of the issues surrounding predatory lending center on practices in the primary market; however, the role of the secondary market was also discussed. The secondary mortgage market, including Ginnie Mae, Fannie Mae, Freddie Mac, the Federal Home Loan Banks, Wall Street investment banks, and others has the potential to curb predatory lending practices by instituting, publishing, and following guidelines in the purchase of or provision of liquidity for primary market loans. Secondary market participants can serve as responsible sources of capital for primary market lenders through the purchase and securitization of mortgages and can bring needed standardization to the market.

Participants in the secondary market have economic incentives to avoid purchasing fraudulent or abusive loans, as such loans are likely to have higher rates of default and loss. However, our hearings and research suggest that some secondary market participants may provide liquidity for abusive practices if they do not have policies and procedures in place to guide their business practices in this area. Fannie Mae and Freddie Mac have already taken steps to guide their business practices to prevent the purchase of predatory loans.

Recommendations for Action

An effective policy must aim to ensure that all secondary market entities institute, publish, and follow similar guidelines to ensure they have standards in place that promote responsible lending practices by their primary market partners. Otherwise, suspect loans will simply migrate away from those entities with appropriate purchasing guidelines to secondary market purchasers without similar guidelines. The challenge in determining the appropriate course of action is to couple secondary market principles that discourage abusive practices in the primary market with continued expansion of access to capital for the most underserved vulnerable consumers. Indeed, actions should provide incentives for the secondary market to continue developing innovative ways to expand their service to consumers in the subprime market.

Given the information gathered by the Task Force, we believe that guidance (as distinguished from regulation) by the appropriate regulatory agency is the most appropriate course of action because it is the most direct, immediate, and comprehensive route to effective and timely results.¹ Secondary mortgage market entities should be required by their regulators, through guidance, to adopt policies and procedures that are designed to avoid supporting predatory lending. Such guidance should cover five key

¹ To the extent that any entity in the secondary market does not have a regulator, the objective of the guidance provided for other secondary market entities should be provided for those non-regulated entities through other means. The appropriate regulatory agencies include the Department of Housing and Urban Development, Department of Justice, Department of the Treasury, Office of Comptroller of the Currency, Office of Thrift Supervision, Board of Governors of the Federal Reserve System, Federal Deposit Insurance Corporation, Federal Housing Finance Board, Federal Trade Commission, National Credit Union Administration, Office of Federal Housing Enterprise Oversight and Securities and Exchange Commission.

areas: identification of the practices that should be avoided, development of policies and procedures, development of internal controls, public awareness and risk identification and management systems to ensure that operations conform to the guidelines the regulated entities develop. Guidance should provide direction to secondary market entities regarding certain business policies and procedures focused on "equity stripping" predatory lending practices. These include: (i) loans with single premium credit life insurance, (ii) asset-based underwriting, (iii) abusive points and fees (taking into account loan size or to avoid creating a disincentive for important, but high-risk lending), and (iv) prepayment penalties (ensuring that when used they confer a tangible benefit to the borrower). The guidance should direct the regulated entities to diligently revisit and revise their policies, procedures and controls as business practices evolve and change. The regulators should on a regular basis review the policies, procedures and controls adopted by the regulated entities and work with them to gather data that will support the better understanding of what further actions should be taken.

Treasury and HUD recommend significant study and discussion on the issue of whether regulatory guidance should be supplemented by disclosure by primary market participants. Such information might include points and fees other than those paid to third parties; note rates; Annual Percentage Rate; single premium credit life insurance; prepayment penalties; indications of multiple refinances; and yield spread premiums paid to brokers. The regulators should consult with each other and consider the feasibility, additional burden associated with, and quantification of the benefits that would be achieved by, such disclosures before adopting such action in any regulatory guidance.

Legislation is an alternative course of action. To the extent legislation is deemed necessary, it should be focused on directing the regulators to issue the guidance described above. Treasury and HUD recognize that legislation regarding the specific underwriting practices of secondary market participants would be difficult and not clearly effective, since underwriting standards are often flexible and involve considerable judgment in their application. Moreover, we doubt that effective and comprehensive legislation could be enacted in as timely a fashion as regulatory guidance. However, if there is legislation in this area, it should be limited to (1) directing the relevant regulators to issue guidance (as described above) to their regulated entities on appropriate practices, and (2) requiring reporting to regulators of key lending practices (as described above).

*** TX REPORT ***

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2000-SE-006566



June 20, 2000

The Honorable Christopher S. Bond
Chairman, Subcommittee on VA, HUD and Independent Agencies
Committee on Appropriations
United States Senate
Washington, DC 20510-6032

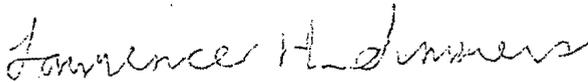
Dear Mr. Chairman:

While home ownership is now at a record high, with 67.1 percent of American families owning their own home, too many low- and moderate-income families are still victims of predatory lending practices. We are pleased to transmit to you a copy of the Department of Housing and Urban Development's and the Department of Treasury's Joint Task Force report entitled "*Curbing Predatory Home Mortgage Lending: A Joint Report.*"

