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Credit Crunch Leads to a Boom For FHA's Refinance Programs

By Philip Caulfield, Business Analyst, Federal Housing Administration, U.S. Department of Housing and Urban Development, Philadelphia

The Federal Housing Administration (FHA) was founded in 1934 at the height of the Great Depression, a time of foreclosures and declining home values. By insuring lenders against loss in the event of foreclosure, the FHA helped stabilize the mortgage finance market. Over the years, its fortunes have waxed and waned based on economic conditions and other factors in the market. The FHA was created to play this counter-cyclical role, and it is not surprising that in the current subprime and foreclosure crisis lenders and borrowers are once again turning to the FHA.

Up until midway through 2007, the FHA had experienced some lean years. The go-go mortgage market offered borrowers a dizzying array of new mortgage products – subprime, Alt-A, interest only, 80-20, payment option, no doc, stated income, and more – for both purchases and refinances. Seemingly, there was a loan for everybody. The FHA, with its 3 percent cash investment requirement for purchases and full documentation requirement for most loans, was not most borrowers' first option. Excluding the Home Equity Conversion Mortgage (HECM) program, the FHA's reverse mortgage program for senior citizens, the FHA's loan volume in Pennsylvania, New Jersey, and Delaware fell 40.5 percent in 2004, 44.1 percent in 2005, and 3.8 percent in 2006.

In 2007 the FHA started to rebound, with non-HECM or "forward" loans increasing 30.3 percent over 2006 levels in Pennsylvania, New Jersey, and Delaware, and that trend has accelerated. Through July 31, 2008, the FHA had already exceeded its loan volume in this tri-state area for all of 2007 by 43.6 percent. With a full third of the calendar year remaining, the FHA expects to double its 2007 loan volume. This increase is being fueled by increases in purchase loans, the FHA's traditional

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Send comments and suggestions to Keith L. Rolland at (215) 574-6569 or keith.rolland@phil.frb.org. Send address changes and requests for subscriptions or additional copies to Kenyatta Burney at (215) 574-6037 or kenyatta.burney@phil.frb.org.

COMMUNITY AFFAIRS DEPARTMENT

Kenyatta Burney
Senior Staff Assistant
(215) 574-6037
kenyatta.burney@phil.frb.org

Jeri Cohen-Bauman
Secretary
(215) 574-6458
jeri.cohen-bauman@phil.frb.org

Christy Chung Hevener
Consumer Specialist
(215) 574-6461
christy.hevener@phil.frb.org

Andrew T. Hill, Ph.D.
Economic Education Advisor
(215) 574-4392
andrew.hill@phil.frb.org

Amy B. Lempert
Community Development Advisor and Manager
(215) 574-6570
amy.lempert@phil.frb.org

Erin Mierzwa
Community Development Specialist
(215) 574-6641
erin.mierzwa@phil.frb.org

Dede Myers
Vice President and Community Affairs Officer
(215) 574-6482
dede.myers@phil.frb.org

Harriet Newburger, Ph.D.
Community Development Research Advisor
(215) 574-3819
harriet.newburger@phil.frb.org

Keith L. Rolland
Community Development Advisor
(215) 574-6569
keith.rolland@phil.frb.org

Marvin M. Smith, Ph.D.
Community Development Research Advisor
(215) 574-6393
marty.smith@phil.frb.org

John J. Wackes
Community Development Specialist
(215) 574-3810
john.j.wackes@phil.frb.org

Todd Zartman
Economic Education Specialist
(215) 574-6457
todd.zartman@phil.frb.org

Message from the Community Affairs Officer

As this issue goes to print, the credit crunch has deepened. While there appears to be no end in sight for the borrowers, lenders, and communities in the grip of the subprime foreclosure problem, there are many organizations and people working hard to change the fortunes of individual borrowers and communities. In this issue, we highlight some of those efforts in addition to stories on alternatives to payday loans and home improvement financing. We have a report on the FHA and its ability to step in and help borrowers who need to refinance. The FHA's programmatic changes (FHASecure) have made it a major player again after a few years of being largely ignored as a source of residential financing. With the passage of the Housing and Economic Recovery Act (HERA) this summer, the FHA will be responding even more to the refinancing needs of troubled borrowers through the new Hope for Homeowners program.

Loan servicers are still responding to the hundreds of thousands of borrowers trying to keep their homes this year. The servicers are having a difficult time keeping up with the demand for loan modifications and are therefore often viewed as the bad guys in this tough situation. But through an alliance called HOPE NOW, the country's largest mortgage servicers are supporting the housing counselors who help delinquent borrowers and are establishing ground rules for how they as an industry should respond. Keith Rolland's article on Faith Schwartz, who leads HOPE NOW, is insightful about how it works, how it keeps track of what the members are doing, and the lessons it is learning.

Consumers and communities continue to seek information on preventing foreclosure, so each of the Reserve Banks

in the Federal Reserve System has added a Foreclosure Resource Center to its website. The Philadelphia Fed's address is www.philadelphiafed.org/foreclosure/. It is designed for consumers who need a credit counselor, an attorney, or refinance options.

The research community is working overtime examining what went wrong and why. Marty Smith has reviewed a recent paper from the Boston Fed, where the research team put together a panel data set that shows all of the loans registered on properties in Massachusetts between 1987 and 2007, and then analyzed what went wrong.

In the midst of all the refinances and loan modifications, we have heard from many community developers, nonprofits, and bankers, in large communities and small ones, about how the credit crisis is affecting them. Borrowers who were once considered CRA-eligible are no longer assured of a loan, even if their credit profiles are strong and they have participated in housing counseling classes. And bankers note that they may not have the profits to generously support nonprofits' operating expenses in the near future, even as they see how much additional need exists in the community development world. Rebuilding the home mortgage industry, particularly for low- and moderate-income borrowers, will take time. The Federal Reserve's new rules for origination of higher-cost mortgage loans will help, but it won't be the end all or be all. Borrowers will still need to learn how to protect themselves, to stop using their home's equity as a credit card, and to stop thinking their home is a great way to get rich quickly.



A Safer Way to Renovate and Repair in Pa.

By Erin Mierzwa, Community Development Specialist

With mortgage defaults on the rise, creating a sound and flexible home improvement loan program has become increasingly important around the country. This challenge is especially important in Pennsylvania, a state that also has an aging housing stock.¹

In response to these challenges, the Pennsylvania Housing Finance Agency (PHFA) created the Keystone Renovate and Repair Program (R&R Program) in 2006. This loan program is intended to help borrowers avoid loans with unfavorable terms and rates and also improve Pennsylvania's aging housing. In addition, the R&R program assists homeowners in prioritizing their home repair spending and also provides access to reputable contractors.

