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From Dr. King to the Community Reinvestment Act: How His Dream Marches On

By Caleb Bobo

In 1968, Martin Luther King Jr. found himself in Memphis, Tenn., to support the protests of black public works employees who felt they were being mistreated by their employer. While there, King gave a speech titled "I've Been to the Mountaintop." In it he stressed the importance of intentional social action on behalf of the economically disenfranchised and closed his speech by imploring the audience to continue fighting, even after he passed away.

The very next day, King was shot while standing on the balcony of his hotel room and died shortly thereafter.

Often lost in the suddenness and tragedy of his death, King's reason for being in Memphis is critical to understanding his life, his work and, ultimately, his legacy. His advocacy led to the creation of a policy agenda that sought to protect the rights of all Americans. Those rights included equal access to public accommodations and the ballot box, but also equal treatment within America's economic institutions and systems.

Although America struggled to make sense of King's death, his agenda marched on. Just a

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Martin Luther King Jr. gives his "Mountaintop" speech in Memphis one day before his assassination.
Photo © Richard L Copley with permission

Bridges is a quarterly publication of the Community Development Office of the Federal Reserve Bank of St. Louis. It is intended to inform bankers, community development organizations, representatives of state and local government agencies, and others in the Eighth District about current issues and initiatives in community and economic development. The Eighth District includes the state of Arkansas and parts of Illinois, Indiana, Kentucky, Mississippi, Missouri and Tennessee.

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Calendar

JUNE 2018

21 | **St. Louis CDFI Forum**
St. Louis, Mo.
Sponsors: Multiple
Visit: www.cvent.com/d/6gqldx

26-27 | **Small Business Finance Forum**
Chicago, Ill.
Sponsor: Opportunity Finance Network (OFN)
Visit: <https://ofn.org/sbff>

JULY 2018

24 | **Investment Connection**
Memphis, Tenn.
Sponsor: Federal Reserve Bank of St. Louis
Contact: Teresa Cheeks Wilson at teresa.cheeks.wilson@stls.frb.org

25 | **Investment Connection**
Little Rock, Ark.
Sponsor: Federal Reserve Bank of St. Louis
Contact: Teresa Cheeks Wilson at teresa.cheeks.wilson@stls.frb.org

AUGUST 2018

21-22 | **2018 Kentucky Affordable Housing Conference**
The Power of Housing
Lexington, Ky.
Sponsors: Kentucky Housing Corp., Homeless & Housing Coalition of Kentucky
Visit: www.kyhousing.org/Conference/KAHC18/Pages/default.aspx

SEPTEMBER 2018

5-7 | **Prosperity Summit**
National Harbor, Md.
Sponsor: Prosperity Now
Visit: <https://prosperitynow.org/events/2018-prosperity-summit>

18 | **Investment Connection**
St. Louis, Mo.
Sponsors: Federal Reserve Bank of St. Louis
Contact: Teresa Cheeks Wilson at teresa.cheeks.wilson@stls.frb.org

26-27 | **2018 Indiana Housing Conference**
Indianapolis, Ind.
Sponsor: Indiana Affordable Housing Council (IAHC)
Visit: <http://inahc.org/#events>

27-28 | **Banking and the Economy: A Forum for Minorities in Banking**
Charlotte, N.C.
Sponsor: Federal Reserve System
Visit: www.kansascityfed.org/events/2018/banking-and-the-economy-forum-for-minorities2018

OCTOBER 2018

1-3 | **2018 Reinventing Our Communities Investing in Opportunity**
Baltimore, Md.
Sponsors: Federal Reserve banks of Atlanta, Chicago, Cleveland, Minneapolis, New York and St. Louis, Annie E. Casey Foundation, Enterprise, FHLBank Pittsburgh
Visit: www.philadelphiafed.org/ROC2018

>>More calendar content is available online
www.stlouisfed.org/publications/bridges

From Dr. King to the Community Reinvestment Act: How His Advocacy Marches On

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few days after that dreadful evening, Congress passed the Civil Rights Act of 1968. More commonly known as the Fair Housing Act, this legislation made housing discrimination on the basis of race, color, religion, sex, national origin or family status illegal. It also gave victims the power to seek redress through newly created federal mechanisms, making it a substantive victory for the movement toward equality.