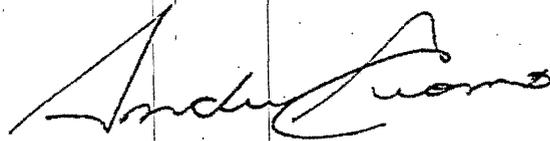
The joint Task Force was formed in response to inquiries made by Senator Mikulski during a Senate Appropriations Subcommittee hearing on the FY 2001 VA HUD Appropriations bill this past March. HUD and Treasury jointly convened the Task Force in April 2000. This report constitutes the recommendations of HUD and Treasury for legislative and regulatory actions, which will protect consumers against predatory lending while maintaining access to credit for low- and moderate-income borrowers. The report provides nearly 50 recommendations to combat predatory lending, including measures to raise consumer literacy, eliminate predatory sales practices, end abusive loan terms and conditions, and establish a regulatory framework for subprime lenders similar to that which currently governs prime lenders.

We look forward to working with you on this important issue as it moves forward.

Sincerely,



Lawrence H. Summers
Secretary
Department of the Treasury



Andrew Cuomo
Secretary
Department of Housing
and Urban Development

cc: The Honorable Phil Gramm
The Honorable Paul Sarbanes
The Honorable Wayne Allard
The Honorable John F. Kerry
The Honorable Ted Stevens
The Honorable Robert Byrd
The Honorable Bill Young
The Honorable David Obey
The Honorable James T. Walsh
The Honorable Alan B. Mollohan
The Honorable Jim Leach
The Honorable John L. LaFalce
The Honorable Rick A. Lazio
The Honorable Barney Frank



June 20, 2000

The Honorable Barbara A. Mikulski
Ranking Minority Member
Subcommittee on VA, HUD and Independent Agencies
Committee on Appropriations
United States Senate
Washington, DC 20510-6032

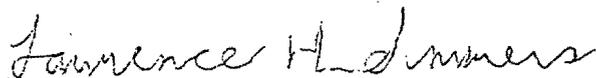
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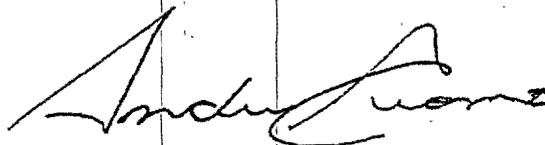
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The Honorable Alan B. Mollohan
The Honorable Jim Leach
The Honorable John L. LaFalce
The Honorable Rick A. Lazio
The Honorable Barney Frank

**EMBARGOED UNTIL 2:30 PM EDT
June 20, 2000**

Contact: HUD – 202-708-0685
Treasury – 202-622-2960

HUD, TREASURY RELEASE JOINT REPORT RECOMMENDING ACTIONS TO CURB PREDATORY LENDING

Treasury Secretary Lawrence H. Summers and Housing and Urban Development Secretary Andrew Cuomo today released a joint HUD-Treasury report detailing recommendations on legislative, regulatory, and other steps to curb the increasing occurrence of predatory mortgage lending.

“These critical recommendations will help protect American families from the abusive practices of some unscrupulous lenders,” said Secretary Summers. “Predatory lending practices should have no place in the subprime market, or any other market.”

Secretary Cuomo said: “Predatory lenders are greedily devouring families’ life savings and destroying good neighborhoods all across the country. We heard horror stories at our forums around the country about the suffering these lenders have caused, and Members of Congress have heard the same stories. We ask Congress to join us and move swiftly to give American homebuyers the protection they need from predatory lenders.”

Based on information gathered at five field forums by the joint HUD-Treasury Task Force on Predatory Lending, the report, “*Curbing Predatory Home Mortgage Lending*,” proposes a four-point plan to address predatory lending practices:

- **Improve Consumer Literacy and Disclosures.** Creditors should be required to recommend that high-cost loan applicants avail themselves of home mortgage counseling, disclose credit scores to all borrowers upon request and give borrowers more timely and more accurate information as to loan costs and terms.
- **Prohibit Harmful Sales Practices in the Mortgage Market.** Practices such as loan “flipping” and lending to borrowers without regard to their ability to repay the loan should be banned. New requirements should be imposed on mortgage brokers to document the appropriateness of a loan for high-cost loan applicants, and lenders who report to credit bureaus should be required to provide “full-file” payment history for their mortgage customers.

LS-719

-more-

- **Restrict Abusive Terms and Conditions on High-Cost Loans.** We recommend that Congress increase the number of borrowers in the subprime market covered by legislative protections; further restrict balloon payments on high-cost loans; restrict prepayment penalties and the financing of points and fees; prohibit mandatory arbitration agreements on high-cost loans; and ban lump-sum credit life insurance and similar products.
- **Improve Market Structure.** Award Community Reinvestment Act (CRA) credit to banks and thrifts that promote borrowers from the subprime to prime mortgage market, and to deny CRA credit to banks and thrifts for the origination or purchase of loans that violate applicable lending laws.

Senator Paul Sarbanes of Maryland, Senator Charles Schumer of New York and Congressman John LaFalce of New York have all introduced important legislation to combat predatory lending.