R&R loans are secured loans for home repairs and improvements, such as increasing energy efficiency, making homes more accessible to elderly or disabled residents, repairing roofs, upgrading bathrooms and kitchens, abating code violations, upgrading septic or well systems, or converting multi-unit dwellings back into single-family residences.

The program works as a partnership between local program administrators (LPAs), who are typically local governments or nonprofits, and financial institutions. The LPA is the primary contact for the borrower and helps him or her determine the types of repairs needed, ensures the costs are reasonable, and recommends approved contractors. The

LPA also works with the borrower to complete an initial home evaluation and makes sure the work is completed to the borrower's satisfaction.

To become an LPA, an organization must complete an application and be approved by the PHFA. There are 27 LPAs throughout the state. In certain instances, the LPA also assumes the role of the financial institution.

Roberta Schwalm, senior special programs officer at the PHFA, noted: "The LPAs that have been the most successful are the ones that have internalized the R&R program – they have taken it and adapted it to meet their local needs. The program is one tool in their toolbox."

The financial institution is responsible for underwriting the loan and ensuring that the borrower has the ability to repay it. The financial institution can originate the loan and then sell it to the PHFA or the PHFA will fund the loan directly.

The program is funded by the PHFA reserves and PHFA services all loans. The LPA receives an administrative fee from the PHFA for each loan closed

or a small fee along with reimbursement of loan processing expenses for loans that don't close.

Homeowners can borrow up to \$35,000 or 120 percent of the home's value. (The minimum loan amount is \$2,500.) The PHFA will take up to a third lien position. The interest rate is fixed and currently ranges between 6.375 and 8.875 percent, based on the loan term and combined loan-to-value ratio. The loan term can be for 10, 15, or 20 years.

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Using an R&R loan, borrowers from the city of Allentown, Pa., repaired the outside of their home. The negotiated fee for this work was much lower than the borrowers had budgeted, enabling them to also upgrade the bathroom and kitchen. Photos by Scotty Smith, City of Allentown.

¹ 55 percent of Pennsylvania's total housing stock was built before 1960, compared to only 35 percent for the entire United States. Source: U.S. Census Bureau, "2000 Census – Summary File 3," http://factfinder.census.gov/home/saff/main.html?_lang=en.

Pennsylvania Credit Unions Offer Payday Lending Alternative

By Keith L. Rolland, Community Development Advisor

Cash-advance businesses, also known as payday lenders, provide loans to working consumers who need immediate cash before they receive their next paycheck. Consumers provide a post-dated check or electronic checking account information as collateral for the loan. At a payday lender, the annual percentage rate (APR) of interest for a 14-day advance of \$100 or \$200 can be 460 percent.

There are more than 23,000 payday loan outlets nationwide. The number has quadrupled in the past three years. The payday loan industry reported more than \$40 billion in loan volume and collected \$6 billion in finance charges in 2005.

There are more than 23,000 payday loan outlets nationwide. The number has quadrupled in the past three years.

In 2006, during an impasse over regulatory and legislative proposals to address payday lending in Pennsylvania, former banking secretary A. William Schenck III challenged financial institutions to offer an alternative product. The Pennsylvania Credit Union Association (PCUA) and the Pennsylvania Treasury Department worked closely together to design such a product.*

The PCUA created Credit Union Better Choice (CUBC) and offered it to its member credit unions, which have the option of providing it to current and other eligible members.

The CUBC product is a short-term installment loan of \$100 to \$500 for a maximum term of 90 days. There are no rollovers and additional loans are not permitted until the first loan is paid off. A maximum of 18 percent APR and a \$25 application fee may be charged. Employment verification and other loan decision criteria are determined by the credit union.

Pennsylvania's Treasury Department made an unprecedented \$20 million deposit in Mid-Atlantic Corporate FCU, which serves PCUA member credit unions. The state receives a market rate of return on its investment. Monies earned above the return fund a CUBC loan loss pool that reimburses credit unions for up to 50 percent of losses and support CUBC marketing. The Treasury Department has promoted the program through letters to credit unions, press releases, and its website.

Michael A. Wishnow, senior vice president of communications and marketing at the PCUA, said the trade association "recognized a market need and wanted to encourage a consumer-friendly alternative." Keith Welks, deputy treasurer for fiscal operations at the Pennsylvania Treasury Department, said, "We wanted to help working families meet short-term unexpected cash flow needs in a way that's fairer, more transparent, and more supportive."

Alternative Program

The product provides for some

forced savings. At loan disbursement, 10 percent of the loan amount is deposited into a savings account in the member's name. The borrower cannot withdraw any portion of the deposit or close the account until the loan is paid in full. The interest that the credit union pays on the deposit is rebated to the savings account upon payoff.

Participating credit unions offer financial education to CUBC borrowers, although borrowers are not required to receive it. Financial education is typically provided by nonprofits in the local community or by the credit union.

The credit unions do their best to move consumers from CUBC to traditional products, Wishnow noted. Borrower repayment records on CUBC loans are reported to the credit bureaus. Diane M. Powell, PCUA's director of communications, said: "These are second chance loans. Credit scores are sub-600, sometimes even sub-500." Participating credit unions contact existing payday lender users, as identified through automated clearinghouse reports, to offer CUBC.

For a traditional lender, there are two unconventional aspects to the program. First, participating credit unions do not check the credit score or credit record of CUBC applicants; this mirrors the practice of payday lenders. Second, the product is intended to break even, not to make money. Wishnow said that breaking even is acceptable for credit unions because they are not-for-profit financial cooperatives.

* An alternative payday lending product has been started by a few individual credit unions, but PCUA said that it is the first statewide association to offer it to its members.

Track Record

CUBC was launched in October 2006 with 25 credit unions that together have 108 branches. As of June 30, 2008, 73 credit unions with 198 locations were participating. The PCUA has 520 members; excluding smaller credit union members with deposits of \$10 million or less, about 35 percent of the PCUA's members are offering CUBC, Wishnow said.

Of the 73 credit unions, 66 have reported CUBC results to the PCUA and have made 9,499 loans totaling \$4,473,275. About 5 percent of the loans are more than 90 days late and are in default, according to Wishnow. Participating credit unions have incurred losses of \$220,000; of this amount, approximately \$110,000 has been paid out in claims, Wishnow said.

Participating credit unions tend to be clustered in city and suburban locations in the Philadelphia, Pittsburgh, Harrisburg, Lancaster, Scranton–Wilkes-Barre–Hazleton, Erie, and Johnstown areas. (For a list of participating credit unions, go to www.pacreditunions.com.)