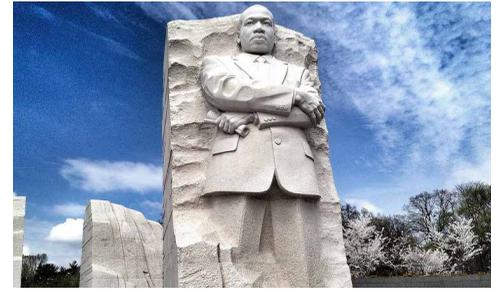
However, the nation and Congress quickly learned that simply banning discrimination proved insufficient to ensuring equal access to housing for the underserved. Other barriers and biases persisted, stifling the pursuit of resources needed to acquire a safe and affordable residence.

Continued efforts throughout the late 1960s and early '70s led to the passing of the Equal Credit Opportunity Act (ECOA) of 1974 and the Home Mortgage Disclosure Act (HMDA) of 1975. The former prohibited lending discrimination based on a borrower's race, color, religion, national origin, sex, marital status, age

or receipt of public assistance funds. The latter sought to provide the public with the necessary information to assess a financial institution's efforts to serve the housing needs of their communities. Together, both pieces of legislation furthered the efforts of leaders like King by endeavoring to level the economic playing field for people of color, low- and moderate-income (LMI) populations and other protected classes.

The Community Reinvestment Act (CRA) of 1977 was passed soon thereafter to ensure that financial institutions provided fair and equal access to credit in all of the communities from which they received deposits. The CRA sought to end the discriminatory practice of redlining by encouraging financial institutions to meet the credit and community development needs of their entire service area, specifically LMI neighborhoods.

Over the next two decades, lawmakers and presidential administrations proposed and approved several changes to the CRA. While certainly not perfect, the law has amassed a substantive track record spurring housing, small-business, small-farm and community investment for LMI residents and in LMI neighborhoods.



MLK Jr. monument in Washington, D.C.

That successful track record, like the origins of the ECOA and HMDA, can also trace its roots to the civil rights movement that King and so many others fought for during the 1950s and '60s that emphasized civil and economic rights.

April 4, 2018, marked the 50th anniversary of King's assassination. While time has surely passed, efforts to improve the lives of LMI individuals persist across the Federal Reserve's Eighth District. King knew that civil rights, equal opportunity and economic justice are one and the same. Fifty years later, the work of Martin Luther King Jr. marches on.

Caleb Bobo is an assistant consumer affairs examiner at the Federal Reserve Bank of St. Louis.

An Economy of Neighborliness in the Missouri Ozarks

By Rachel Reynolds

What is an equitable economy? How do you engage the underserved in the process of sustaining localized economies, especially in isolated spaces? How can underrepresented communities be the writers of their own collective and individual futures? These were some of the questions I set out to answer when I began organizing artists and food producers in Oregon County, Mo., in 2011.

Like most tangible acts, it began with an

idea, a hypothesis. I had been working for a nearby local arts council and their chamber of commerce to explore possibilities for capitalizing on the culture of the Ozark Mountains as a way to boost the economy through tourism. As both a folk musician and a trained ethnographer, I had questions about this model. The more I examined the lives of my community—both historically and in its current state—and worked within this framework, the more problematic it became. I viewed this model and process as an extractive economy,

one that was not sustainable for the economy or the culture. No doubt the statistics were dismal, but I wanted and needed more in a solution.

I moved to Oregon County in 2005, coming from the other side of the state line in the Arkansas Ozarks. Oregon County is a geographically large, sparsely populated county with a population of approximately 10,500. A majority of residents rely on public assistance of some sort; poverty rates are at 25 percent with a median income of \$30,000. The statistics are similar across the Ozarks geography, with a few exceptions of bustling towns across Northwest Arkansas and more urban areas such as Springfield, Mo. One of the characteristics I found

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Resources

New St. Louis Fed Policy Insight Explores the State Small Business Credit Initiative

The St. Louis Fed has released a new report and interactive tool on the State Small Business Credit Initiative (SSBCI). A component of the Small Business Jobs Act of 2010, the SSBCI allocated nearly \$1.5 billion to states to support small-business financing programs. This *Policy Insight* and interactive tool examines how the U.S. as a whole and how the states that comprise the Federal Reserve's Eighth District deployed capital and credit to small businesses located in low- and moderate-income and rural areas using the SSBCI. Additionally, this *Policy Insight* looks at the role community development financial institutions (CDFIs) played in the program. Visit www.stlouisfed.org/ssbci-policy-insight.