"I want to commend Secretary Cuomo, Secretary Summers and the members of the Predatory Lending Task Force for their thorough and excellent work," said Senator Paul Sarbanes. "This report incorporates the key principles contained in the LaFalce-Sarbanes legislation and lays out a roadmap for action by the Congress and the regulators that will help put an end to these abusive practices."

Representative John LaFalce said: "The Task Force has made strong recommendations that -- if they are fully implemented -- can make a real difference in curbing abusive predatory lending practices. I am particularly pleased that the Task Force's report embraces the principal elements of the LaFalce-Sarbanes predatory lending bill introduced earlier this year."

Senator Charles Schumer, who recently released a report on predatory lending in New York, added: "It is clear that we need to focus a spotlight on predatory lenders whose sole purpose is to hijack the American dream from unsuspecting borrowers. We should leave no stone unturned to find and crack down on predatory lenders and Congress must pass the strongest legislation possible to end this pernicious practice."

While expanded access to credit from both prime and subprime lenders has contributed to the highest homeownership rates in the nation's history, there is growing evidence that some lenders are engaging in predatory lending practices -- excessive front-end fees, single premium credit life insurance, and exorbitant prepayment penalties -- that make homeownership much more costly for families that can least afford it.

Copies of the report can be found on the HUD homepage at www.hud.gov/news.html or at the Treasury homepage at www.treas.gov.

**TREASURY SECRETARY LAWRENCE H. SUMMERS AND HUD SECRETARY
ANDREW CUOMO RELEASE JOINT HUD-TREASURY REPORT ON
RECOMMENDATIONS TO CURB PREDATORY HOME MORTGAGE LENDING
June 20, 2000**

Today, Treasury Secretary Lawrence H. Summers and Housing and Urban Development Secretary Andrew Cuomo released a joint HUD-Treasury report detailing the agencies' recommendations on legislative, regulatory and other steps that will help to curb predatory and abusive home mortgage lending.

The report's analysis and recommendations are based on information that HUD and Treasury gathered as co-chairs of the National Predatory Lending Task Force, convened by Secretaries Cuomo and Summers in April, 2000. Through public forums with industry, consumers, consumer advocates, and local and state governments in Washington, Atlanta, Los Angeles, New York, Baltimore and Chicago, HUD and Treasury collected evidence on the nature and growing incidence of predatory lending practices nationwide.

The report finds that while no one set of abusive practices or terms characterizes a predatory mortgage loan, a loan can be predatory when lenders or brokers: charge borrowers excessive, often hidden fees; successively refinance loans at no benefit to the borrower; make loans without regard to a borrower's ability to repay; and engage in high-pressure sales tactics or outright fraud and deception. Vulnerable populations, including elderly and low-income individuals, and low-income or minority neighborhoods may be targeted by these unscrupulous lenders.

To combat these abusive practices, HUD and Treasury recommend that Congress, the regulators and states take new action to protect consumers, encourage healthy market competition and improve the information available to mortgage borrowers, especially in the high-cost mortgage loan market where these practices often occur. The agencies propose a four-point plan to address these practices nationwide, including:

- **Improve Consumer Literacy and Disclosures.**
 - ✓ Creditors should be required to recommend that high-cost loan applicants avail themselves of home mortgage counseling, and to disclose credit scores to all borrowers upon request.
 - ✓ The federal government should take new steps to improve the financial literacy of mortgage borrowers, especially those in the subprime mortgage market.
 - ✓ As part of a package of reforms that includes proposals to address predatory lending, Congress should enact amendments to the Real Estate Settlement Procedures Act (RESPA) and Truth in Lending Act (TILA) to give borrowers more timely and accurate information as to loan costs and terms.
- **Prohibit Harmful Sales Practices.**
 - ✓ Congress should enact new legislation, and the Federal Reserve Board should use its existing authority, to prohibit abusive lending practices, including loan "flipping" and lending to borrowers without regard to their ability to repay the loan.
 - ✓ New requirements should be imposed on mortgage brokers to document the appropriateness of a loan for high-cost loan applicants, lenders should be liable for broker misconduct if they knew or should have known of the activity, and lenders who report to credit bureaus should provide the full payment history for their mortgage customers.

- **Restrict Abusive Terms and Conditions on High-Cost Loans.**

- ✓ Congress should amend the Home Ownership and Equity Protection Act (HOEPA) to: increase the number of borrowers in the subprime market covered by HOEPA's protections; further restrict balloon payments on high-cost loans; and prohibit mandatory arbitration agreements on high-cost loans.
- ✓ Congress should prohibit the sale of single-premium insurance products in connection with all mortgage loans, and place greater restrictions on prepayment penalties and the financing of points and fees for HOEPA loans.

- **Improve Market Structure.**

- ✓ The federal financial institution regulators should provide favorable CRA consideration to banks and thrifts that "promote" borrowers from the subprime to prime mortgage market, and should deny CRA consideration for the origination or purchase of loans that violate applicable lending laws.
- ✓ Lenders should disclose the incidence of HOEPA loans in mortgage-backed securities pools to the rating agency and secondary market, and securitizers should disclose that same incidence in the offering documents.
- ✓ Congress should enact legislation to clarify, as necessary, the authority of HUD and the Federal Housing Finance Board, to prohibit, through regulation, the government-sponsored enterprises (Fannie Mae, Freddie Mac and the Federal Home Loan Banks) from purchasing loans with predatory features.

