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New Nonprofit Focuses on Preserving Affordable Housing

*By Kathy Kenny and John Trauth**

Beginning in the 1970s, the federal government entered into contracts with private owners to create affordable housing projects in return for a long-term (25- to 30-year) commitment from the government to provide monthly rent subsidies for tenants. The Section 8 project-based program, administered by the Department of Housing and Urban Development, was the primary vehicle for these subsidy dollars. The U.S. Department of Agriculture's Section 515 program has also built affordable rental housing in rural areas. Although the USDA subsidies are not expiring, some owners are interested in selling their properties to local nonprofits.

Now, throughout the nation, a large percentage of these government rent subsidy contracts are expiring without expectation of renewal. Over the next three years, the largest transfer of affordable real estate assets in history will take place, exposing upward of 800,000 affordable apartments, now regulated and subsidized by HUD, to market-rate conversion. In Pennsylvania, New Jersey, and Delaware, 56,509 units will be at risk by 2004. Unless large-scale intervention takes place, these precious resources will be lost, as owners divest and profit-motivated investors move in.

This apartment building near Harrisburg, Pennsylvania, is typical of the types of buildings that are at risk from expiring Section 8 contracts. (Photo courtesy of Department of Housing and Urban Development.)

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CDFIs Have a Friend in Pennsylvania

*By Joan Brodhead**

When a western Pennsylvania restaurant planned the addition of a 12-room bed & breakfast hotel, the owners turned to The Progress Fund to help finance construction. When a West Philadelphia clothing designer was in danger of losing her competitive edge because of the constraints of her basement operation, she turned to The Reinvestment Fund for a small business loan. And when entrepreneurs in Pittsburgh needed capital to finance the acquisition of a manufacturing firm and preserve jobs for the region, they turned to The Community Loan Fund of Southwestern Pennsylvania for flexible financing.

But where do these community development financial institutions (CDFIs) turn for support? To the Pennsylvania Community Development Bank!

State economic development experts, local CDFIs, and the banking industry have joined to create an original program that supports the important work of community-based financial organizations. Spearheaded by the Commonwealth's Department of Community and Economic Development, the Pennsylvania Community Development Bank (PCD Bank) is an innovative program that offers valuable capital to CDFIs, which in turn lend

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Message from the Community Affairs Officer

The Community Reinvestment Act (CRA) and the Home Mortgage Disclosure Act (HMDA) are widely credited for increasing the supply of affordable housing for low- and moderate-income families and communities, particularly in the last 10 years. However, in the 1970s and early 1980s, the federal government financed housing for the neediest people—the poorest of the poor. HUD did so by promising private owners it would provide subsidies for 15 plus years on certain rental units if these units were affordable to very low-income households.

Unfortunately, it was apparent by the early 1990s that in some instances, the HUD subsidies provided income streams well above market rents in the same communities. Understandably, Congress stopped approving project-based Section 8 contracts and started searching for a better solution. But with every passing month, thousands of affordable rental units across the country are lost as owners choose not to renew their contracts with HUD. Approximately 800,000 such units across the country are at risk. Some estimates show that 7500 units per month could be lost because of expiring affordability controls.

Although the problem is a difficult one, a number of national entities are helping to solve it. In the Summer/Fall 1999 issue of *Cascade*, we highlighted the Community Development Trust, an affiliate of the Local Initiative Support Corporation; in this issue we feature the National Housing Development Corporation. We are rooting for them to succeed. It would be unfortunate to have more affordable rental units lost through the expiration of Section 8 than the federal low-income tax credit program has generated since 1986.

After months of legislative discussions, a new era has arrived for the financial services industry. The first provisions of the Gramm-Leach-Bliley Act (GLBA) went into effect on March 13, 2000, when bank holding companies could declare their intentions to form a financial holding company. Nationally, as of that date, 117 bank holding companies and foreign banking organizations chose this election, including four in the Third Federal Reserve District.

But a number of questions will remain unanswered until the regulations implementing GLBA are written. In his article on financial services modernization, Don James, Community Development Advisor at the Philadelphia Fed, outlines the information we have to date, particularly as it relates to CRA. We will keep you apprised as information becomes available.

Dede Myers

Preserving Affordable Housing *...continued from page 1*

The National Housing Development Corporation (NHDC) has been created to respond to this need. It is the first national intermediary of this type to emerge from the West Coast, growing out of Southern California Housing Development Corporation (SoCal Housing). SoCal Housing is a nonprofit, vertically integrated, affordable housing company with a net worth of $130 million. It has completed more than 20 projects with and has acted as technical advisor to the Resolution Trust Corporation and the Federal Deposit Insurance Corporation. It is led by Executive Director Jeff Burum.

NHDC's mission is to improve the quality of life for low-income families through acquisition and preservation of our nation's affordable housing stock. NHDC will partner with other not-for-profit preservation efforts and will compete aggressively with the private sector to purchase large portfolios of these properties, restructure them financially, and sell them at cost to local nonprofits. Under nonprofit ownership, affordability can be maintained in perpetuity. NHDC's goal is to help preserve a significant portion of the nation's at-risk properties, with an initial target of acquiring 60,000 units in three years.

Congress has recognized the need and endorsed the NHDC model. Two million dollars have been earmarked in the 1999-2000 budget for NHDC's seed capital. In addition, a national foundation has approved a seed grant for the first two years of operation.

NHDC's United National Preservation Trust

NHDC's program, also called the United National Preservation Trust, will negotiate directly with portfolio owners for properties anywhere in the country. The program

is designed as a large-scale acquisition/warehouse facility that will purchase larger portfolios of at-risk affordable housing properties, concentrating on those that are beyond the reach of local nonprofits, either for financial or for geographic reasons. NHDC will then reposition and stabilize the properties and finally disaggregate and sell off individual properties at cost to qualified local nonprofit organizations.

NHDC's holding period (estimated between 12 to 36 months) will enable local nonprofits to assemble the necessary resources (tax credits, HOME funds, and local subsidies) to purchase the properties and prepare to assume property-management functions. NHDC will retain a limited asset-management oversight role, retaining the ability to correct any future problems that might arise.

NHDC has developed its program based on the concept of "harmonious differentiation" through which NHDC will work with and complement housing, community development, and preservation efforts of other national intermediaries. Properties acquired by NHDC will be available for purchase by qualified affiliates of the Neighborhood Reinvestment Corporation, Local Initiatives Support Corporation, the Enterprise Foundation, National Association of Housing Partnerships, National Affordable Housing Preservation Associates, and others. (See page 4 for further information on complementary initiatives operated by these organizations.)

NHDC will also work closely with the National Council of State Housing Agencies (NCSHA) and its members at the state level.

NHDC's Target Markets

In addition to the large number of existing low-income rental housing units immediately at risk of loss as a result of market-rate conversion, other preservation targets for NHDC will include older subsidy-dependent properties, conventional affordable apartments owned by REITs, low-income-housing tax credit properties reaching lock-in expiration, and very large-scale neighborhood revitalization projects that are beyond the reach of local nonprofits' capacity.