Opportunity Zones Explorer

This new tool features investment activity and displacement risk in designated Opportunity Zones. Visit www.stlouisfed.org/community-development/data-tools/opportunity-zones-explorer.

Find LIHTC Expirations with PolicyMap

To make it easier for housing advocates to explore potentially expiring LIHTC properties in their areas, PolicyMap allows users to filter properties by when they reach Year 15 and Year 30 in the program. Advocates can then review these properties in relation to local market conditions. Visit www.policymap.com/2018/02/preserving-low-income-housing-tax-credits-lihtc/

An Economy of Neighborliness in the Missouri Ozarks

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most interesting about Oregon County was that there had never been any employers to speak of there. Ironically, this was an asset. I learned from talking with neighbors that making and doing for oneself and family was a cultural continuum. It had never died out. It was too difficult to rely on mass consumption. A byproduct of this continuum was residents depending on each other for an exchange of goods and services to supplement their needs and desires.

Among the disappointing statistical data about Oregon County was that the entire county, except a single two-mile stretch, was classified as a food desert. There are only three grocery stores in the 790-square-mile geography. But what I had learned was that almost everything you wanted—and certainly enough

How can underrepresented communities be the writers of their own collective and individual futures?

to survive on—was being produced, built and crafted in the county, from heritage pork to organic Japanese greens, homemade laundry soap, quilts and hydroponic systems. Still, word of mouth was the only way to know about goods, and they were produced in individual homes, gardens and workshops, spread far and wide across the county.

I began a list from every slip of paper I saw stapled on a pole with a phone number, from farm fresh eggs to cards at gas stations and more. I began to think about what it would look like to centralize this exchange and what that could mean for the cultural economy of the community.

So, we began to find out. At a local festival focused on the idea of ecological



sustainability, I grabbed a mic, made up a date, named a location, blurted out the idea and invited attendees to show up and vision quest this idea with me. A couple of weeks later, on a rainy Sunday afternoon, 35 people showed up. We talked, we listened and we dreamed. For the next two years, we met regularly, hosted community events, and grew and formalized our group. We came up with a name—Oregon County Food Producers and Artisans Co-Op; lengthy, but it made clear who we were. Together, we built a model for what we thought would support our community. Eventually, we were able to rent a two-sided storefront that became a combination of community center for collective visioning, skill sharing and performance, and a market that carried items that were handmade or homegrown in and around the county. Our model was as follows:

- Everyone was welcome regardless of age, race, political or religious persuasion, sexual orientation, experience or background.
- Membership dues were payable in money, product and/or service.
- We were 100 percent volunteer.
- The producer received 70 percent of the sale price of their item; the co-op received 30 percent.

- The producer set the price.
- Barter was facilitated by the co-op connecting the producer and the consumer, then getting out of the way.
- After the bills were paid, 100 percent of the profits from the market would be reinvested back into the community as mutual aid funds to individuals or organizations.
- Every member, whether 9 or 90, had an equal say in how the funds were redistributed as well as how the project progressed.
- The only thing that dictated influence was one's willingness and ability to participate.
- Mutual respect was our cardinal rule.

We made the conscious decision not to incorporate as a nonprofit because we wanted to have an equitable process devoid of a governing body. We also wanted the ability to be immediately reactive to community needs as they arose. This served us well; in 2014, we received a Citizens' Institute on Rural Design award and were featured in national publications such as *Mother Earth News*. I was afforded the opportunity to share the model

What I had learned was that almost everything you wanted—and certainly enough to survive on—was being produced, built and crafted in the county.

around the country and engage in policy conversations around rural creative placemaking.

As we grew, we made additions to our facility, including the addition of a community kitchen that served as an incubator for local value-added products and meals, and as a space for skill-sharing workshops on food preservation and preparation. The co-op served as a voter registration site, hosted



Local artisans create handmade items sold in the community market.

social justice Bible studies and Pay-What-You-Can yoga classes, exhibited local art and created a Co-Op Youth Council that started enacting their own creative placemaking projects. We became not only a hub for the community and its culture but also a way for people to substantially subsidize their income while helping others in their community.

While I handed over my post of project steward in 2017, the model had always been predicated on the fact that it was not mine or any one person's. It was a community model that could and should be passed on.