Wishnow and Welks said they were pleased with the results of the program. Welks added that the product “is gaining traction” and will prove even more valuable in a slowing economy. He said the program has received the strong support of former treasurer Robert P. Casey, Jr., and current treasurer Robin L. Wiessmann.

Involvement with CUBC carries potential long-term benefits for the credit union industry. A CUBC promotional brochure says: “This

program positions credit unions as a solution to the growing problem of payday lending practices.”

Wishnow added: “It enhances the image of all credit unions and makes a clear differentiation between what credit unions and banks and other financial service providers are willing to do.”

Reports and papers on payday lending can be found at the Center for Responsible Lending's website at www.responsiblelending.org. See also “The Economics of Payday Lending,” by John P. Caskey at filene.org/free/econ.

For information, contact Michael A. Wishnow at (717) 234-3156 or michael.wishnow@pcua.coop; www.pacreditunions.com; Keith Welks at (717) 787-7971 or kwelks@patreasury.org; www.patreasury.org.

Credit Crunch Leads to a Boom for FHA's Refinance Programs

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bread-and-butter program, but even more by refinance loans. Unlike previous boom years for refinances, however, the increases in 2008 are coming from the refinancing of non-FHA loans – subprime, conventional, and others – to FHA loans.

The FHA offers both cash-out and rate and term refinances for both current FHA loans and non-FHA loans. As the scope of the subprime crisis became apparent during the second half of 2007, the FHA began to look for ways to tweak its refinance programs to meet the needs of those homeowners in financial distress. In September 2007, the President announced the first results of that effort: FHASecure. FHASecure was partly a rebranding of the FHA's traditional

rate and term refinance program for non-FHA loans, but it also included some important new features.

In a change from its previous policy, the FHA allowed unlimited subordinate financing. Previously, the FHA restricted the FHA first mortgage and any subordinate financing to the maximum loan-to-value ratios set in the National Housing Act. In Pennsylvania, New Jersey, and Delaware this meant 97.75 percent of value. Under FHASecure, the FHA first mortgage is capped at 97.75 percent of value, but there is no cap on the combined loan-to-value ratio. The subordinate financing could involve the re-subordination of existing financing or the establishment of new subordinate financing.

The FHA envisioned that borrowers who found themselves “upside down” or “underwater” on their mortgages because of declining home values might negotiate new secondary financing to make up the difference between the FHA first mortgage based on current value and their outstanding indebtedness. The total financing is restricted only by the borrower's ability to make the combined monthly payments. The FHA also permitted the borrower to add new nonoccupying co-borrowers. For borrowers who had experienced financial problems, this improved their chances of qualifying for the new FHA loan. The FHA also advised underwriters that they could take into account circumstances where borrowers became delinquent on some

credit lines in order to keep their mortgage current, as in the case of resets of adjustable-rate mortgages.

The biggest change that came with FHA Secure, however, was the authorization to refinance certain borrowers who were delinquent on their existing non-FHA mortgages. Where borrowers had an adjustable-rate mortgage that had reset to a higher rate, and this reset caused a default, borrowers could still refinance to an FHA mortgage provided they had been current for at least six months prior to the reset. The FHA later expanded eligibility to those borrowers who had no more than three late payments on their mortgage in the 12 months prior to the reset.

The results of the new initiative became apparent almost right away. A combination of the publicity surrounding the FHA Secure initiative and the disappearance from the market of most subprime and Alt-A mortgage products made FHA Secure a popular refinancing option. Through July 31, 2008, the FHA had insured 20,222 FHA Secure loans in Pennsylvania, New Jersey, and Delaware totaling \$4,299,472,542 in the not quite 11 months since the President announced the program.* These loans represented 51 percent of all FHA refinance loans and over 65 percent of non-FHA to FHA refinance loans in Pennsylvania, New Jersey, and Delaware. By contrast, in 2005 and 2006 combined, the FHA refinanced only 7,454 non-FHA mortgages in the tri-state area. The FHA does not track in its systems what kind of non-FHA loan was refinanced into an FHA loan, and most of these borrowers would likely have qualified for an FHA refinance without the special FHA Secure pro-

visions. However, through borrower and lender feedback and spot checks of loan files, it is clear that many if not most of the loans refinanced were high cost loans and adjustable-rate mortgages scheduled to reset soon. Thousands of borrowers are saving significant amounts of money each month in payments on their new FHA-insured mortgages.

The top FHA Secure lenders in the tri-state area during the brief history of the program are Wells Fargo, Countrywide Bank, National City, Allied Home, and Gateway, but over 500 different lenders have made FHA Secure loans. While not only because of FHA Secure, the FHA has experienced a significant increase in the number of lenders seeking to become FHA-approved and in the number of already approved lenders substantially increasing their origination of FHA loans.

There is no question, then, that FHA Secure does work. Thousands of homeowners in the tri-state area have exchanged expensive loans for the reduced interest rates and security of an FHA loan. Borrowers with sufficient equity remaining in their properties are finding the FHA to be an attractive means to avoid interest rate resets, prepayment penalties, and other restrictive loan terms. Beyond the savings in their monthly payment, these new FHA borrowers will find additional security with an FHA loan should they encounter financial problems in the future.

The percentage of FHA loans that are seriously delinquent (90 or more days past due) has remained within a fairly narrow range over the most recent seven quarters. According to the Mortgage Bankers Association's

most recent National Delinquency Survey, covering the first quarter of 2008, 3.65 percent of FHA loans in New Jersey, 2.75 percent of FHA loans in Pennsylvania, and 3.12 percent of FHA loans in Delaware were seriously delinquent. The comparable figures for subprime loans in these states were 5.04, 5.61, and 4.83 percent. The differences are even more pronounced, however, when looking at foreclosure rates. The Mortgage Bankers Association reported that 3.09 percent of FHA loans in New Jersey, 2.47 percent of FHA loans in Pennsylvania, and 1.85 percent of FHA loans in Delaware were in foreclosure as of March 31, 2008. The comparable foreclosure rates for subprime loans were 11.53, 7.58, and 7.62 percent. The difference is in the FHA's loan servicing. The FHA provides for a variety of loan servicing tools that lenders must use to prevent foreclosure, and the success rate for these activities is very high.

In addition to outstanding loan servicing, the FHA supports housing counseling both financially and with public events. In 2007 the FHA awarded 32 grants to housing counseling agencies in New Jersey, Pennsylvania, and Delaware totaling \$1,407,166. The FHA also conducted two successful "foreclosure clinics," in Philadelphia and in Newark, N.J., and has participated in numerous other such clinics in all three states. Hundreds of homeowners attended seminars at the Philadelphia and Newark clinics on FHA Secure, how to avoid foreclosure, and other topics. Additionally, housing counselors and servicing lenders were on-site to provide one-on-one counseling and to enter into loan workouts to prevent foreclosure. The FHA is also partnering with the Federal Reserve,

* The total insured mortgage amount for all non-FHA to FHA loans was \$6,552,660,225 for an average loan of \$211,745. The FHA Secure average was slightly higher at \$212,614.