NHDC's Acquisition and Financing Plan

NHDC will focus on properties that can be underwritten, purchased, and preserved under a "renewed affordability" paradigm, in which a combination of a reasonable acquisition price and value added through financial and operational restructuring, below-market financing, tax credits, local subsidies, and nonprofit ownership can achieve permanent affordability independent of future federal subsidies.

Once up and running, NHDC will earn income from transaction fees, special preservation funds, cash flows from acquired properties, transfer fees to local nonprofits (based on a limited cost-reimbursement formula), and asset management fees. NHDC's projections indicate that it will achieve self-sufficiency in four years, based on an aggressive acquisition strategy.

NHDC's financial projections show that to reach self-sufficiency, $5 million in seed capital is needed (of which $2 million has been provided by Congress). NHDC is in the process of raising the remaining seed capital from financial institutions, foundations, corporations, and future congressional appropriations.

NHDC is also obtaining commitments for an initial project financing. Potential sources include banks, insurance companies, and foundation program-related investments. The goal is to achieve a blended below-market rate for these funds.

A CRA Investment Opportunity

NHDC plans an investment fund where participating financial institutions may receive CRA investment credit via acquisition (and subsequent disposition) of existing affordable housing at risk of market conversion. Acquisitions will be structured via a shared-risk equity pool LLC in which NHDC will be the managing member and participating financial institutions will be the equity investors and members. Investments are targeted for $5 million increments, although smaller investments will be considered. The fund will make every effort to target its acquisitions to match the investors' service areas, broadly defined as states and regions where investors do business. However, for NHDC to have the flexibility to respond to areas of greatest need, 25 percent of the funds will be reserved for use in any location.

As soon as properties are repositioned and stabilized and the qualified local nonprofit is in place, NHDC will sell or transfer the property to the qualified local nonprofit. At that time, investors' equity capital will be repaid. As an alternative, and at each individual investor's discretion, equity capital returned can be recycled as a new capital contribution to acquire future properties on the same basis. If there is no other viable affordability-oriented transaction, as a last resort the property can be sold at market value.

For additional information on NHDC, contact Jeff Burum, Executive Director, National Housing Development Corporation, 8265 Aspen Street, Rancho Cucamonga, CA 91730; 909- 291-4100, or jburum@nhdc.org. Or visit NHDC's web site at www.nhdc.org.

**Kathy Kenny and John Trauth are organizational planning and development consultants, specializing in the startup of large-scale initiatives in affordable housing and community development. They are currently assisting the National Housing Development Corporation through its start-up phase.*

Other National Affordable Housing Preservation Efforts

Community Development Trust, Inc.

The Community Development Trust (CDT) is a for-profit real estate investment trust (REIT) created in 1998 by the **Local Initiatives Support Corporation (LISC)**, a national community development intermediary. CDT acquires long-term fixed-rate mortgages collateralized by affordable multifamily housing and other community development assets. CDT also invests equity in community development projects that meet CRA requirements. As a REIT, CDT can offer current owners of affordable housing a tax-deferred exchange that benefits property owners who have exhausted their tax benefits.

For further information, contact Judd S. Levy, President and CEO at 212-271-5099, or jlevy@commdevtrust.com. (For more details about CDT, see the Summer/Fall 1999 issue of *Cascade*.)

National Affordable Housing Preservation Associates

National Affordable Housing Preservation Associates (NAHPA) is a national nonprofit that promotes the preservation of affordable multifamily housing in rural areas and small towns. NAHPA is currently completing acquisitions in Illinois and Vermont, with a goal of acquiring 3000 units over the next three years. USDA Rural Housing Service has affirmed a financing model for preservation properties to attract the participation of private lenders. NAHPA is now looking to build an organization and to establish partnerships with local and regional nonprofit organizations and housing authorities interested in acquiring and/or managing multifamily properties in rural areas.

For further information, contact Muriel Watkins, Executive Director, at 202-467-8544, or murielwatkins@hotmail.com.

National Association of Housing Partnerships' Housing Partnership Development Fund

The National Association of Housing Partnerships (NAHP) is composed of 60 regional nonprofit housing organizations in 32 states. NAHP's new affiliate, the nonprofit Housing Partnership Development Fund, will provide a loan facility for use by NAHP members, primarily for purchase of portfolios of HUD-assisted properties. The fund will offer technical assistance with the financing needed for predevelopment costs. The fund has received CDFI designation, so that bank investors can receive CRA credit and cash awards. To date, $1 million in investment has been raised; the goal is $3 million.

For further information, contact Kathy Farrell at 617-720-1999, ext. 204, or farrell@nahp.net.

Neighborhood Capital Corporation (NCC)

The Neighborhood Capital Corporation (NCC) was formed in January 2000 by members of the Multi-Family Housing Initiative of the **Neighborhood Reinvestment Corporation** (NR). The NCC membership, made up of the multifamily organizations in the NeighborWorks Network, owns and operates 15,000 units of multifamily housing. NCC's primary function will be aggregating capital for the timely acquisition of affordable multifamily housing for its member organizations. NCC intends to work with other organizations. NCC's board has started the executive search process.

For further information, contact Bill Sullivan, Rocky Mountain Mutual Housing Association, Inc., 1550 Park Avenue, Denver, CO 80218; 303-863-8651, ext. 211; or sullivanb@rmmha.com.

NHT Enterprise Preservation Corporation

National Housing Trust is a nonprofit intermediary located in Washington, D.C. The trust, founded in 1986, is dedicated to the preservation of existing multifamily affordable housing. In 1999, the Trust and the Enterprise Foundation launched the NHT Enterprise Preservation Corporation, which will purchase real estate from owners of multifamily housing, primarily targeting markets where there is insufficient local nonprofit capacity or interest to efficiently complete a transaction. This new nonprofit entity plans to acquire 5000 apartments over the next five years. In general, NHT/Enterprise plans to focus its activities in the mid-Atlantic area, the South, and the Midwest.

For further information, contact Scott Kline, Vice President for Acquisitions, at 202-333-8931 or skline@nhtinc.org. Or visit NHT's website at www.nhtinc.org.

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it to worthy business owners and community developers in their respective regions.

The Commonwealth believes that every disadvantaged community should have access to the services of a community lending institution. The state recognizes that CDFIs play an important role in providing critical financial resources to low- and moderate-income communities and in molding the financial acumen of small businesses and community development groups.

First State Program

Pennsylvania's program is distinct because it is the first state-based program designed for CDFIs, and the $17,750,000 allocated for funding is the largest amount of public funds earmarked by any state for the CDFI industry. The state's budget proposal for 2000-01 recommends an increase in funding to $18,500,000. Additionally, the program leverages valuable private-sector capital, which significantly expands the Commonwealth's resources. This initiative builds on Governor Ridge's congressional work that created innovative financing techniques for community development, including the Section 108 program, the Bank Enterprise Act, and the creation of CDFIs.