To PA 6/20/00

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Please log in.

6/20/00

2000-SE-008848



DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

September 6, 2000

MEMORANDUM FOR SECRETARY SUMMERS

THROUGH: Gary Gensler *GG*
Under Secretary
Domestic Finance

FROM: Michael S. Barr *MB*
Deputy Assistant Secretary
Community Development Policy

SUBJECT: Predatory Lending Report Preface

ACTION FORCING EVENT:

We are releasing a final printed version of the joint Treasury-HUD Predatory Lending Report, which we released in June. This printed version is to include a preface from you and Secretary Cuomo. Secretary Cuomo has already signed the attached.

RECOMMENDATION:

That you sign the attached.

_____ **Agree** _____ **Disagree** _____ **Let's Discuss**

ATTACHMENT: Letter for Signature

PREFACE

Over the last several years, our nation has made enormous progress in expanding access to capital for previously underserved borrowers. This progress has contributed to the highest rate of homeownership in our nation's history - two out of three American families now own their own homes - as well as the highest rate of homeownership in history for African-American families.

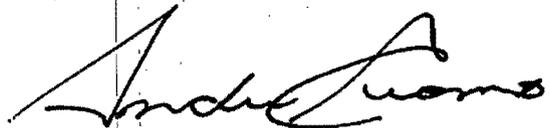
Despite this progress, however, too many families are suffering today because of a growing incidence of abusive practices in a segment of the mortgage lending market. Predatory mortgage lending practices strip borrowers of home equity and threaten families with foreclosure, destabilizing the very communities that are beginning to enjoy the fruits of our nation's economic success.

We jointly convened the HUD-Treasury National Predatory Lending Task Force in April 2000 to further investigate the problem and to develop a set of recommendations to combat abusive practices in the home mortgage lending market. This report recommends that Congress, the regulators and states take further action to protect consumers, to encourage healthy market competition and to improve the information available to mortgage borrowers, especially in the high-cost mortgage loan market where these practices often occur.

In developing these recommendations, we engaged the assistance of a wide variety of parties interested in, and affected by, the issue of predatory lending. We are indebted to the members of the National Task Force, the borrowers, industry representatives and community leaders who provided testimony at our five national field forums, and the federal financial institution regulators for helping to form the analysis and recommendations offered in this report. We are also grateful to our staffs at the Treasury Department and the Department of Housing and Urban Development for their work in delivering this comprehensive report in a short period of time.

It is imperative that we take steps as a nation to ensure that the mortgage market works for all Americans. New legislation and regulation guided by the recommendations in this report will help to stem the growth of predatory practices, and will allow more families to attain and retain homeownership and financial stability.

Sincerely,



Lawrence H. Summers
Secretary of the Treasury

Andrew Cuomo
Secretary of Housing and
Urban Development



DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

September 6, 2000

ACTION

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RECOMMENDATION:

That you sign the attached.

 NUC OK to autoper *per US 9/7/00*
Agree Disagree Let's Discuss

ATTACHMENT: Letter for Signature

EXECUTIVE SECRETARIAT

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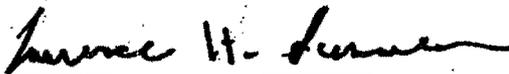
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Sincerely,



Lawrence H. Summers
Secretary of the Treasury



Andrew Cuomo
Secretary of Housing and
Urban Development

EXECUTIVE SECRETARIAT CORRESPONDENCE MEMO COVER SHEET

Wednesday, September 06, 2000

PROFILE #: 2000-SE-008848

DATE CREATED: 09/06/2000

ADDRESSEE: Lawrence H. Summers
Secretary

AUTHOR: Barr, Michael S.
Domestic Finance

SUBJECT: Predatory Lending Report Preface

ABSTRACT: Predatory lending report preface.

RM 3419

TO REVIEWERS

TO EXECUTIVE SECRETARY

IN:

IN:

TO THE SECRETARY

DATE SIGNED:

DISTRIBUTION: US, DOMESTIC FINANCE

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9/6/00*

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PA to ACTOR*

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per NCC*

*NCC cc to SS
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9/7/00*

ADMINISTRATION HISTORY APPENDIX
CHAPTER FOUR: INCREASING ECONOMIC
OPPORTUNITY

RETIREMENT
SAVINGS



DEPARTMENT OF THE TREASURY
 WASHINGTON, D.C. 20220
 October 3, 1995

95-150710

MEMORANDUM FOR PRESIDENT CLINTON

FROM: LES SAMUELS LBS

THROUGH: SECRETARY RUBIN

SUBJECT: Promoting Retirement Plan Coverage and Savings for Temporary Workers

*especially since
 more and more workers
 are becoming "permanent" temporary
 workers*

We understand that you have asked whether the Administration is taking steps to promote retirement plan coverage and savings for temporary workers. "Temporary workers" generally include self-employed independent contractors who serve various customers (including people who work part-time from their home) or employees of a leasing organization (such as a secretarial "temp" agency or a firm that supplies its customers with computer consultants), as well as other employees who frequently move from employer to employer. The Administration has proposed several measures that would promote retirement plan coverage and savings for these temporary workers.