Freddie Mac, Fannie Mae, and many of the largest mortgage servicers in the HOPE NOW Coalition. HOPE NOW offers homeowners a nationwide 24/7 single point of contact to obtain help with mortgage defaults: 1-888-995-HOPE.

The success of FHASecure and other foreclosure prevention activities notwithstanding, it is equally clear that FHASecure is not reaching significant numbers of the non-FHA borrowers most in distress, those who are delinquent, in foreclosure, or whose indebtedness exceeds the current value of their homes. Through July 31, 2008, lenders identified only 317 borrowers in Pennsylvania, New Jersey, and Delaware as having been delinquent on their non-FHA mortgage at the time they refinanced to FHASecure. Only 10 borrowers in this tri-state area were reported as relying on secondary financing as part of their refinance transaction. Too few borrowers in real financial distress – especially those in foreclosure – can meet even the somewhat relaxed underwriting standards of FHASecure. Nor is there any evidence to suggest that most existing lien-holders, especially subordinate ones, are willing to compromise, re-subordinate, or allow new subordinate financing.

For these borrowers with seriously impaired credit who are facing foreclosure or whose property values no longer support their loans, the new Hope for Homeowners program may offer a better alternative. Part of the Housing and Economic Recovery Act of 2008 that was signed by the President on July 30, 2008, Hope for Homeowners is an attempt to reach farther into the pool of distressed homeowners than FHASecure. The new FHA refinance program will become effective on October 1, 2008, and will remain available until September 30, 2011. It can serve an

estimated 400,000 homeowners. While detailed underwriting guidelines and operating policies must be developed under the auspices of a board composed of the secretaries of HUD and Treasury, and the chairpersons of the FDIC and the Federal Reserve System, it is expected that many more homeowners in foreclosure will be able to qualify. In recognition of the greater risk that these loans will represent, a special insurance fund is established under the Hope for Homeowners legislation to cover any losses that the FHA may incur. Losses on FHASecure loans must be covered by the FHA under its existing insurance funds.

To participate in the program, homeowners must reside in their home and have no ownership interest in any other homes. They must be paying in excess of 31 percent of their monthly income in mortgage payments on a loan that was originated on or before January 1, 2008. Borrowers must also agree to share a portion of any future increases in equity with the FHA. For the lenders, participation is strictly voluntary. They must agree to waive all late fees and other penalties and to accept the proceeds of the new FHA loan as full payment for all outstanding indebtedness. The new FHA loan cannot exceed 90 percent

FHA-Insured Loans by Calendar Year

	PA	NJ	DE	TOTAL
2005				
Total	14,004	13,550	1,218	28,772
Home Equity Conv. Mort.*	1,215	1,595	98	2,908
Forward	12,789	11,955	1,120	25,864
Purchases	9,916	6,115	846	16,877
Refinances	2,873	5,840	274	8,987
Non-FHA to FHA	407	1,969	80	2,456
FHASecure	0	0	0	0
FHA to FHA	2,466	3,871	194	6,531
2006				
Total	16,043	12,576	1,549	30,168
Home Equity Conv. Mort.	2,242	2,852	198	5,292
Forward	13,801	9,724	1,351	24,876
Purchases	11,345	4,909	1,029	17,283
Refinances	2,456	4,815	322	7,593
Non-FHA to FHA	1,383	3,382	233	4,998
FHASecure	0	0	0	0
FHA to FHA	1,073	1,433	89	2,595
2007				
Total	20,322	17,933	2,131	40,386
Home Equity Conv. Mort.	3,766	3,801	413	7,980
Forward	16,556	14,132	1,718	32,406
Purchases	11,654	6,016	998	18,668
Refinances	4,902	8,116	720	13,738
Non-FHA to FHA	4,069	6,410	624	11,103
FHASecure	3,172	4,903	460	8,535
FHA to FHA	833	1,706	96	2,635
2008**				
Total	26,047	22,666	2,932	51,645
Home Equity Conv. Mort.	2,472	2,298	343	5,113
Forward	23,575	20,368	2,589	46,532
Purchases	12,764	6,771	1,066	20,601
Refinances	10,811	13,597	1,523	25,931
Non-FHA to FHA	8,884	9,718	1,241	19,843
FHASecure	5,571	5,422	694	11,687
FHA to FHA	1,927	3,879	282	6,088

* Home equity conversion mortgage (reverse mortgage)

** Through July 31

of the current value of the property and must be at a fixed rate with a 30-year term.

The FHA, the mortgage industry, Congress, and others will be watching the Hope for Homeowners program closely. At the very least, it will provide borrowers with one more option to use to try to save their homes.

For more information on FHASecure, Hope for Homeowners, and housing counseling, visit www.fha.gov or call 1-800-CALLFHA.



A Closer Look at Subprime Borrowers

Much has been written about the subprime mortgage market and its connection to the rash of home foreclosures across the nation. While there is little disagreement that a number of foreclosures involve subprime loans, there is some question of whether the driving force is the ill-suited loans that subprime borrowers received or some other factor acting in concert with subprime loans. This issue as well as other homeownership experiences of subprime borrowers is addressed in a study by Kristopher Gerardi, Adam Hale Shapiro, and Paul S. Willen. The authors also rely on an analytic approach that offers an alternative perspective and treatment of the default decision. What follows is a summary of their findings.¹

Background: Subprime Mortgage Market and Foreclosures

The authors acknowledge that there is no universally accepted definition of a subprime mortgage. Various definitions rely on loan characteristics, borrower characteristics, or a combination of the two.² For the authors, who focus on the subprime lending channel, it is a mortgage “originated by a subprime lender,

where a subprime lender is identified using HUD’s annual list.”

The authors recognize that subprime lending has been at the center of the recent foreclosure crisis. This, in turn, has generated much public policy debate regarding the regulation of the subprime market and, more fundamentally, whether subprime borrowers should be extended credit to become homeowners. But they hasten to point out that a distinction should be made between those homeowners who use a subprime mortgage for their initial home purchase and those who use a subprime loan to refinance an existing mortgage. Their concern is that the current policy debate improperly groups all subprime borrowers together instead of focusing on borrowers who purchased their homes with a subprime mortgage, a group the authors emphasize in their analysis.

The authors also address the question of why households default on home mortgages. They develop a model that includes the influence of house prices and interest rates on the default decision that is used in stan-

dard models in the literature, but the model also incorporates a component of portfolio choice that allows a homeowner’s unique financial situation to be a factor. They use the model to derive results that provide further insight into the relationship between subprime lending and foreclosures.