Cash Flow and Capacity

The program offers two important elements designed to help CDFIs with cash flow and capacity building. One feature is a $29,000,000 loan fund for qualified CDFIs, made up of $10,000,000 in public dollars, with the remaining obtained from private-sector funds. The other aspect of the program is $7,750,000 allocated for grants to support organizational development costs and technical assistance funding for qualified groups. In conjunction with the National Community Capital Association, PCD Bank has designed a special training program for selected start-up and emerging community financial institutions.

An important objective of the initiative is to expand CDFI coverage into low-income regions not currently served by a community-lending group. In addition, the state anticipates that the lenders will develop an "informal network" of CDFIs to share constructive experiences with one another as they grow and mature. Currently, there are 18 federally certified CDFIs in Pennsylvania. Another dozen organizations are in the process of applying for certification at the federal level. (Federal certification is a requirement for borrowing PCD Bank loan funds.)

Local Decision-Making

A special characteristic of PCD Bank is "limited intervention" in local decision-making. The Commonwealth believes that many CDFIs have proven their effectiveness not only in meeting the needs of their clients but also in sustaining a high level of organizational performance. Therefore, when a CDFI receives state accreditation, decisions for all loan approvals and portfolio management remain with the CDFI at the local level. PCD Bank does not assess individual transactions made by the CDFI.

The program provides a credit facility to eligible CDFIs that demonstrate consistent success in portfolio management, financial performance, and staff capacity. Once approved, the CDFI obtains a customized credit agreement that stipulates terms and conditions for periodic advancement of funds.

As of this writing, four groups have been approved for state accreditation: The Community Loan Fund of Southwestern PA (Pittsburgh), The Progress Fund (Hollidaysburg), The Reinvestment Fund (Philadelphia), and The Washington County Council on Economic Development (Washington, PA). The Reinvestment Fund is the first group to receive a $2,000,000 credit facility under the loan fund. In addition, more than 20 groups have received grants totaling $2.9 million. Grants are

Enna, Inc., a company that designs and manufactures plus-size women's clothing, was founded by Roslyn "Enna" Smith (left) and Goldie Brown. A small-business loan from The Reinvestment Fund enabled this West Philadelphia company to remain competitive.

available for start-up costs, expansion funds for existing CDFIs, and technical assistance funds to develop borrower capacity. Eleven of the groups are early-stage organizations that benefit from the grant program and take part in an exclusive multi-year training curriculum.

Private-Sector Capital

Over $19 million in private-sector capital has been committed to the loan fund by PNC Bank, Mellon Bank, Chase Manhattan Bank, National City Bank, First Union, Sovereign Bank, National Penn Bank, Allfirst Bank, Parkvale Savings Bank, and Mechanics Savings Bank. Plans are to raise an additional $10-20 million from the private sector for use in the loan fund. PCD Bank pays private-sector investors a market rate of return for their funds; participants enter the program as a member of the loan fund or as a direct investor. A minimum level of $250,000 is required, and PCD Bank allows for geographically targeted participation for the loan fund.

The PCD Bank program is administered through the Pennsylvania Economic Development Financing Authority (PEDFA), which established an Operational Committee of its Board to monitor operations, approve loans and grants, and report program performance to its Board and participating financial

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partners. (PCD Bank is not a chartered bank.)

There are many people to thank for the development of PCD Bank. In particular, Jeremy Nowak, executive director of The Reinvestment Fund, and Mark Pinsky, executive director of National Community Capital Association, as well as numerous bankers, were extremely helpful in advising the Commonwealth on how to design and structure PCD Bank.

The Commonwealth plans to expand the program to additional qualified CDFIs that can target critical financial resources toward revitalization in distressed neighborhoods. Pennsylvanians will be well served by this creative public/private partnership.

For further information on the program, please contact PEDFA at 717-783-1108.

**Joan Brodhead, president, Brodhead Consulting, is a project consultant to the Pennsylvania Community Development Bank.*

Planning Process for Pennsylvania Brownfields Fund Is Under Way

*By Jennifer Burke**

Financial Resources for the Environment (FRE), previously profiled in *Cascade*'s Summer/Fall 1999 edition as the Financing Initiative for Environmental Restoration (FIER), is the effort to create a new source of financing for the cleanup and redevelopment of brownfields and other environmentally impaired lands in Pennsylvania. FRE was launched at a kick-off meeting on December 3, 1999, in Harrisburg, Pennsylvania. Presiding over the activities were co-chairs James J. Lynch, chairman and CEO, Summit Bank/Pennsylvania, and William F. Hecht, chairman, president, and CEO, Pennsylvania Power and Light Resources. Speakers included Department of Environmental Protection Secretary James Seif, Department of Community and Economic Development Secretary Samuel McCullough, Department of Banking Secretary David Zuern, and Federal Reserve Bank of Philadelphia Vice President Dede Myers. Also in attendance were approximately 50 people representing banks, corporations, public agencies, regulatory agencies, and community groups.

The program will be designed through a collaborative process to create a multi-million dollar private-sector financing vehicle to clean up and redevelop brownfields that conventional sources do not currently reach. This effort will result in many significant economic, social, health, and environmental benefits. The Phoenix Land Recycling Company, a Pennsylvania nonprofit organization specializing in environmental issues, and The Development Fund, a California nonprofit with a national record of accomplishment in creating lending consortia for community development purposes, are directing the FRE project. The Pennsylvania Department of Environmental Protection and the William Penn Foundation have pledged major funding for the planning process, with additional financial support from local sources.

At the first task force meeting held on February 8, 2000, three committees were formed to (1) develop a mission statement; (2) assess the need for this type of financing in the Commonwealth; and (3) consider and recommend an organizational structure for the entity to be created.

At the second task force meeting on March 21, 2000, participants decided to refine the mission statement further to include brownfields that may be located outside of urban low- and moderate-income communities.

The needs assessment committee reported on several sampling surveys that have been prepared to determine the supply and demand for brownfields financing. On the supply side, surveys will be conducted of financial institutions, local CDFIs, and public sources, as well as pension funds and insurance companies that provide limited brownfields financing. On the demand side, surveys will be sent to municipalities, owners and operators of small businesses, and real estate developers to determine their unmet needs.

The results of these sampling surveys (not designed to be comprehensive) will inform the design and creation of the financing products ultimately to be offered by FRE.

The organizational structure committee suggested that the likely legal structure of the financing vehicle would be an independent, for-profit entity, in the form of a Pennsylvania limited liability company (LLC). Final recommendation was deferred until more needs assessment has been conducted as well as more discussion on capital structure and governance issues. These standing committees will make further reports as needed. Additional committees will be created and dissolved, as needed, throughout the creation process.

The next task force meeting will be held on May 12, 2000, at the Pennsylvania Department of Environmental Protection building in Harrisburg. For further information about FRE or its upcoming meetings, please contact either Keith Welks of Phoenix Land Recycling, at 717-230-9700, or Sid Johnston or Jennifer Burke of The Development Fund, at 415-981-1070, ext. 12 or 17, respectively.