In the poorest county in Missouri, an economy of neighborliness has prevailed. This, I believe, is the strength of the model. This project, which continues on in a new iteration, brought people to the table, literally and figuratively, who had never before been asked. They had never been empowered to

envision their future. Many had been told it was impossible to stay and make a living, much less a difference, in the community that they so dearly loved. What they found was a sense of ownership and responsibility to be the support they wanted and needed. They found that in themselves and in each other, in community.

Rachel Reynolds is the founder of the Oregon County Food Producers and Artisans Co-op (OCFPAC) initiative, director of development at the Artist's Laboratory Theatre, and the head project steward at Cultural Continuum Consulting.

Thanks, Dad: You Were Right about Saving and Paying Off Debt

By Ray Boshara

When my high school graduation yielded a sweet \$1,000 in cash, I asked my dad if I could use it all to pay down the debt I owed him for a car I just had to have the day I turned 16. I loved my 1972 Cutlass Supreme but hated having debt, and my dad, being my dad, was charging me interest. But he said no: It's best to pay off some of the debt and always have some money in the bank to fall back on.

I never forgot that lesson, and now—thanks to my colleague Emily Gallagher, a visiting scholar in our Center for Household Financial Stability—we have some real evidence that that's the right thing to do, even if your bank is charging you more interest than my dad was.



Reprinted from Open Vault Blog: Boshara, R. (2017, Dec. 6). Thanks, Dad: You Were Right about Saving and Paying Off Debt [Blog post]. Retrieved from www.stlouisfed.org/open-vault/2017/december/thanks-dad-you-right-saving-paying-off-debt.

Saving vs. Paying Down Debt

She began her *In the Balance* brief with this provocative question: “Why would someone keep \$1,000 in a low-earning bank account while owing \$2,000 on a credit card that charges a double-digit percentage interest rate?” It’s provocative because Emily is an economist, and most economists would say, hands down, you’re better off paying down that high-interest debt.

But then Emily defies her fellow economists and says it’s better to save: “[K]eeping a cash buffer greatly reduces the risk that a family will miss a payment for rent, mortgage or a recurring bill, will be unable to afford enough food or will be forced to skip needed medical care within the next six months.”

The Struggles of Having No Savings

For millions of struggling families, these are real issues. In 2017, consumer debt hit an *all-time* high of 26 percent of disposable income, largely driven by growth in auto loans, student loans and credit cards—all of which tend to carry high interest rates, especially for families living on the edge.

Moreover, the Fed reported last year that 44 percent of families could not meet a \$400 unanticipated expense without borrowing, selling something or simply not paying at all. For these families, every day is a rainy day. So, it pays to save: even if in small amounts, even if interest rates are low and even if it means continuing to pay on high-interest debt.

The Benefits of Saving

In fact, after surveying thousands of real families, the Consumer Financial Protection Bureau recently published a “Financial Well-Being Scale,” which found that nothing moved a family up the scale—toward greater financial well-being—more than having more rainy day or “liquid” savings.

And in our research at the Center, led by my colleagues Bill Emmons and Lowell Ricketts, we found that lack of savings was one of the most consistent characteristics of weak family balance sheets.

And saving is good not just to avoid hardship: There’s lots of research showing that having savings and assets—even in modest amounts—gives children and families a sense of hope for the future, an ability to plan and even a greater likelihood of going to and completing college.

As a teenager, I thought my dad was mostly wrong about things and, as an adult, I think economists are mostly right about things. It’s nice being pleasantly surprised.

ADDITIONAL RESOURCES

- *Center for Household Financial Stability: The Demographics of Wealth* (<https://www.stlouisfed.org/household-financial-stability/the-demographics-of-wealth>)
- *In the Balance: Cash on Hand Is Critical for Avoiding Hardship* (<https://www.stlouisfed.org/publications/in-the-balance/issue18-2017/cash-on-hand-is-critical-for-avoiding-hardship>)

Ray Boshara is senior adviser and director of the St. Louis Fed’s Center for Household Financial Stability.



So, What's in Your CRA Public File?

This article is part of a series on CRA best practices from an examiner's perspective. Although this column focuses on CRA best practices for financial institutions, the content may provide insights to community development organizations working with financial institutions to meet credit and community development needs. As a disclaimer, this series is only meant to represent best practices; financial institutions should consider the information presented in context of the requirements or guidance of their primary regulator and the business need of their financial institution.