Data and Methodology

The authors focus on the homeownership experiences of subprime borrowers in Massachusetts from 1989 to 2007 and their role in the dramatic rise in the state’s foreclosures during 2006 and 2007. They give particular consideration to homeowners who purchased homes with a subprime mortgage.

The analysis was undertaken using a special data set consisting of a “historical registry of deeds records from January 1987 through August 2007 for the entire state of Massachusetts, as well as 2006 and 2007 Massachu-



Marvin M. Smith, Ph.D.,
Community Development Research Advisor

¹ Kristopher Gerardi, Adam Hale Shapiro, and Paul S. Willen, “Subprime Outcomes: Risky Mortgages, Homeownership Experiences, and Foreclosures,” Federal Reserve Bank of Boston Working Paper 07-15. See www.bos.frb.org/economic/wp/index.htm.

² While an earlier definition of a subprime mortgage was a loan originated by a subprime lender to a credit-impaired borrower, an alternative definition expands the borrower pool to include a borrower whose loan poses risks on other dimensions. These borrowers include homebuyers who either did not want to provide a down payment or fully disclose their income and financial wealth, wanted to purchase a larger home than they could with financing from a prime lender, or had a combination of these characteristics.

sets assessor data.”³ The data cover two housing cycles in Massachusetts, which allows the authors to “document the foreclosure incidence of ownerships financed with a subprime mortgage versus ownerships financed with a prime mortgage.” More specifically, the data permitted the estimate of the determinants of default for the entire duration of ownership, in contrast to relying on loan-level data sets to estimate the determinants of default for single mortgages issued at purchase, which is the traditional approach found in the literature. The latter, according to the authors, can misrepresent the incidence of foreclosure over the entire homeownership, since “most subprime loans are refinances of a previous mortgage of unknown type, so typically, we have no way of knowing whether a subprime loan played any role in the initial transition into homeownership—all we know is that the borrower refinanced into a subprime loan at some point.”⁴

The estimating model used in the analysis is designed to take advantage of the unique data set that allows “tracking the same borrowers across different mortgage instruments for the same residential property.” Thus, the authors are able to “characterize sale and default probabilities across the time horizons of entire ‘ownership experiences.’”⁵ The model also deviates from those commonly used that base the decision to default on when the value of the house is less than the value of the mortgage on the house. In addition to the default decision being influenced by house prices and interest rates, the authors’ model also takes

into account an individual’s financial situation. Their model allows for the household’s financial circumstances to affect the valuation of the house and the mortgage; hence “individual household valuations of identical assets typically won’t be identical.” This yields the intuitive prediction that fewer financial resources lessen “the value of the house relative to the value of the mortgage,” which increases the likelihood of default.

Results

The authors have two major findings. The first is that “homeowners that begin with a subprime purchase mortgage end up in foreclosure al-

While homeowners whose homes were purchased with a subprime mortgage accounted for roughly 30 percent of the foreclosures, “a large factor in the crisis stemmed from borrowers who began their homeownership with a prime mortgage, but subsequently refinanced into a subprime mortgage.”

most 20 percent of the time, or more than six times as often as experiences that begin with prime purchase mortgages.” The converse side is that nearly 80 percent will have a “successful” outcome, which the authors define as either remaining in the house for at least 12 years or selling the house. When the authors focused specifically on the foreclosure crisis of 2006 and 2007 in Massachusetts, they found that subprime mortgages played a prominent role. But they

stress that two distinct groups of subprime borrowers contributed to the crisis. While homeowners whose homes were purchased with a subprime mortgage accounted for roughly 30 percent of the foreclosures, “a large factor in the crisis stemmed from borrowers who began their homeownership with a prime mortgage, but subsequently refinanced into a subprime mortgage.”

The second key finding is that “house price appreciation (HPA) is the main driver of foreclosures.” The authors estimate that periods of low or negative HPA increase significantly the probability of default for both

subprime and prime borrowers (see Fig. 1 in the study, p. 53). This was demonstrated dramatically with the decline in house prices during 2006 and 2007.

The authors also note the interplay between subprime mort-

gages and HPA. They indicate that subprime lending created a “class of homeowners who were particularly sensitive to declining house price appreciation, rather than, as is commonly believed, by placing people in inherently problematic mortgages.”

Finally, the authors state that although their analysis focused solely on Massachusetts, they believe the implications of their study could be broadly applied across the nation.

³ The former provides information on all residential home sales and mortgage originations and the latter contains information on the characteristics of the property.

⁴ The authors further point out that concentrating on purchase mortgages alone can also be misleading, “since most subprime borrowers successfully refinance soon after purchase.”

⁵ This is important because the authors “can calculate the cumulative probability of default even when a subprime mortgage is refinanced.”

Servicers Agree on Foreclosure Guidelines

Faith Schwartz has become a key figure in the mortgage foreclosure crisis. As executive director of the HOPE NOW Alliance, which was created last fall to help at-risk homeowners keep their homes, she speaks for the mortgage servicing industry at congressional hearings and media interviews, nudges servicing companies behind the scenes to take action, and talks regularly with housing counselors and activists.

Schwartz, a native of Lackawanna County, Pa., has served, most recently, as senior vice president of public affairs and enterprise risk at Option One Mortgage Corp. and, prior to that, as director of structured transactions at Freddie Mac, where she managed the firm's anti-predatory lending efforts. She was also COO of Fieldstone Mortgage Company and held executive positions at TMC Mortgage Corp. and Dominion

coordinated plan to reach and help as many homeowners as possible. The announcement came after months of discussions among mortgage industry originators, servicers, and non-profits. Schwartz was asked to lead the alliance by the Financial Services Roundtable and the Mortgage Bankers Association because of her diverse background and familiarity with all the sectors involved. Members of the alliance, which is located in Washington, D.C., pay an annual assessment fee to cover administrative costs and HOPE NOW initiatives.

Alliance members include 26 mortgage servicers as well as nine mortgage and banking trade associations, Fannie Mae, Freddie Mac, mortgage insurers, and housing counseling organizations. The servicers in the alliance handle over 90 percent of subprime loans and over 70 percent of prime loans, according to Schwartz.



Faith Schwartz, Executive Director, HOPE NOW Alliance

“...most people don’t realize the legal and financial complexities of what it takes to save a homeowner who has fallen behind on mortgage payments from foreclosure.”

A big change facing mortgage-servicing companies since mortgage delinquencies and foreclosure filings started rising two years ago is a change in expectations. Until then, servicing companies

had the primary task of collecting payments and passing them on to investors.