**Jennifer Burke is program manager for The Development Fund, San Francisco, California.*

ABC Creates Lease to Purchase Initiative

*By Ed Pawlowski**

Because of the dramatic rise in house prices during the 1980s, a large number of low- and moderate-income families in many Lehigh Valley communities have been unable to purchase homes. The current economic boom is escalating this trend, making affordable housing for low- and moderate-income families even harder to come by. This lack of affordable housing has pushed the Lehigh Valley's home-ownership rate below the state and regional average.

Debt is one of the major obstacles preventing low-income families from owning their own homes. To address this issue, the Alliance for Building Communities (ABC) has created a unique **lease to purchase** initiative, which allows low-income families the opportunity to buy a house and clean their credit record at the same time. To date, ABC has placed five families in their own homes. These families' monthly payments (including principal, interest, taxes, and insurance) are lower than what they were paying in rent. Over the next year, ABC hopes to place 20 additional low- and very low-income families into homes through this program.

ABC's **lease to purchase** initiative is designed to provide low- and very low-income residents who have minor debts an opportunity to secure a piece of the American dream and become home owners.

To participate in the program, families must make a commitment to attend monthly counseling sessions with ABC's housing counselor, adhere to a strict financial budget, deposit at least $50 a month into an escrow account for closing costs, and repay at least $50 a month toward their debts. If an applicant family is willing to agree to these stringent guidelines and can develop a realistic plan to pay off its debts in 12 months, ABC will allow the family to participate in the program. All applicants are then reviewed by ABC's lease/purchase review committee, composed of representatives from the area's major banks. Applicants selected by the committee then sign an agreement of sale for the house they are going to buy, but the agreement is contingent on their successful completion of the program.

Requirements for entering the program include:

- Current debt (collection accounts, profit and loss write-offs, judgments, liens, and so forth) must not exceed $2500. Payment arrangements must be made prior to acceptance into the lease/purchase program. The payment plan will be structured so that all debts are paid by the end of the lease period. Monthly receipts must be provided to ABC's director of housing counseling to prove that monthly payments are being made as agreed.
- Applicants must be willing to attend monthly counseling sessions with a housing counselor until the lease period expires. Counseling will cover areas such as budgets, preparation for home ownership, pre-purchase counseling, credit counseling, how to obtain a mortgage, and the closing process.
- The lease period will run for three months to one year.
- Applicants who went through a bankruptcy must provide a copy of the legal paperwork demonstrating that the discharge was one-and-a-half years prior to application for a house.
- The lease payment must cover principal, interest, taxes, and insurance.
- Applicants must obtain renter's insurance while leasing the property.

ABC believes that intensive, one-on-one housing counseling must be provided if low-income families are to become successful home owners. ABC employs two full-time housing counselors who work with each family participating in the organization's home-ownership program. The counselors provide detailed instruction in budgeting and the purchasing process and offer guidance about the future maintenance and upkeep of their new home. ABC's housing counselors also assume the role of case managers, monitoring the loan process for the applicant and in many cases helping to usher the family's application through the loan underwriting process of the area's larger banks.

Sandy Harvey stands in front of the house she bought through ABC's lease to purchase program. In April, this program won a Maxwell Award from Fannie Mae.

In addition, ABC's counselors provide participating families with post-purchase counseling to reduce the risk of default and guide families during the first year of ownership. To achieve this, ABC uses a carrot-and-stick approach, taking $100 at closing and returning $25 each time a family comes for its quarterly counseling session. Although the program has existed only a short time, it has proved successful in monitoring the progress of program participants and moving low- and very low-income families into their own homes.

Funding for Program

ABC's **lease to purchase** initiative combines a variety of public and private financial resources, subsidies, loans, and grants to complete the acquisition and rehabilitation of houses in the program.

Recently, ABC was awarded a grant of $375,000 ($75,000 a year for

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the next five years) from the Century Fund, a local foundation, toward the payment of interest on a line of credit to expand this lease/purchase program throughout the center city area of Allentown. ABC has secured $1.1 million in lines of credit from First Union and Summit banks. These lines will be used to provide the capital needed to acquire and lease homes to first-time low- and moderate-income home buyers. The loans are structured so that $45,000 of the Century Fund's grant will be deposited into an account at First Union and $30,000 will be deposited at Summit Bank. These deposits will be used to pay the monthly interest charges on the capital funds used for the program. These credit lines provide interest-free capital to ABC and will be repaid upon the sale of the houses to a qualified low- or moderate-income home buyer. With these funds, ABC is greatly increasing its ability to expand its lease/purchase program from five to 20 houses a year.

In addition, ABC has secured an $84,000 Affordable Housing Program grant from the Federal Home Loan Bank of Atlanta through First Union and $50,000 from the Lehigh County Affordable Housing Trust Fund to complete minor renovations on houses acquired for this program.

Results and Success of the Program

Eleanore, a single mother, previously lived in HUD Section 8 housing. Having grown up an orphan, she always dreamed of someday owning her own home, but her credit record made her unable to qualify for a mortgage. After several meetings with Eleanore, ABC staff realized that with a little help, she would eventually qualify for home ownership. Eleanore agreed to enter into a lease/purchase program with ABC. After several months of credit and budget counseling, she was ready to buy a house. Eleanore is now a successful home owner. She has repaired and re-established her credit and now knows how to handle her budget and debts. She also pays less to own her home than she paid as a renter, and she has an asset she can pass on to her children.

Like Eleanore, almost every American dreams of someday owning his or her own home. But for many families, home ownership is a dream that's out of reach. Yet with a little help, other low- and moderate-income families like Eleanore's can see that dream become a reality.

Through ABC's lease to purchase program, four other families have become home owners over the past 16 months. ABC hopes that with its new interest-free financing in place, 100 or more low-income families over the next five years will experience this dream and become part of the increasing number of Americans who own their own homes.

**Ed Pawlowski is executive director of Alliance for Building Communities, 830 Hamilton Mall, Allentown, PA 18101; 610-439-7007.*

NJEDA Builds Partnerships to Assist Women Entrepreneurs

*By Caren S. Franzini**

The growing economy and the age of new technology have spawned a new generation of business owners in New Jersey. A growing number of women are taking advantage of New Jersey's new economic opportunities. Recognizing that these entrepreneurs are important to New Jersey's continued economic success, the New Jersey Economic Development Authority (NJEDA) and the New Jersey Development Authority for Small Businesses, Minorities' and Women's Enterprises (NJDA) are partnering with a number of banks to assist these new and expanding businesses. The NJEDA is committed to ensuring that these new women entrepreneurs have the tools they need for business success. It offers a host of programs that address a broad spectrum: from women just thinking of starting their own businesses to those running established businesses in mature industries. The NJEDA has made assistance to women entrepreneurs a top priority.