By Douglas S. Yarwood

Recently the CRA public file has made banking news due to changes in the availability of Home Mortgage Disclosure Act (HMDA) data on the Consumer Financial Protection Agency's (CFPB) public website (www.consumerfinance.gov/hmda). The change became effective Jan. 1, 2018, and allows HMDA reporting institutions to forego placing physical copies of HMDA disclosure statements in the public file starting with the 2017 reporting year. In place of the physical copy, reporting banks need only include a statement in the file that their HMDA data may be obtained from the CFPB website.¹

The announcement of this change is a reminder of the important role the public file plays in communicating a financial institution's CRA performance to the public. The contents of the public file for covered financial institutions include both point-in-time (CRA evaluations) and ongoing information to help the public understand the bank's capacity and ability to serve assessment area communities through its lending and, as applicable, community development activities. On an ongoing basis, banks are required to update the file regarding new or changed assessment area delineations;² retail products and services (including applicable transaction fees); and changes to its branching structure, including deposit-accepting ATMs. Institutions are also to include all written comments received from the public as well as their responses indicating performance in helping to meet community credit needs.³ Additionally, small banks (including intermediate small banks) are

required to report quarterly overall loan-to-deposit ratio⁴ information.

The public file becomes thicker for institutions with assets of \$1.252 billion or greater.⁵ Public files maintained by these institutions require the same information as previously mentioned (with the exception of loan-to-deposit ratio information) as well as specific mandated disclosures. The CRA disclosure statement, which is publicly available on the Federal Financial Institutions Examination

While information in the public file is required to be reviewed at least annually, many large and/or more complex institutions have found the best practice is to review its contents more frequently to ensure the public has an accurate depiction of the institution.

Council (FFIEC) website,⁶ provides detailed information on the bank's small-business and small-farm lending. Additionally, this report provides aggregated information regarding the bank's community development lending. There are additional requirements for institutions that include consumer loans in their evaluations. Annual consumer disclosure statements, which are not prepared by the FFIEC, still must be prepared according to regulation⁷ and included

in the public file. Similar to HMDA disclosures, all CRA disclosures should be reviewed closely to ensure the institution is prepared to answer questions from public viewers regarding lending performance. Although requirements have changed for how the HMDA disclosure is provided in the public file, there have been no changes to requirements for providing CRA disclosure statements.

While information in the public file is required to be reviewed at least annually, many large and/or more complex institutions have found the best practice is to review its contents more frequently to ensure the public has an accurate depiction of the institution. While the regulation still holds separate guidance for public files located at the institution's main office and branches, there is a growing trend among banks to provide the full format of the public file for viewing on dedicated kiosk computers at each location. The use of dedicated computers relieves the burden of updating several copies of the public file throughout the bank's branches and provides an easy means to send copies to persons requesting to review the file's contents.

Douglas S. Yarwood is a senior examiner at the Federal Reserve Bank of St. Louis.

ENDNOTES

- 1 The changes are documented in Regulation BB section 228.43(b)(2).
- 2 Requirements of assessment-area delineation are listed in Regulation BB section 228.41.
- 3 See Regulation BB section 228.43 for a complete listing of required contents based on financial size/strategy.
- 4 The loan-to-deposit ratio is calculated by dividing the institution's net loans and leases from the Uniform Bank Performance Report by its total deposits.
- 5 Annual CRA Asset-Size Threshold Adjustments are available on the FFIEC website: <https://www.ffiec.gov/cra/examinations.htm#THRESHOLD>.
- 6 CRA Disclosure Statements are publicly available on the FFIEC website: <https://www.ffiec.gov/craadweb/DisRptMain.aspx>.
- 7 Requirements for consumer loan products are listed in Regulation BB section 228.43(b)(1)(i).

Moving the Mid South Forward

By Ivye L. Allen

The Foundation for the Mid South (the Foundation) is a regional foundation serving Arkansas, Louisiana and Mississippi. Founded 28 years ago, the Foundation has developed a history and reputation for attracting resources (financial, intellectual and human capital) to support the region. Our partners often include a cross section of voices and perspectives from individuals and nonprofit, public and corporate entities. Our mission is to invest in people and strategies that promote racial, social and economic equity in four priorities—education, health and wellness, community development, and wealth building. An ongoing critical strategy is to engage those impacted in solution identification that allows them to grow and prosper. Strengthening capacities of partners and the people they serve to address challenges is essential to community and individual success.