- **The NEST.** The Administration's pension simplification proposal would introduce a new, simple retirement savings plan (National Employee Savings Trust or the NEST) for small businesses, including temporary workers who operate as independent contractors. The NEST minimizes administrative and compliance costs and eliminates the need for employer involvement with the government. NEST contributions would be 100% vested immediately, and account balances would be freely transferable to IRAs, to promote portability of benefits for workers who change jobs frequently. Designed to combine the most attractive features of the IRA and the 401(k) plan, the NEST provides for both employee salary reduction contributions and employer contributions.
- **Leased Employees.** The "leased employee" rules in the tax code are generally intended to prevent employers from avoiding retirement plan coverage of lower-paid employees by leasing these workers from another employer. The Administration's pension simplification proposal would clarify these rules to ensure that a worker who truly is an independent contractor does not lose work opportunities because the business is concerned that the worker might be a "leased employee." Although this change may give businesses greater latitude to avoid covering these workers under their employee benefit plans, the NEST would provide a simple alternative way for the independent contractor to save for retirement.
- **Expanded IRAs.** Many temporary workers who are covered by an employer's retirement plan never receive benefits because their employment terminates before their benefits vest. Many of these employees cannot currently make any deductible IRA contributions because their income exceeds the threshold at which the IRA deduction is fully phased out (currently \$50,000 for married taxpayers). The Administration's IRA proposal includes a higher income threshold (\$100,000 for married taxpayers) that would enable these workers to make fully deductible IRA contributions.
- **Faster Vesting for Multiemployer (Union) Pension Plans.** Many unionized employees in a particular industry (e.g., construction) move from job to job and work only temporarily for any one employer. These employees are often covered by a multiemployer (union) pension plan. The Administration's pension simplification proposal would shorten the maximum period over which pension benefits under these plans must vest from ten years to five years.

- especially with respect to "permanent" temporary

We are working actively on the temporary worker issue and are continuing to consider possible further proposals in this area.



THE SECRETARY OF THE TREASURY

To: Les Samuel

10/4

From: Bill Rubin

Your memo to President on
Temporary workers was very good. My concern
is about the increase in "permanent"
Temporaries, and I think it would be
good to develop something additional,
if possible.

BR

ADMINISTRATION HISTORY APPENDIX
CHAPTER FOUR: INCREASING ECONOMIC
OPPORTUNITY

WELFARE TO
WORK

1998-SE-004598



DEPARTMENT OF THE TREASURY
WASHINGTON, D.C.

ASSISTANT SECRETARY

APR 06 1998

MEMORANDUM FOR SECRETARY RUBIN

FROM:

Nancy Killefer *Nancy Killefer*
Assistant Secretary for Management
and Chief Financial Officer

SUBJECT:

FY 1997 Welfare to Work Report

SUMMARY:

The Vice President is preparing to issue a "Welfare to Work - First Anniversary Report" that summarizes many of the successes in the first year of the Welfare to Work initiative. This report references a web site maintained by the National Partnership for Reinventing Government which contains a copy of the full text of Treasury's FY 1997 report. A copy of the Treasury report is attached (Tab A).

DISCUSSION:

On March 8, 1997, the President directed agencies to hire people off the welfare rolls into available positions. In support of the President's directive, the Department announced a commitment of hiring at least 200 welfare recipients the first year and 205 the second.

The attached report outlines Treasury's success in hiring former welfare recipients and identifies assistance being offered these employees to help ensure they retain their jobs. The report also describes efforts in Treasury which are designed to stimulate the economies of distressed areas and bring all Americans into the economic mainstream.

The report only reflects information through September 1997. However, through the end of the first year of the program (March 1998), 493 former welfare recipients had been hired in Treasury, surpassing our two year commitment. I have provided statistical information concerning the appointments of the 493 hires (Tabs B and C).

ATTACHMENTS: Tab A - Fiscal Year 1997 Report
Tab B - Chart - Welfare to Work Hires
Tab C - Statistical Information

DEPARTMENT OF THE TREASURY
WELFARE-TO-WORK FISCAL YEAR 1997
EXECUTIVE SUMMARY

We are encouraged by the accomplishments made in Treasury this past fiscal year. Treating the President's directive as not simply an isolated recruitment program, but a vital component of the much broader initiative - Welfare Reform, we have taken the lead to help bring low-income households and economically depressed areas into the economic mainstream. Our accomplishments have covered both the broad efforts designed to stimulate the economies of distressed areas, as well as the more immediate focus of ensuring Treasury becomes a model employer by recruiting and retaining those most in need - welfare recipients.

Secretary Rubin has been a strong supporter of this effort, both within Treasury and across the nation. He met with 20 Chief Executive Officers, including the major sponsors of the President's Welfare to Work initiative, to discuss and encourage private sector efforts to hire welfare recipients. At the same time, within Treasury, he identified welfare to work as a priority and highlighted it in the Department's Strategic Plan.