For those just getting started in developing a business, the New Jersey Development Authority for Small Businesses, Minorities' and Women's Enterprises (NJDA) offers training and mentoring programs, as well as financial assistance for these new entrepreneurs. The programs of the NJDA are managed by the New Jersey Economic Development Authority. The NJDA provides loans ranging from $20,000 to $100,000, and bank loan guarantees can be made for fixed assets such as real estate, including renovations and construction, equipment, and working capital. The NJDA has made great strides in lending its support to women-owned businesses through a number of programs.

One of the premier programs offered by the NJDA is the Entrepreneurial Training Institute (ETI), enabling new and aspiring entrepreneurs to learn how to develop a business plan to run their businesses. The three components ETI offers are the right ingredients for success: training, networking, and financing opportunities. Once participants have completed the eight-week program and a business plan, they are eligible to apply for financing from banks and a revolving loan established by NJDA specifically for ETI graduates. The success of ETI is based on the commitment of many bank lenders and economic development professionals who teach the course and serve as facilitators. ETI is offered at 10 sites throughout the state twice a year.

In February, Theresa McNichol was approved for funding to start

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Gramm-Leach-Bliley Act Signed Into Law

*By Donald W. James**

On November 12, 1999, President Clinton signed into law financial modernization legislation known as the Gramm-Leach-Bliley Act (GLBA). Much has already been written about this law, which will bring sweeping changes to the financial services industry. This article will focus on the provisions in GLBA that are of primary interest to *Cascade* readers and will place special emphasis on the sections that deal with the Community Reinvestment Act (CRA).

Title I: Facilitating Affiliation Among Banks, Securities Firms, and Insurance Companies

GLBA's Title I, which became effective on March 11, 2000, repealed sections 20 and 32 of the Glass-Steagall Act. These sections prohibited **banks** from having as an affiliate those companies that engage principally in the issue, underwriting, sale, or distribution of securities. GLBA also amended the Bank Holding Company Act to authorize **bank holding companies** that qualify as financial holding companies to engage in securities, insurance, and other activities that are financial in nature. To become a **financial holding company**, a bank holding company must file a declaration with the Federal Reserve Board (Board) certifying that all of its insured depository institution subsidiaries (e.g., banks and thrifts) are well capitalized and well managed. In addition, as of the date that the company files the declaration with the Board, all of its depository institutions must have achieved at least a "satisfactory" rating in their last CRA examination.

Having satisfied the criteria, a **financial holding company** could take advantage of the new powers and ability to affiliate under GLBA without seeking the Board's approval and to make a specific nonbanking acquisition (e.g., an insurance company) or to engage in new nonbanking activities. If any of a holding company's insured depository institution subsidiaries receive a CRA rating of less than "satisfactory" *after* the company becomes a financial holding company, the holding company cannot acquire any additional companies engaged in the new financial activities or engage in any additional financial activities until the subsidiary receives a "satisfactory" or better rating. The financial holding company would not be prohibited from making acquisitions or engaging in activities it had engaged in as a banking holding company. So, the penalty for a bad CRA rating may not be as onerous as it appears on the surface.

Finally, the insurance and securities firms that can now merge with banks are not covered by CRA, and a concern exists that CRA-regulated companies will move financial assets to noncovered affiliates to reduce their CRA obligations.

Title V: Privacy

Consumer privacy was one of the most hotly debated issues in the final bill. GLBA requires that all financial institutions tell customers initially and *annually* about policies and procedures for protecting and disclosing "nonpublic personal information" of customers as well as people who are no longer customers. Only the financial information of consumers (*not* business customers) is covered by GLBA. Moreover, the privacy provisions apply only to sharing information with third parties and do not restrict sharing information between affiliates. Thus, financial institutions will continue to be able to share customer information with their affiliates without obtaining the permission of the customers. Customers are only given the opportunity to "opt out" of having their nonpublic information shared with unaffiliated third parties. For example, a bank that owns a credit card company may continue to share its customer information with that company but not with an unrelated company if the customer elects to opt out. However, under GLBA, state laws that provide greater protection of privacy preempt this law unless they are inconsistent with it.

Furthermore, the regulatory agencies must issue final rules by May 12, 2000, and all financial institutions must begin complying with the disclosure and opt-out requirements by November 13, 2000.

What constitutes a financial institution? Under Section 509 of Title V, the term financial institution means "any institution the business of which is engaging in financial activities." In addition to banks, all finance companies, insurance agencies, and securities brokers are covered, whether or not they have bank affiliates.

Finally, Section 521 for the first time makes it a *federal* crime to obtain or attempt to obtain, or cause to be disclosed, information about a financial institution's customers through fraudulent or deceptive means. Thus, consumers were given added protection against identity theft.

Title VII: Other Provisions

ATM Fee Reform. GLBA requires operators of ATMs that impose a fee for use by noncustomers to post a notice on the machine and on the screen that a fee will be charged and the amount of the fee. The notice must be posted before the consumer is irrevocably committed to completing the transaction. This disclosure is already required by ATM network operating rules.

Community Reinvestment. *Sunshine Requirement.* GLBA requires the public disclosure of all written agreements between insured depository institutions and a nongovernmental entity or person (e.g., a community group) that are made in fulfillment of the CRA and that involve payments in excess of $10,000 in any year or loans in excess of $50,000 in any year. Also, the

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parties to a CRA agreement must report annually to the primary regulator of the bank on how the proceeds are spent, although the community group may instead transmit the report to the depository institution. These disclosure and reporting requirements do not apply to an agreement between a bank and a party that does not discuss the CRA with the bank or comment to any federal agency regarding the CRA performance of the bank. The publication requirement applies to all CRA agreements entered into **after** the effective date of GLBA, which was November 12, 1999, and the annual reporting requirement becomes effective for all agreements entered into **after** May 12, 2000.

Several points in this section of the law are worthy of note. First, what constitutes a covered written agreement? Second, the "accounting" of the use of funds required of the community group in the annual report "shall include a detailed, itemized list of the uses to which such funds have been made." What expenses can be lumped together and what expenses have to be accounted for individually? Third, this section contains penalties for community groups, but not for banks, for noncompliance. As mentioned earlier, each federal banking agency must write regulations designed to ensure compliance with the requirements of this section.

Small Bank Regulatory Relief. GLBA institutes a revised examination schedule for banks with less than $250 million in assets. The final legislation extends the time between routine examinations for banks with "outstanding" CRA ratings to once every five years, and to once every four years for banks with "satisfactory" CRA ratings. However, examinations would be more frequent if a bank wanted to merge, and regulators still retain the authority to examine at any time for reasonable cause.

Federal Reserve Study of CRA Lending. GLBA requires the Board of Governors to conduct a comprehensive study of the CRA focusing on "default rates, delinquency rates, and the profitability of loans made in conformity" with the CRA. The deadline for the report was March 15, 2000, and the report and nonconfidential supporting data were to be made public at the same time. The Board sent a comprehensive survey to the 500 largest retail banking institutions during the week of January 24, 2000, and requested its return by March 1, 2000. Results are not expected until May.