Using the lens of comprehensive community change is quite often the way that we work. To move a community and its residents forward, leaders must consider multiple strategies and approaches to address changed

outcomes. Although the execution of a plan usually has a lead strategy, there are often multiple strategies implemented to achieve intended outcomes. The Foundation consistently partners with local teams to achieve community and individual goals. Critical in our thinking and approach is the role of system and policy change. For sustained change to take place, we believe that institutionalization of policies and practices is essential. In

Using the lens of comprehensive community change is quite often the way that we work.

the Foundation's work, that might include more effective professional development efforts for teachers or job training and occupational skill development.

Throughout the Foundation's history, we have found that residents, as well as corporate and municipal leaders, must have a vision and the willingness to work collaboratively

to bring about sustained change. Good ideas come from many perspectives. Moreover, it is important to utilize current talent while also strengthening the skills and knowledge of those who want to enhance their abilities to make a difference. Helping everyone expand their knowledge and exposure strengthens their capacity to identify and develop effective solutions. Recognizing that financial resources influence outcomes, it is critical to leverage and pool those resources to reach intended goals.

There is a national focus on adult education and skills training to address the employment gap across all sectors. One of the greatest sources of untapped human capital includes those with high school diplomas or less and limited work readiness skills. The Foundation supports continuous and diverse learning opportunities that will ensure more of these adults have the requisite skills and capacities to meet current and future employment needs. We partner with public and private entities—state agencies, higher education institutions, employers, nonprofit organizations—to address work readiness.

CDAC MEMBER SPOTLIGHT



Ivye L. Allen, Ph.D. is president of the Foundation for the Mid South, which supports programs and initiatives that focus on community development, education, health and wellness, and wealth building. The organization's successes include assisting new and incumbent workers to secure and retain employment, improving school district performance, and supporting more than 75,000 families to improve their financial knowledge and assets. Allen previously served as chief operating officer for MDC Inc. and as director of fellowship programs for the Rockefeller Brothers Fund. She has held finance and marketing positions in Fortune 100 corporations. She is a member of the Community Development Advisory Council (CDAC) for the Federal Reserve Bank of St. Louis. Allen holds a doctorate in social policy from Columbia University, a master's degree in urban affairs from Hunter College, a master's in business administration (marketing and international business) from New York University and a bachelor's in economics from Howard University.

CDAC members are experts in community and economic development and financial education. They complement the information developed through outreach by the District's Community Development staff and suggest ways that the Bank might support local efforts. A list of current members is available at www.stlouisfed.org/community_development.

The Foundation is the leading partner in the Mississippi Delta Workforce Funding Collaborative (the Collaborative); nearly \$4 million in pooled and aligned funds have been invested in workforce development efforts. To date, the Collaborative has built two industrial partnerships (health care and manufacturing), served over 2,500 low-income/low-skill individuals, enrolled nearly 1,000 in postsecondary training, and placed approximately 600 unique job seekers into employment. The Electrical Utility Lineman Trainee program has prepared and placed graduates in both multinational and small local cooperative utilities (Figure 1). The profession pays some of the higher wages in the region, with many reporting earning over \$100,000 annually. Linemen have been deployed by their companies to assist communities after natural disasters. We were proud to support the groundbreaking for a new training facility on the Mississippi Delta Community College campus (Figure 2).

Throughout the Foundation's history, we have found that residents, as well as corporate and municipal leaders, must have a vision and the willingness to work collaboratively to bring about sustained change.

In addition, the Collaborative was one of the National Fund for Workforce Solutions' most successful transportation, distribution and logistics (TDL) sector initiatives. This effort, supported by Walmart Inc., has been instrumental in introducing more people of color, and particularly women, into this career option. Our partnership with Hinds

Community College and KLLM Transportation Services is addressing the demand for more certified TDL drivers, resulting in employment and entrepreneurial opportunities (Figure 3).

Our goal is to continue focusing on in-demand sectors while increasing awareness

For sustained change to take place, we believe that institutionalization of policies and practices is essential.

of barriers to long-term, generational community wealth-building strategies. Moreover, the Foundation will continue investments to strengthen K-12, postsecondary and workforce systems to better help underserved populations throughout the Mid South.