Schwartz explained: “Today, the servicers face an unprecedented situation in which they also have the goal of home retention. We’re asking them to re-think what they do and to work closely with housing counselors, with whom they had little contact before. Also, most people don’t realize the legal and financial

Bankshares Mortgage Corp. She has served on the board of the Mortgage Bankers Association and chaired its nonconforming credit committee. She currently serves on the Federal Reserve Board’s Consumer Advisory Council.

HOPE NOW was announced in October 2007 by Treasury Secretary Henry Paulson and then-HUD Secretary Alfonso Jackson as a public-private effort to create a united,

complexities of what it takes to save a homeowner who has fallen behind on mortgage payments from foreclosure.”

Partly because of the alliance’s encouragement, its servicer members have established “different ports of entry” so housing counselors can reach servicers’ staff by phone and fax and often by e-mail. The servicers also contact homeowners with subprime adjustable-rate mortgages (ARMs) and other homeowners with ARMs that have a probable risk of default 120 days in advance of the reset. In addition, the servicers pay for a national hotline staffed by about 450 counselors at 10 intermediaries and maintained by the Housing Preservation Foundation (HPF) in Minneapolis, Minn.¹

The practices and principles agreed to by the servicers were combined into a set of mortgage servicing guidelines announced by the alliance in June 2008. The guidelines pertain

to communication and outreach, data reporting, loss mitigation options, performance measures, and subordination of second liens.²

In the guidelines, member servicers agree to adopt and implement a streamlined loan modification process consistent with guidance provided by the American Securitization Forum (ASF) for loans held in securitization trusts.³ The servicers also agree to consider pausing the foreclosure process when appropriate for up to 30 days (or longer if necessary) to pursue loss mitigation when that option may prevent foreclosure for homeowners who are 90 days or more past due.

Schwartz said: “The guidelines add integrity and transparency to the process. They encourage servicers to move in a timely manner on mortgages that are 60 days or greater past due and seek consistency in front-end processing of applications.”

Schwartz said that the guidelines were especially significant in the following aspects:

- Short sales are included in a list of loss mitigation options that member servicers agree to consider. In a short sale, “the member servicer or investor accommodates the homeowner’s sale of the property for less than the amount owed,” the guidelines say.⁴

- Servicers handling second liens agree to re-subordinate their loans when the second lienholder’s position is not worsened as a result of a refinance or loan modification. Conditions under which the position is “not worsened” are specified in the guidelines.
- Servicers agree to track and report to an alliance subcontractor the performance of loans in which the servicers applied a loss mitigation option.

Schwartz said that the loan performance data will enable the alliance “to measure the effects of the guidelines until July 2010.” The alliance is building its own database and will continue to monitor adjustable-rate mortgages, she said. In addition, the alliance is organizing workshops around the country that bring together servicer representatives, housing counselors, and homeowners.

Asked about future challenges for servicers, lenders, and housing counselors, Schwartz had these observations: “We are continuing to face unprecedented increases in foreclosures, especially in the hardest-hit regions. Through softening markets, job loss, increased food and

gas prices, and products that are not sustainable, homeowners are facing more stress around their mortgages. Our workshops are now attracting thousands of people who need help from their servicers to maintain homeownership. Homeowners in financial difficulty should contact

“The guidelines add integrity and transparency to the process. They encourage servicers to move in a timely manner on mortgages that are 60 days or greater past due and seek consistency in front-end processing of applications.”

their servicers. Or they can call 1-888-995-HOPE or contact any qualified HUD-certified housing counselor and receive assistance without charge. In taking such actions, homeowners will be taking an important step toward saving their home.

“Working through their lender/servicers, borrowers will have the best chance to improve their outcome in a difficult market. And they are not alone. We will do our best to make a difference.”

For information, contact Faith Schwartz at (202) 589-2406 or faiths@hopenow.com; www.hopenow.com.

–Keith L. Rolland

¹ For details on the hotline, see www.995hope.org.

² The guidelines say that (a) the servicers shall support activities and principles subject to their contractual, fiduciary, and legal obligations; and (b) the guidelines are not enforceable. The guidelines can be found at the alliance’s website at www.hopenow.com.

³ To see the ASF guidance, go to www.americansecuritization.com and select Market Standards and ASF Streamlined Foreclosure and Loss Avoidance Framework for Securitized Subprime Adjustable Rate Mortgage Loans (revised July 2008).

⁴ The guidelines say that member servicers should engage in the use of various loss mitigation options, consistent with investor guidelines or approvals or accepted servicing practices, which may include forbearance, repayment plans, loan modifications, partial claims, and deeds in lieu of foreclosure.

Federal Reserve Study Shows Continued Decrease in Check Usage

By Arun Jain, Senior Vice President, Retail Payments, and Keith L. Rolland, Community Development Advisor

Every three years since 2000, the Federal Reserve has sponsored a major study of the nation's payments system to try to identify trends and to help consumers, businesses, and financial institutions prepare for the changes these trends point toward. The most recent iteration of this study reveals that, from 2003 to 2006, electronic payments continued to grow, while the number of check payments fell.¹ Electronic payments include debit and credit card payments and purchases, automated bill payments and deposits via the automated clearinghouse (ACH),² and Internet banking transactions. These comprise over two-thirds of all noncash transactions, although these payments constitute less than half of the dollar value of all transactions.³

The study, which is part of an ongoing FRS effort to measure trends in U.S. noncash payments, found that of 93 billion noncash payments in 2006, nearly 63 billion were electronic and over 30 billion were by check. From 2003 to 2006, on an average annual basis, the number of electronic payments rose 12 percent, while the number of check payments fell 6 percent. The number of electronic payments and check payments was roughly equal in 2003.

The latest study found:

- Automated clearinghouse (ACH) payments totaled \$31 trillion in 2006, accounting for 91 percent of the value of all electronic payments. ACH payments rose by \$7 trillion from 2003 to 2006, constituting 83 percent of the overall increase in the value of noncash payments. The payments include direct deposit of payrolls (credits), governmental payments such as Social Security and income tax refunds (credits), and automatic bill payments for mortgage and auto loans (debits).
- The number of checks paid fell from 37 billion in 2003 to 31 billion in 2006. Almost 3 billion consumer checks were converted and cleared as ACH payments – an eight-fold increase since 2003. This conversion to ACH happens most often for recurring bill payments such as telephone, utilities, and loan payments. Other check-to-ACH conversions can happen at retail stores in

point-of-sale arrangements.