We are proud of our efforts and believe they will pay dividends far into the future. Of particular note, we would like to report:

- *The promotion of the Earned Income Tax Credit (EITC).* The Internal Revenue Service (IRS) continues to educate businesses and taxpayers about EITC, is taking steps to eliminate the instances of EITC fraud, and is working to increase participation in advance EITCs so that taxpayers receive the benefit of the EITC throughout the year;
- *Treasury's success in hiring welfare recipients.* Through the end of FY 1997, we were pleased to report very encouraging results - 52 welfare recipients hired. However, soon thereafter, we experienced a surge in hiring as the IRS launched its recruitment efforts for tax season. As a result, by the end of the first full year of the program, we not only expect to meet our commitment of 200 hires, but anticipate doubling it.

To what do we attribute our success in hiring former welfare recipients? When asked, most of our front-line employees echoed a fundamental theme, "Establish a line of communication with your local social service organization." From our largest organization to our smallest, we have been told that by fostering a relationship at the local level, the difficulties of finding job candidates diminish, and the chances of recruiting the "right" person increase.

DEPARTMENT OF THE TREASURY
WELFARE TO WORK
FISCAL YEAR 1997 REPORT

Introduction

On March 8, 1997, President Clinton directed Federal agencies to participate in a national effort to hire people off the welfare rolls. He expressed his commitment that the Federal Government should contribute to the greatest extent possible to this effort. At Treasury, we are very encouraged by our accomplishments thus far.

We realize that the President's directive is not simply an isolated recruitment program, but a vital component of the much broader initiative - Welfare Reform. As we work to change the welfare system, those in the Federal Government must take the lead, not only in setting an example for the private sector by hiring welfare recipients, but in other actions to help bring low-income households and economically depressed areas into the economic mainstream. In fact, on a daily basis, we are using our broad-based expertise in the areas of tax policy, capital markets and financial services to address these issues.

Over the last six months, our accomplishments covered both the broad efforts designed to stimulate the economies of distressed areas, as well as the more immediate focus of ensuring Treasury becomes a model employer by recruiting and retaining those most in need, welfare recipients. Provided below are the highlights of our efforts.

Leadership Commitment

Secretary Rubin has expressed and demonstrated his commitment to making welfare reform work on numerous occasions. In remarks to the Kennedy School Forum last winter, Secretary Rubin stated, "What we need to do is to put in place the programs that will have the effect of providing jobs for those who move from welfare to work. And that, in turn, is part of a larger issue of economic development in the inner cities, and moving the residents of the inner cities into the economic mainstream."

In May, Secretary Rubin met with 20 Chief Executive Officers, including the major sponsors of the President's Welfare to Work initiative, to discuss and encourage private sector efforts to hire welfare recipients.

The Secretary's commitment is also reflected as a priority in the Department's Strategic Plan which includes as an Objective: "Promote Fair and Efficient Delivery of Credit and Other Financial Services and Help Bring Residents of Distressed Communities into the Economic Mainstream." Twelve different strategies have been developed to accomplish that objective, including, "Work with other Federal agencies to develop policies to move families from welfare to work."

Treasury continues to play an important role in the Administration's efforts to bring all Americans into the economic mainstream, through such initiatives as:

- The *Work Opportunity Tax Credit (WOTC)*, which encourages employers to hire eight targeted groups of job seekers, including welfare recipients. The WOTC is one tool to help job seekers most in need of employment gain on-the-job experience and move towards economic self-sufficiency.
- The *Welfare to Work Tax Credit* which encourages employers to hire long-term welfare recipients. This tax credit permits employers to claim a 35% credit on the first \$10,000 of wages in the first year, a 50% credit in the second year, and treat employer-provided education, training, health care, and dependent care as wages.
- Treasury launched new *Presidential Awards* for micro-enterprise development, which recognize innovative and outstanding programs that help empower low-income Americans.
- President Clinton's expansion of the *Earned Income Tax Credit (EITC)* has helped reward work for 15 million families. The IRS conducts an extensive marketing campaign to educate businesses and taxpayers about the EITC. This campaign includes TV and radio Public Service Announcements, print products and interviews. A mailing is distributed each year to over 6,000 organizations to provide working families with the information needed to claim the credit. The IRS also sends out "Post Filing Notices" to those filing returns who did not claim a credit but appear to be eligible. As part of the President's directive, Treasury sent information on eligibility for EITC, to the Heads of Executive Departments and Agencies.
- Treasury is improving the comprehension and utilization of the EITC through a variety of strategies and is seeking to eliminate the instances of EITC fraud. An IRS task force was established which is studying how to increase participation in *advance EITCs* under which taxpayers receive the EITC during the tax year. Also, IRS will encourage more low income taxpayers to obtain free help filing their tax forms. Already, under the *Volunteer Income Tax Assistance (VITA) Program*, volunteers offer free tax help to people who cannot afford professional assistance. In 1996 alone, almost 48,000 VITA volunteers assisted nearly two million taxpayers in completing their returns.
- The Administration secured a permanent extension of the *Low Income Housing Tax Credit* which expanded the flow of private investment dollars to build affordable housing.
- The Department is implementing the President's call for a nationwide network of community development banks with the *Community Development Financial Institutions Fund*, which provides capital to businesses in distressed communities across the U.S. This initiative, along with the Community Reinvestment Act, is helping to promote the economic viability of distressed communities across the nation.