The Foundation recognizes the importance of returning citizens' productivity to their communities. As a result, we produced comprehensive statewide manuals and websites detailing resources by county and parish for Arkansas, Louisiana and Mississippi (Figure 4). The work was developed through various partnerships, including the Mississippi Re-entry Council and Greater New Orleans Foundation. It includes county, state and federal information ranging from mental health assistance to workforce training opportunities. The manual and online web tool provide important information to returning citizens and service providers to ensure success and rapid reattachment to the workforce and their community.

As we continue our work of improving lives by expanding knowledge, we realize that there is still much to do. The Foundation is committed to working with existing partners and building new relationships with many sectors to provide maximum opportunities and benefits to all Mid Southerners.

For more information on the Foundation and our work, please visit www.fndmidsouth.org.



Figure 1: A class of the Electrical Utility Lineman Training program at Mississippi Delta Community College.



Figure 2: The Collaborative supported the groundbreaking for a new lineman training facility on the Mississippi Delta Community College campus.



Figure 3: The Collaborative's partnership with Hinds Community College and KLLM Transportation Services is addressing the demand for more certified TDL drivers, resulting in employment and entrepreneurial opportunities.



Figure 4: Reentry guides for Arkansas, Louisiana and Mississippi.

Fannie Mae's Duty to Serve Efforts May Be Heading to a Neighborhood Near You

By Vanessa G. Randolph

We can all agree that the housing needs of underserved markets and populations should be supported. At Fannie Mae, we're looking forward to addressing this challenge under the Federal Housing Finance Agency's (FHFA) Duty to Serve (DTS) Program (www.fhfa.gov/PolicyProgramsResearch/Programs/Pages/Duty-to-Serve.aspx).

From 2018 to 2020, we are taking specific steps to address:

- **manufactured housing**, exploring innovative financing options for one of the largest affordable housing opportunities;
- **affordable housing preservation**, helping to keep established properties available as low-cost housing alternatives; and
- **rural housing**, supporting the financing of housing for targeted high-needs rural regions and populations.

Fannie Mae has served the housing needs of America for 80 years. We view these efforts as an extension of the mission-oriented work we do every day to ensure access to sustainable, affordable housing.

Manufactured Housing Is Affordable Housing

Today's manufactured housing is still built in factories, but the homes are placed on a foundation so they're not easy to move. They also offer amenities homebuyers crave—spacious living spaces, state-of-the-art kitchens, luxury bathrooms—and the safety and energy efficiency they need, all at prices they can afford.

The average price per square foot of a manufactured home is \$49; for a site-built home, it's \$107 for that same square foot.¹ At that entry point, factory-built housing could



help ease the affordable housing crisis, providing reasonably priced homes for low- and moderate-income buyers. And those buyers can start building equity. (See Figure 1.)

However, there are challenges for lenders in this space, including differing lending standards depending on whether the home is treated as real estate or personal property, a lack of accessible financial and performance data, a higher cost of borrowing for many consumers, and an overall negative brand perception.

Under DTS, Fannie Mae is making some policy updates so we can purchase more loans on manufactured homes built to certain specifications and titled as real property. We have taken the first step with FHFA, our regulator, to establish a pilot program for testing chattel (personal property) loans.

In multifamily manufactured housing, we are reviewing current products to consider financing strategies for government-, nonprofit- and resident-owned manufactured housing communities. We are also researching and evaluating FHFA's proposed minimum tenant pad lease protections for

manufactured housing communities. Pad sites are freestanding retail buildings that are leased to one or more retail tenants.

The Need to Preserve Affordable Housing

Low rental vacancy rates have pushed home purchase prices higher. From the third quarter of 2012 to the third quarter of 2017, housing prices increased 23 percent. It's hardly surprising that homeownership rates have dropped from a peak of 69.2 percent in 2004 to 64.2 percent in 2017. This is particularly true for younger households, whose homeownership rate dropped from 43.6 percent in 2004 to 34.7 percent in 2017.

Rents are also on the rise. More than 11 million renter households pay at least half of their monthly income for housing.

Under DTS, Fannie Mae is working to increase the supply of affordable housing through shared equity models such as community land trusts and resale-restricted properties, as well as through distressed properties that can be purchased and rehabilitated. At the same time, many very low- to moderate-income people live in older homes with high utility bills. To help these families, we are working on financing options for energy- and water-efficiency improvements to lower costs, which will help them to afford housing and other payments.