- The use of debit cards increased by more than 60 percent during the survey period and surpassed credit cards as the most frequently used electronic payment type. However, the dollar value of debit card payments was less than half the dollar value of credit card payments.
- The payments study consists of three research efforts: the deposi-

From 2003 to 2006, on an average annual basis, the number of electronic payments rose 12 percent, while the number of check payments fell 6 percent. The number of electronic payments and check payments was roughly equal in 2003.

tory institutions payments study, the electronic payments study, and the check sample study.⁴ The depository institutions payments study estimated the number and dollar value of checks and other payments from deposit accounts based on responses

¹ "The 2007 Federal Reserve Payments Study," Copyright 2007, Federal Reserve System.

² ACH refers to an electronic clearing system in which a data processing center handles payment orders that are exchanged among financial institutions. ACH transactions are payment instructions to either debit or credit a deposit account, typically for bill payments, corporate payments (business-to-business), and government payments (e.g., tax refunds). For further information, see a booklet on retail payment systems at http://www.ffiec.gov/ffiecinfobase/booklets/retail/retail_toc.htm.

³ Noncash payments included checks, automated clearinghouse (ACH), credit card, debit card (both signature and PIN), and electronic benefits transfer (EBT) transactions. The study also estimated the number and value of ATM withdrawals.

⁴ This study repeats critical aspects of the 2003 FRS Payments Study, providing additional point-in-time estimates from which inferences can be drawn about the rate and nature of change of the U.S. payments system.

from approximately 1,400 financial institutions in the United States. The electronic payments study estimated the number and dollar value of electronic payments based on responses from 65 of the largest payments networks and card issuers in the United States. The check sample study is based on checks processed in 2006 by nine large commercial banks, which process approximately 40 percent of all checks processed in the United States.

Discussion

Overall, the number of noncash payments has increased 5 percent per year since 2003, and the dollar value of noncash payments has increased 4 percent per year.

Over the past three years, significant changes in the way checks are cleared have increased the efficiency of the check clearing system. At the time of the 2006 survey, about 40 percent of all interbank checks involved the replacement of the original paper check with electronic payment information in the collection process. Interbank checks are those checks deposited at one bank but drawn on a different bank (that is, the check writer’s bank). By being converted to digital images, checks can be collected electronically without the need to physically transport the paper checks between banks.

In terms of dollar value per transaction, ACH payment was the highest at an average of over \$2,000 per payment, followed by check payment at about \$1,400. Debit card transactions were about \$40 per payment and credit card transactions are estimated

Highlights of 2007 Federal Reserve Payments Study*

Payment type	2003	2006	Compound annual growth rate 2003 to 2006
	Number	Number	Percent
Checks (paid)	37.3	30.6	-6.4
Electronic payments	44.1	62.7	12.4
ACH	8.8	14.6	18.6
Debit cards	15.6	25.3	17.5
Credit cards	19.0	21.7	4.6
Electronic benefits transfer	0.8	1.1	10.0
ATM cash withdrawals	5.9	5.8	-0.4

* Numbers are in billions. Numbers may not add due to rounding. This table shows highlights; for more complete results, see “The 2007 Federal Reserve Payments Study,” page 17. It may be found at www.federalreserve.gov. Click Payment Systems, Payment Research, and the study.

at \$100 per payment. ATM transactions are estimated at about \$100 per withdrawal (an increase from \$85 in 2003) and EBT transactions are estimated at \$30 per transaction.

The check sample study involved a detailed visual inspection of the images of about 32,000 randomly selected checks. The study revealed that the highest percentage of check payers⁵ were consumers at 58 percent, followed by business at 39 percent, and government at 3 percent. However, the highest percentage of check payees⁶ was businesses at 72 percent, followed by consumers at 23 percent, and government at 4 percent. The most common reason for writing checks was for remittance

payments⁷ at 49 percent, which represent payment of recurring monthly bills. Consumer-to-consumer checks are estimated at 7 percent, payroll checks at 17 percent, and point of sale at 17 percent. In terms of dollar value, business payers accounted for almost 80 percent of all check payments.

A press release on the study can be found at www.federalreserve.gov. Go to News and Events, Press Releases, All Press Releases, and the press release dated December 10, 2007. Reports on the three research efforts are available at www.federalreserve.gov under Payment Systems and Payment Research.

⁵ Check payers, or makers of the checks, write the checks.

⁶ Check payees are the entities to whom the checks are made payable.

⁷ Remittance payments typically are checks used to pay utility, credit card, or other recurring bills.

A Safer Way to Renovate and Repair in Pa. continued from page 3

There are a few restrictions, including:

- The loan must improve a permanent, primary residence in Pennsylvania;
- The borrower must have a credit score of 620 or above,² except in Philadelphia where, if the borrower's income is below \$85,445, the PHFA will consider a credit score as low as 580;³ and
- The household income cannot exceed 150 percent of statewide median family income.⁴

The first R&R loan closed in April 2007. As of the end of July 2008, the PHFA had closed 134 loans totaling nearly \$2.3 million. The average loan amount was \$17,000, and the average income of borrowers was \$64,755.

We have included information on three organizations that administer the R&R program.

AFC First

Prior to the creation of the R&R program, AFC First, a consumer lender based in Allentown, and the Pennsylvania Treasury Department developed the Keystone Home Energy Loan Program (HELP) to assist homeowners wishing to make energy improvements. Through this pro-

gram, launched statewide in 2006, AFC First provides Pennsylvania homeowners with unsecured Keystone HELP loans of up to \$10,000. Once these loans are originated, AFC First sells them to the Pennsylvania Treasury Department.

Recognizing that \$10,000 was often not enough to complete the energy improvements that a borrower needed, AFC First and the Pennsylvania Treasury Department worked with the PHFA to expand Keystone HELP to include energy loans of up to \$35,000. The PHFA uses the R&R program to purchase the energy loans of up to \$35,000. These larger loans are known as "Secured Keystone HELP" loans. AFC First assumes the role of both LPA and lender in this arrangement.⁵

The terms and conditions of the unsecured and secured Keystone HELP loans vary slightly. Borrowers taking out either type of loan must have the energy improvements completed by a member of AFC First's network of nearly 700 approved contractors and dealers.

As of mid-July 2008, AFC First had closed 63 secured Keystone HELP loans for energy improvements totaling nearly \$1.1 million. (AFC First



Peter Krajsa, President, AFC First
Photo by Hub Willson

has closed 2,652 unsecured Keystone HELP loans totaling over \$15.6 million.) While the program is available throughout the state, loans have been primarily concentrated in the Philadelphia and Pittsburgh metropolitan areas, the Lehigh Valley, York, and Lancaster.⁶

The City of Allentown

The city of Allentown has partnered with KNBT, a division of National Penn Bank, to provide R&R loans to homeowners residing in the city.⁷

Allentown has a proactive approach to finding potential borrowers. The city targets Weed and Seed⁸ neigh-

² Exceptions have been made to lower the credit score requirement on a case-by-case basis.