Recruitment Strategies

To facilitate the implementation of the President's directive on Welfare to Work, Secretary Rubin issued a "Welfare to Work Implementation Guide" to each Treasury bureau. This Guide is a comprehensive resource for bureau personnel and included a copy of the Department's plan to recruit, hire and retain welfare recipients across the country. Each Treasury bureau has delegated personnel authority and has outlined strategies which reflect their particular mission, culture and budgetary resources. Two important points have been emphasized: use every existing hiring authority to achieve our goal; and make certain we hire the best people for each vacancy.

We are well on our way to achieving and exceeding our goal. Through the end of FY 1997, 52 welfare recipients had been hired. This exceeded 25% of our first year commitment to hire 200 welfare recipients. More recent reports indicate that with tax season fast approaching and the IRS expanding its recruitment efforts, we no longer expect to simply meet our first year goal, but now expect to double it! We are also pleased with those welfare recipients who have been hired. All reports indicate they have quickly become productive members of the Treasury workforce. It is evident that our emphasis on finding the best people is paying dividends. While the Worker-Trainee authority is available for this initiative, and Treasury bureaus have and will continue to use this authority, we have not limited the hiring of welfare recipients to lower graded jobs. In fact, of the 52 hires in the Department, 28 were hired at a GS-5; six at a GS-4; six more at a GS-3; and only 12 at a GS-1 or 2.

To what do we attribute our success? Most bureau coordinators echoed one simple, fundamental theme: "Establish a line of communication with your local social service organization." From our largest organization to our smallest, we have been told that by fostering a relationship at the local level, the difficulties of finding job candidates diminish, and the chances of recruiting the "right" person increase. This is demonstrated in the following reports:

From the Internal Revenue Service:

Upon first hearing about the Welfare to Work initiative, those in the Customer Service Division in Seattle, Washington, were captivated by the program and thought it would fit in well with their continuing need to hire Contact Representatives. After learning the basics, they decided to give it a try. At first they intended to use the Worker-Trainee Authority to hire employees, send them through extensive training, and hope that eventually they could become Contact Representatives. However, before proceeding with their plan, they met with officials from the local welfare department. Following that meeting, they reexamined their strategy. The welfare department agreed to act as a referral source for applicants who would fully qualify as GS-4 or 5 Contact Representative. In the month following their agreement with the welfare department, 13 welfare recipients were hired at a GS-5. The next month 12 more were hired at the same grade level. Not only did this office support the Welfare to Work Program, but they were also able to fill the needed vacancies immediately with qualified individuals.

Next, from the U.S. Customs Service, a story which also highlights the value of creative thinking:

As the Federal Government continues to downsize, more and more agencies are establishing transition assistance centers to help their affected employees find new employment. These transition assistance centers are an excellent source of highly skilled, highly motivated workers; and because it doesn't take very many paydays without a check to force a family to seek assistance, they can also be a potential source of welfare to work candidates. Customs was able to hire a candidate under just such circumstances. The individual had been RIF'd from a local agency. A number of agencies in the commuting area were also undergoing RIFs, so the job market was tight. To further complicate the situation, this individual was about to give birth to her fifth child. State assistance was the last thing she wanted to accept, but her options were limited. At the time Customs met her, it had been a year since she had been RIF'd. Her skills and experience were an excellent match for a GS-5 position that was open. She brought a wealth of knowledge, and a contagious positive attitude and work ethic. She had worked her entire adult life, sometimes as many as three jobs, to make ends meet for her family. She is proud to be back in control of her circumstances, and looks forward to a long and very promising career with Customs.

The benefits of using contacts with local organizations is also evident in the success realized by one of our smaller bureaus, the Bureau of Public Debt:

This bureau, headquartered in Parkersburg, West Virginia, entered into a partnership agreement with the West Virginia Department of Health and Human Resources (DHHS). DHHS agreed to pre-screen potential candidates for positions, provide them with information about jobs with Public Debt, and refer those who have job skills and training suitable to available job opportunities. This agreement has enabled Public Debt to make significant progress in hiring welfare recipients despite not being located in a major urban market. Through this agreement, they have already exceeded their projected hiring goal for the first year.

These examples show how Treasury bureaus are using direct contacts with local social service organizations to make the welfare to work program a reality.

Retention Practices

As described, Treasury has been successful in hiring the best people for the jobs. It is our belief that by hiring qualified applicants at the appropriate grade levels, we will increase the likelihood of employees staying. However, realizing that there is more to job retention than qualifications and higher pay, Treasury has taken the following measures to assist former welfare recipients in performing well and keeping their jobs. New employees hired from the welfare rolls are assigned a mentor and, as appropriate, Individual Training Plans are used to identify developmental needs. Family-friendly programs are utilized to assist all new employees in adapting to a work environment and to address their special needs. Examples include:

- Determining availability of child care and the possibilities for tuition assistance;
- Providing for elder care counseling and support;
- Offering the option of participating in compressed or flexible work schedules; and
- Providing subsidies for public transportation costs.