Responsiveness to Community Needs for Financial Services. GLBA requires the Secretary of the Treasury to conduct a study of *the impact of GLBA* on the availability of services under the CRA, including services in low- and moderate-income neighborhoods and for people of modest means. The Secretary of the Treasury must submit a "baseline report" to Congress by March 15, 2000, and a complete report by November 12, 2001.

Microenterprise Technical Assistance and Capacity Building Program. GLBA requires the Small Business Administration (SBA) to establish a microenterprise technical assistance and capacity building grant program to make grants to qualified organizations. Qualified organizations, such as a nonprofit microenterprise development organization, would use the grants to provide, among other things, training and technical assistance to disadvantaged entrepreneurs. GLBA authorized $15 million for this program for each fiscal year from 2000 through 2003.

Study and Report on Adapting Existing Legislative Requirements to Online Banking and Lending. GLBA requires the federal banking agencies to conduct a study of banking regulations regarding the delivery of financial services and to report, by November 12, 2001, their recommendations on adapting existing requirements to online banking and lending.

**Don James is a community development advisor in the Community and Consumer Affairs Department of the Philadelphia Fed.*

Community Profiles for Lenders Now Available on Our Web Site (www.phil.frb.org):

Altoona MSA, PA
Clearfield County, PA
Delaware
Johnstown MSA, PA
Trenton MSA, NJ
Vineland-Millville-Bridgeton MSA, NJ

Coming Soon:
New Jersey Counties of the Philadelphia MSA
(Burlington, Camden, Gloucester, and Salem counties)

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up her new business with the help of NJDA through the entrepreneurial training program. McNichol, owner of Jen Associates, a consulting firm specializing in program design related to diversity for small and mid-size museums, has been approved for a $20,000 low-interest loan through Columbia Savings Bank to provide the working capital needed to start up her business. Robert Thompson, regional commercial lending officer of Columbia Savings Bank, explained that McNichol made an excellent presentation of her business plan before the ETI panel on which he participated. "In addition, she had a number of years of experience in the museum business," said Thompson. "It's a win-win for Columbia Savings and Ms. McNichol," he added. Thompson has been participating in the ETI program for the past two years and considers the program an excellent way to work with aspiring entrepreneurs to help them achieve their goals and dreams.

Lori Konecsny-Miceli of Lori K. Mechanical, Inc. is one of several women entrepreneurs who got help with business plans and financing from the New Jersey Economic Development Authority's program. (Photo courtesy of New Jersey Economic Development Authority)

Another ETI graduate, Judith Politano, owner of Pitter Patter Inc., located in Middletown, recently received a $75,000 low-interest loan through First Washington State Bank. Pitter Patter Inc. provides quality child care for children six weeks to six years old, in a clean, safe, and healthy environment. Politano will use the financing to help purchase an existing building to accommodate 60 to 75 children. "Ms. Politano is a really determined individual," said Betty Solewater, vice president of commercial lending, First Washington State Bank. "She selected an excellent location to market her child care services." In addition, Solewater pointed out, Politano had previous experience in child care. Solewater describes the ETI program as an excellent way for aspiring entrepreneurs to develop a sound business plan. Solewater met Politano as a facilitator through the program.

Lori Konecsny-Miceli also attended ETI for assistance on developing her business plan. With her Vincentown-based business steadily growing, Konecsny-Miceli, owner of Lori K. Mechanical, Inc., a plumbing business, realized she needed to purchase additional equipment. Upon graduation from ETI, Konecsny-Miceli had a completed business plan to help her run her business and obtain financing. Her business was introduced to the Trenton Business Assistance Corporation (TBAC) by the director of the Burlington County High Tech Incubator, where the ETI classes were held. A working relationship with ETI, TBAC, and the incubator helped connect her to financing from TBAC. Konecsny-Miceli received a $25,000 loan from TBAC for Lori K. Mechanical, Inc. to purchase equipment and for working capital to expand the plumbing business. TBAC, a nonprofit organization, fosters business formation and expansion in Burlington, Hunterdon, and Mercer counties. The organization offers several financing programs for area businesses that may be unable to obtain conventional bank financing.

To ensure that these businesses grow and prosper in New Jersey, the NJDA is working to implement the Business Mentoring program to provide guidance on day-to-day operations. The program will consist of resource networks and technical assistance services that will be offered through managing agencies.

In addition to entrepreneurial training and a mentoring program, NJDA also provides loans and loan guarantees to entrepreneurs throughout New Jersey. Elsa Hernandez, president of Elsa's Hair Studio, a full-service hair salon and barber shop located in Atlantic City, received an $80,000 low-interest loan through NJDA. NJDA's financial assistance enabled Hernandez to relocate and expand her business into the Renaissance Shopping Center in Atlantic City.

"The NJDA's relationship with banks, micro lenders and community organizations continues to grow and remain a vital part of the ETI program," said Greg Williams, NJDA chairman. "This program helps foster relationships between entrepreneurs and the banks and other funding organizations that may help them pursue their ambitions," he said.

While NJDA assists smaller businesses, NJEDA helps businesses that have larger funding needs. NJEDA provides loans and loan guarantees to businesses needing financing from $50,000 to $3 million and bond financing for project costs in excess of $750,000.

In an effort to make it easier for small and mid-size women-owned businesses to borrow money, the NJEDA is continuing its effort to build on its relationships with area lenders to enhance its statewide Loan Pool program. Currently, there are more than 75 banks participating in the program. The program provides financing from $50,000 to $3 million for small and mid-size businesses and not-for-profit groups. The NJEDA can lend up to

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$250,000 directly at below-market rate and can guarantee up to 30 percent of the bank share.

Through the Loan Pool program, NJEDA partnered with Fleet Bank to help Joan C. Gravitz, owner of Cedar Bridge Nurseries and Greenhouses, Inc., in Egg Harbor City, obtain financing to expand and renovate an existing facility. Fleet Bank agreed to provide the financing for the project with a 25 percent participation from NJEDA. Of the $440,000 loan, NJEDA provided $110,000 with the balance provided by Fleet Bank. "By participating in a loan with a bank, the NJEDA reduces bank risk and makes lending to small and mid-size businesses in New Jersey more attractive," said Anthony R. Coscia, NJEDA chairman. "This is a win-win situation for everyone: the business gets the money it needs to expand, the bank has a stronger credit, and the state gets a growing economic base from the new jobs and ratables that are created, enabling banks to make business loans."

The Bond Financing program is a good financing tool for manufacturers needing at least a $1 million loan. The NJEDA issues bonds for long-term loans at attractive, below-market interest rates for real estate acquisitions, equipment, machinery, building construction, and renovations. The bonds for an individual project may be purchased directly by a bank or sold in the public marketplace. The NJEDA can provide additional credit support by guaranteeing a portion of the bond.