³ Because of a loan loss reserve provided by the city of Philadelphia, borrowers here may have credit scores between 580 and 620 if their household income does not exceed \$85,445. Borrowers with these credit scores and higher income are reviewed on a case-by-case basis.

⁴ The income limit is adjusted upward in certain high-cost areas, such as southeastern Pa. Philadelphia's limit, for example, is \$108,150.

⁵ The PHFA modified some of the requirements of the R&R program so that it aligned more closely with Keystone HELP. For example, there is no limit on household income and an initial full home evaluation is not completed.

⁶ AFC First is able to make nonenergy R&R loans throughout Pennsylvania following the standard requirements of the R&R program.

⁷ KNBT also partners with the cities of Bethlehem and Hazleton in the R&R program.

⁸ Weed and Seed is a federal initiative that aims to prevent crime and revitalize communities. More information is available at: <http://www.ojp.usdoj.gov/ccdo/ws/welcome.html>.

borhoods, and city officials often go door to door to identify potential borrowers. If a homeowner is cited for a code violation during a city inspection, the R&R program is recommended to them. The program is also advertised through the media and neighborhood groups.

The city has two staff members who oversee different aspects of this program, and this arrangement has worked well. A financial specialist discusses the loan qualifications with the borrowers, completes the pre-screening process, and works with the borrower to provide necessary information to KNBT to complete the full financial evaluation. A rehabilitation inspector does the initial home evaluation and works with the borrower and contractor to make sure the work is completed to the borrower's satisfaction.

The inspector is also involved in finding a reliable contractor for each job. The city has a network of 15 approved contractors. Once a borrower receives approval for the loan, the inspector sends the project out to bid to three or four of the contractors who have expertise in that area.

Dave Paulus, housing rehabilitation supervisor for the city of Allentown, highlights a positive aspect of the program: "Traditionally, federal and state funds are designed to help people below 80 percent of area median income. This program enables us to help people with slightly higher incomes improve their homes."

As of the end of July 2008, five loans had closed totaling nearly \$110,000. One challenge has been that many applicants do not meet the program requirements. Of the 36 residents prescreened, only eight qualified for

an R&R loan through KNBT. Several applicants were not eligible, according to KNBT, because they had high-interest adjustable-rate mortgages (ARMs) with high loan-to-value ratios and were therefore unable to take on additional debt. Several of these applicants faced the additional problem that the ARMs were about to reset, making their monthly mortgage payments even less affordable, and they did not realize they were in trouble until they went through the process of applying for an R&R loan.

Cumberland County Redevelopment Authority

The Cumberland County Redevelopment Authority (CCRA) partners with Members 1st Federal Credit Union, based in Mechanicsburg, to provide R&R loans in Cumberland and Perry counties. As of the end of July 2008, 11 loans had closed totaling nearly \$140,000.

Chris Gulotta, executive director of CCRA, said: "The R&R program complements the other programs in our portfolio, and we have been able to promote this program at the same



Chris Gulotta, Executive Director, CCRA

time as we promote our other housing programs. It has been successful because we have integrated it into what we already offer the community."

Members 1st Federal Credit Union entered into a partnership with CCRA, although the credit union does not have CRA obligations. Debra Brennan, assistant vice president of real estate lending at the credit union, said Members 1st Federal partnered with the Redevelopment Authority because the R&R program "aligns with our mission to serve the community, and it also provides us with access to new members." All borrowers must be members of the credit union in order to receive an R&R loan. A \$5 deposit to a savings account is required to join, which CCRA will donate on behalf of the borrower when the R&R loan closes.

For information, contact Roberta Schwalm of the PHFA at (717) 780-3838 or rschwalm@phfa.org; Peter Krajsa of AFC First at (610) 433-7486 or pkrajsa@afcfirst.com; David Paulus of the city of Allentown at (610) 437-7696 or paulus@allentowncity.org; Patricia Mrkobrad of the Redevelopment Authority of Cumberland County at (717) 249-0789, ext. 136, or pmrkobrad@cchra.com.

For information, go to www.phfa.org; select Homebuyer, Homeowner, and Renters; and Renovate and Repair Loan Program.

Calendar of Events

The Next Billion: Mobility, Flexibility, Agility

October 19-22, 2008, Atlanta

Annual conference of the International Economic Development Council focuses on the latest economic development trends and includes topics such as regional partnerships, best practices in entrepreneurship, climate change, and urban housing.

For information, see www.iedconline.org.

Confronting the Neighborhood Impacts of Foreclosure

Monday, October 20, 2008, 8:30 a.m. to 4:30 p.m.; Philadelphia

This will be a simulcast of a Federal Reserve System conference in its Recovery, Renewal, Rebuilding series. The simulcast will be held at the Federal Reserve Bank of Philadelphia, Boehne Auditorium.

For details, see www.philadelphiafed.org, *community development*, or contact kenyatta.burney@phil.frb.org. Register by Oct. 13 in order to attend.

New Jersey Redevelopment Agency (NJRA) Training on Redevelopment in New Jersey

NJRA offers courses for nonprofit and for-profit developers, city officials, community development corporations, and others outlining the nuances of the process of redevelopment planning, real estate development, and project finance. A workshop on redevelopment financing tools will be held October 23 in Trenton. A course on real estate development will be held October 30 and November 6, 13, and 14 in northern New Jersey. A course on project finance will be held December 16-19 in southern New Jersey.

For information, go to www.njra.us/rti or call (609) 292-0031.

National Community Investment Fund Annual Development Banking Conference

November 6-7, 2008, Federal Reserve Bank of Chicago

Focused on actionable strategies for community development banks and credit unions that can be replicated to improve financial performance and enhance development impact.

For information, see www.ncif.org or contact Joseph Schmidt at (312) 881-5817 or jschmidt@ncif.org.

2008 Homes Within Reach Conference

November 18-19, 2008, Harrisburg Hilton

Housing Alliance of Pennsylvania presents fourth annual conference, featuring 30 workshops, eight three-hour institutes, and eight three-hour symposiums on a wide range of housing and community development issues.

For information, contact info@housingalliancepa.org or visit www.housingalliancepa.org.

Innovative Financial Services for the Underserved: Opportunities and Outcomes

April 16-17, 2009, Renaissance Washington D.C. Hotel

The Community Affairs officers of the Federal Reserve System are jointly sponsoring their sixth biennial research conference to encourage objective research into financial services issues affecting low- and moderate-income individuals, families, and communities. The theme of the 2009 conference centers on innovation in financial services.

For information, contact kc.caresearchconf@kc.frb.org.

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