Examples of tangible efforts on the part of the Treasury bureaus include:

- The IRS has 31 Performance Development Centers. These Centers are designed to enable employees to improve their knowledge base through skills inventory assessments, tailored courses and interaction with a career counselor or Education Specialist.
- The Equal Opportunity Office in the Bureau of Alcohol, Tobacco and Firearms manages a mentoring program that will be modified to accommodate new employees hired from welfare. In addition, it will develop individual training packages which include lesson plans in such areas as basic business English, telephone courtesy, basic computer skills, and dressing for the workplace.
- The Financial Management Service has a cadre of trained volunteer mentors who have participated in a formal Mentoring Skills Development Program. The bureau will utilize experiences gained from this program to better provide ongoing assistance to new hires.
- In an effort to address common concerns, an office of IRS worked with the local FEB, Labor and HHS to sponsor a work skills seminar. State and local social service agencies also participated. Some IRS managers and employees agreed to help with future work skills seminars and to serve as mentors for employees in other agencies.

Leveraging our Commitment

Although the Department has not had grant authority, we are taking steps to emphasize to our contractors the importance of hiring people off the welfare rolls. These steps include contacting prospective contractors to encourage their support, and in particular, encourage expanded business opportunities through the increased use of the Javits-Wagner-O'Day Program. This program creates employment and training opportunities for people who are blind or have other severe disabilities. Its primary means of doing so is by contracting with Government agencies for selected products and services from nonprofit agencies employing such individuals. Many nonprofit agencies serve persons with severe disabilities and serve vocationally disadvantaged individuals who are often welfare recipients.

WELFARE TO WORK HIRES

First Year (a/o 3/24/98)

	March	April	May	June	July	August	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Total
ATF (10)	0	0	0	0	0	0	0	0	0	0	0	0	0
OCC (0)	0	0	0	0	0	0	0	0	0	0	0	0	0
CS (1)	0	0	0	0	0	0	1	1	0	0	0	2	4
DO (1)	0	0	0	0	0	0	0	0	0	0	0	0	0
E&P (0)	0	0	0	0	0	0	0	0	0	0	0	0	0
FLETC (1)	0	0	0	0	0	0	1	0	0	0	0	0	1
FMS (3)	0	0	0	0	0	3	2	1	0	0	0	0	6
OIG (1)	0	0	0	0	0	0	0	0	0	0	0	0	0
IRS (250)	0	0	0	0	0	12	2	0	33	39	160	233	479
MINT (2)	0	0	0	0	0	0	0	0	0	0	0	0	0
PD (1)	0	0	0	0	0	0	1	1	1	0	0	0	3
SS (2)	0	0	0	0	0	0	0	0	0	0	0	0	0
OTS (0)	0	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL	0	0	0	0	0	15	7	3	34	39	160	235	493

Note: The number next to the bureau name is the self-identified goal of each bureau for the first year of the program.

Welfare to Work Program Statistical Information

In the first year of Treasury's Welfare to Work Program, 493 welfare recipients were hired. This represents 246% of our first year and 121% of our two year commitment to the President. Of those hired the majority were appointed to Grade 3 positions in the competitive service without a time limit on their appointment. Provided below are tables which summarize selected information concerning this program.

Types of Appointments

When the Welfare to Work Initiative was introduced, the President highlighted the Worker-Trainee Program as a possible vehicle to hire welfare recipients. Treasury has been very successful in its hiring despite only limited use of the Worker-Trainee authority. In the table below, those hired under the Worker-Trainee Program are separated from others due to the attention given that program and its unique provisions. Worker-Trainees, once hired, are eligible for conversion to career appointments after 3 years. Those not meeting the conditions for conversion must be separated.

In Treasury, the clear majority were hired as career-conditional employees in the Internal Revenue Service (IRS). For the most part, they are seasonal employees who, depending upon their appointment, may only work for a number of months each year. Once their work is completed, they are placed in a non-pay status until circumstances warrant bringing them back. It is our hope that this seasonal employment, as well as the other time-limited employment, will provide useful experience and the necessary background to enable former welfare recipients to find permanent, full-time positions.

General Appointment Types		
Type	Number	% of Welfare Hires
Worker-Trainee	15	3.0
Competitive - No time limit	361	73.2
Competitive - Time-limited	111	22.6
Excepted - Permanent	1	0.2
Excepted - Time-limited	5	1.0
Total	493	100

Grade Level of Appointments

The table below indicates that most welfare recipients are hired at the GS-2 or GS-3 level. Not accounting for locality pay, this translates to between \$7 and \$8 per hour.

Grade Levels		
Grade Level	Number	% of Welfare Hires
GS-1	15	3.0
GS-2	106	21.5
GS-3	330	66.9
GS-4	22	4.5
GS-5	20	4.1
Total	493	100

Continued Assistance for Welfare Hires

While the President's directive emphasized the hiring of welfare recipients, the focus of Treasury's program is now shifting to ensure those hired have every chance to succeed. It is acknowledged that the majority of Treasury's hires are either of a temporary or seasonal nature. Nevertheless, we believe that their employment experience with Treasury should be a valuable stepping stone to permanent full-time employment and eventual financial independence. The Treasury bureaus have been advised to work toward using every available program that will assist in the performance and retention of former welfare recipients and other lower-graded employees.