The Business Employment Incentive program (BEIP) is working throughout New Jersey to attract companies and encourage existing businesses to stay and expand in the state. Under the program, the NJEDA can make direct payments in the form of grants to expanding or relocating businesses that will create new jobs in New Jersey. The incentive grant, which may be for up to 10 years, will equal 10 percent to 80 percent of state income taxes withheld by the businesses for the newly hired employees.

Diane Drey, owner of Snowbird Corporation, a manufacturing company that relocated to New Jersey from Manhattan, received both a tax-exempt bond totaling $650,000 and a BEIP grant totaling more than $500,000 over 10 years. The funds from the bond will be used to purchase production equipment. The company considered relocating to College Point, New York, but the BEIP grant enticed the company to move to Jersey City. The company will create 135 jobs.

NJEDA has recently joined forces with Summit Bank in an effort to strengthen its support of minority and women business enterprises. This partnership also includes New Jersey Transit, Bell Atlantic, and the Port Authority of New York and New Jersey. These alliances plan to provide a host of support, from technical assistance to financial access, to ensure the growth and success of these businesses in the competitive marketplace. NJEDA looks forward to building on these relationships as it begins to help New Jersey's small women- and minority-owned businesses grow.

Banks interested in participating in the ETI program can contact Marion Zajac, ETI project officer, at 609-292-9279. For more information on NJDA and NJEDA business financing programs, call 609-292-1800 or visit our web site at www.njeda.com.

**Caren S. Franzini is executive director, New Jersey Economic Development Authority, and secretary, New Jersey Development Authority for Small Businesses, Minorities' and Women's Enterprises.*

Local Public Housing Authorities Selected for New Programs

*By Keith Rolland**

Public housing authorities in the state of Delaware, in Montgomery County, Pennsylvania, and in the city of Philadelphia are among a few in the country that have been selected for federal demonstration programs designed to test new ways of managing public housing and encouraging tenants' self-sufficiency.

Delaware

The Delaware State Housing Authority (DSHA) is one of 21 housing authorities selected by the U.S. Department of Housing and Urban Development (HUD) for the Moving-to-Work demonstration program. Under this program, residents in Kent and Sussex counties who live in one of 10 public housing projects or who are receiving Section 8 vouchers have a three-year limit for receiving subsidized housing assistance, with the possibility of a one-year extension. The elderly and disabled are exempt from the program.

Residents who are receiving assistance must sign a contract with DSHA and design a three-year action plan to help identify and reach goals leading to nonsubsidized housing in the rental market or to home ownership. Families agree to make progress toward each goal. DSHA, in turn, provides case managers and helps link residents with support services as well as budget and housing counseling and access to information about employment in Delaware. Under this program, DSHA is exempt from many federal housing regulations.

Susan Frank, executive director of DSHA, explained at the governor's housing conference in March that her agency became interested in the five-year demonstration program for two main reasons: DSHA has waiting lists of more than two years for public housing, and it had

experience with Family Self-Sufficiency (FSS), a predecessor DSHA program, which was voluntary. Other factors were welfare reform and declining federal funding for Section 8 housing.

The demonstration program complements the state's welfare reform program, called A Better Chance (ABC). Residents lose their housing subsidy if they receive three sanctions from either DSHA or Delaware's Division of Social Services, which operates ABC. Residents incur sanctions for actions such as quitting their jobs, failing to participate in job training/job search activities, failing to ensure that their children attend school, or failing to comply with the terms of their lease, contract of participation, or action plan. When residents reach the end of their three-year contract or when they receive "three strikes" of sanctions, they may stay in the unit but must pay market-rate rent.

Rent is capped at 35 percent of a resident's monthly adjusted income or $120, whichever is greater. As income rises, the funds that would have gone to pay rent under the old rules can be deposited by residents in a savings account at Wilmington Trust Company. (See page 16.) Residents who receive three strikes of sanctions lose any such funds saved.

Of about 950 residents to whom Moving-to-Work applies, about half had signed a contract with DSHA between the program's startup in August 1999 and early March 2000. As DSHA does its annual recertification of residents, it is placing them in the Moving-to-Work program. Thus, all will be enrolled by August 2000. The three-year limit is not triggered until residents sign the contract.

At the March conference, a number of tenant leaders expressed concerns about the availability of jobs in southern Delaware and the adequacy of wages to support housing in the open market. Some doubted that all residents would become self-sufficient in three years.

Christopher W. White, president of the Delaware Housing Coalition and managing attorney with Community Legal Aid Society, Inc., said at the conference that "tenants with few employment skills and a low level of education potentially will secure only minimum wage employment. Such a low wage will not support market rents in southern Delaware."

Although he said he was "extremely impressed" with the level of input that DSHA seeks from tenants in the continuing development and modification of the program, White said that he thought the three-year limit was flawed and that the underlying problem was the lack of affordable housing stock. Residents requiring extended stays will require more extensive services to move them to self-sufficiency, he said. White also criticized the "three strikes" rule, citing an analysis by Abt Associates, Inc., a research and consulting firm, which found ABC sanctions "are influenced by varied implementation and personal factors."

He observed that the target population (such as current and former residents of subsidized housing programs) should be involved when a program is being designed, not after the main decisions have already been made.

Montgomery County and Philadelphia, Pa.

Meanwhile, the Montgomery County Housing Authority and the Philadelphia Housing Authority are among only 12 in the nation recently chosen for a Section 8 home-ownership program. This program allows Section 8 rental subsidies to be applied toward a mortgage for up to 10 years — except for the elderly and disabled, whose subsidy is exempt from the time limit. The program is designed for first-time home owners or residents acquiring shares in a cooperative. Vouchers are portable within each authority's jurisdiction but must be used for existing housing, not new construction.

The Section 8 funds are provided monthly after closing to help meet mortgage payments and house expenses; they may not be used for down payment and closing costs. Recipients are responsible for securing their own financing. HUD anticipates that mortgage lenders will consider Section 8 assistance as a source of income.

Recipients must demonstrate sufficient income and must complete home-owner counseling sessions, which include information on how to find a house outside a low-income area. Houses that recipients select for purchase must pass two inspections: one by the local housing authority and one by an independent inspector hired and paid for by recipients. The program does not have any sale recapture provision, in case the recipient decides to sell the house. The public housing authorities will be designing additional guidelines for this new Section 8 home-ownership program.

Further information on the programs is available. For Delaware's Moving-to-Work program, call the Delaware State Housing Authority at 302-739-4263. For Montgomery County's Section 8 program, call Carol Navon, Deputy Executive Director, Montgomery County Housing Authority, at 610-275-5720, and for Philadelphia's, call the Philadelphia Housing Authority at 215-684-4000.

**Keith Rolland is a community development advisor in the Community and Consumer Affairs Department of the Philadelphia Fed.*

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Delaware Rural Housing Consortium Develops Three-Year Plan

*By Joe L. Myer**

The Delaware Rural Housing Consortium has launched an innovative approach to rural housing development through its comprehensive three-year housing development plan, which combines 11 housing projects for people in need of improved housing in Kent, Sussex, and southern New Castle counties. This plan helps households with needs all along the housing continuum: housing for very low-income families or the elderly; housing for local and migrant farmworkers; families striving for home ownership; or areas with revitalization needs. This plan works at developing affordable-housing units and empowering rural people.

The plan is the natural outgrowth of seven rural nonprofit housing corporations coming together to roll up their sleeves and make a real difference. Deciding to collaborate rather than compete, these nonprofits formed the Delaware Rural Housing Consortium in June 1997, and the result has been a high level of creativity that has exceeded all expectations. "Doing together what we cannot do alone" has been the tag line since the beginning of this model collaboration, and the outcomes seem almost limitless. First, the seven members shared grant-writing services, since most could not afford to have a grant writer on staff. Next, a video, called "More Than Bricks and Mortar," was developed to portray housing needs in rural Delaware, along with the blend of housing development that has made consortium members' projects such resounding successes.

The consortium also developed a relationship with state and local governments in an effort to influence public policy while trying to increase scarce resources for rural housing development. Thinking that seven united organizations could speak with a stronger voice, the consortium released its "Ten Ways to Increase the Supply of Affordable Rental Housing in Rural Delaware," complete with a 10-point legislative initiative after convening a working group to study the issues. These efforts were followed up by hosting a two-day Rural Housing Summit that combined a day of training on rural-housing issues for more than 50 participants and a second day touring Sussex County, Delaware, to view housing needs and successes.

Naturally, consortium members wanted to coordinate their housing-development activities. This desire led to development of a comprehensive housing development plan. Recognizing that housing development doesn't happen overnight, consortium members developed a three-year plan starting in 2000 and running through 2002. The $57,450,000 initiative will result in 202 affordable units developed (mostly apartments), 38 apartments subsidized by the rental housing annuity, and 510 families becoming first-time home buyers, for a total of 750 housing units and approximately 1875 people served. Although the bulk of the financing for the 11 projects will come from such sources as USDA's Rural Development program, the Delaware State Housing Authority, the Federal Home Loan Bank, and private mortgages, a significant gap, totaling $4,890,000, exists for such items as predevelopment expenses, construction financing, subsidy write-down on homes, home-ownership counseling, rental housing annuity, and program support.

The consortium is embarking on a funding campaign from stakeholders for this initiative and, to date, has raised about 21 percent of the gap from the following partners: grants from the Enterprise Foundation, Greenwood Trust Company, and Longwood Foundation, and construction financing from Wilmington Trust Co. and County Bank. The consortium is actively seeking financial partners to help bridge the gap and help this innovative initiative go forward. Please contact the consortium at 302-678-9400 for a copy of the plan.

The consortium's three-year housing development plan is unique because:

- This initiative represents the largest rural housing effort in

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Elizabeth Cornish Landing apartments, developed by consortium member Delmarva Rural Ministries, Inc., house seasonal and migrant farmworkers. (Photo courtesy of Delaware Rural Housing Consortium)

Williamsburg Manor, an apartment complex for the elderly, was developed by consortium member Better Homes of Seaford, Inc., using low-income-housing tax credits. (Photo courtesy of Delaware Rural Housing Consortium)

Delaware's history.

- Consortium members work at addressing the full continuum of housing needs from emergency housing and affordable apartments to home ownership.
- This housing plan will leverage programs unique to rural America.
- The consortium has uniquely targeted the very low-income population of families and elderly, often under 50 percent of county median.
- The consortium will implement its creative rental housing annuity plan on a number of projects so it can be fully tested.
- Every dollar committed to fill the housing plan's gap will leverage $10.75 in federal, state, and private investment.

**Joe L. Myer is executive director of NCALL Research, Dover, Delaware. Currently, he also serves as chair of the consortium.*

Calendar of Events

Conference on Consumer Regulation in Housing Finance
Federal Reserve Bank of Cleveland
May 19, 2000
For information, call Stanley D. Longhofer, 216-579-3062 or send email to stan.longhofer@clev.frb.org.

HMDA Reporting: Getting It Right
Federal Reserve Bank of Philadelphia
June 6, 2000
For information, call Betty Carol Floyd at 215-574-6458, or send email to betty.c.floyd@phil.frb.org.

Community Development Lending and CRA Strategies for Community Banks
Co-sponsored by the FDIC and the Bank Administration Institute (BAI)
June 19-21, 2000
Marriott Crystal Gateway, Arlington, VA
For information, call BAI Customer Service at 1-800-224-9889 or 312-683-2464; or Elaine Drapeau, Community Affairs Specialist, FDIC, at 202-942-3270.

National Community Development Lending School
Co-sponsored by the Federal Reserve Banks of St. Louis and San Francisco
July 16-20, 2000
Washington University, St. Louis, Missouri
For information, call Fred Mendez, Community Investment Advisor, FRB San Francisco, at 415-974-2722.

Minority Entrepreneurs' Conference
Federal Reserve Bank of Philadelphia
September 27-28, 2000
For information, call Betty Carol Floyd at 215-574-6458, or send email to betty.c.floyd@phil.frb.org.

Seizing Opportunities in a Changing Financial Landscape
Federal Reserve Bank of Chicago (co-sponsored by the American Bankers Association and the Federal Reserve Bank of St. Louis)
October 30-November 1, 2000
Westin Hotel, Michigan Avenue, Chicago
For information, call the Chicago Fed at 312-322-8232 or the St. Louis Fed at 314-444-8761.

National Community Capital Annual Training Conference
Philadelphia, November 1-4, 2000
For information, call Adina Abramowitz at 215-923-4754, ext. 205.

Federal Reserve System Conference: Changing Financial Markets and Community Development
Washington, D.C., April 5-6, 2001
For information, call Lynn Elaine Browne, Federal Reserve Bank of Boston, at 617-973-3091, or send email to Lynn.Browne@bos.frb.org.

Wilmington Trust Helps Public Housing Residents Save

Wilmington Trust Company is partnering with the Delaware State Housing Authority (DSHA) by providing savings accounts and small loans to public-housing residents involved in the authority's demonstration program, Moving-to-Work.

The bank actually began offering loans to public-housing residents under a predecessor DSHA program called Family Self-Sufficiency (FSS). Seven loans were made to participants in the now-defunct FSS program, a bank spokesperson said. Of the seven, five were paid off and two are paying normally. The loans are for car repairs, school supplies, and other goods and services. No loans have been made yet to Moving-to-Work participants. The loans, which have a $100 minimum, a term of up to 36 months, and 8 percent interest, are guaranteed by DSHA.

Since Moving-to-Work was launched in August 1999, the bank has opened 18 savings accounts, ranging in amount from tens of dollars to several thousands of dollars, the spokesperson said. Under the program, as residents earn income above a rent cap, funds over the capped level can be deposited in a savings account.

Susan Frank, DSHA's executive director, said the agency is looking for Delaware banks that will help enhance services provided to residents. Some of the ways under discussion are matching funds saved in accounts, providing training for bank positions, and enhancing home-ownership and budget counseling.

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