On the multifamily side, we are exploring preservation strategies and plan to make additional loan purchases under a number of existing federal programs that are designed to preserve affordable housing. We are increasing our support for state and local housing initiatives, providing financing for energy- and water-efficiency improvements,

and helping the industry develop standards for multifamily energy-efficient lending.

Serving Rural Markets

Under DTS, Fannie Mae is working to bring more conventional lending to underserved rural regions and populations, including agricultural workers and markets in middle Appalachia, the lower Mississippi Delta, the colonias located along the U.S.-Mexico border region, and housing on Native American lands. Fannie Mae is also working to finance more housing in certain rural areas in persistent poverty counties. For example, areas of interest in Missouri include Dunklin, Mississippi, New Madrid, Oregon, Pemiscot, Reynolds, Ripley, Shannon, Texas, Washington and Wright counties.

Our plan is to increase the number of loans purchased in high-need rural regions, including purchases from small financial institutions, and increase collaboration with lenders, nonprofits and government entities that support affordable housing in rural areas.

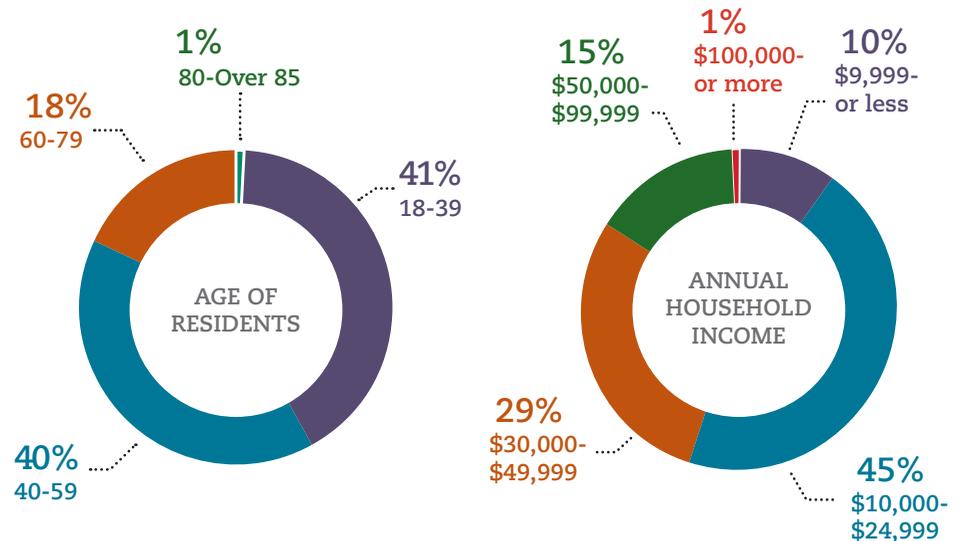
We've also re-entered the Low Income Housing Tax Credit (LIHTC) equity market² and will increase purchases of loans secured by multifamily housing for specific high-need populations and regions.

Working Together to Effect Change

As a secondary market participant, Fannie Mae looks for opportunities to spur the primary market to provide more capital in areas of the country that are too often neglected. We work with the necessary stakeholders to make needed changes and develop innovative products to attract investors. Most of all, we want to be sure new financing for high-need housing populations is safe and sustainable.

FIGURE 1

Who's Living in Manufactured Housing?



Source: 2012 Mobile Home Market Facts, by Foremost Insurance Company

We realize no single participant in the housing finance system can turn an underserved market into a well-served one. It will take strong partnerships and a high degree of collaboration among a wide range of stakeholders to make a difference in all three DTS markets.

For more information and updates, please visit our website at www.fanniemae.com/portal/about-fm/duty-to-serve.html.

Vanessa "Van" G. Randolph is a community lending specialist at Fannie Mae.

ENDNOTES

- 1 Manufactured Housing Institute: 2017 Manufactured Housing Facts: Industry Overview, March 2018; retrieved at <http://www.manufactured-housing.org/wp-content/uploads/2017/10/2017-MHI-Quick-Facts.pdf>
- 2 <http://www.fanniemae.com/portal/media/corporate-news/2017/low-income-housing-tax-credit-6634.html>



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HOPE Chosen Winner of the 2018 Wall Street Journal Financial Inclusion Challenge

HOPE (Hope Enterprise Corp., Hope Credit Union and Hope Policy Center), based in Jackson, Miss., has been chosen as the winner of the 2018 Wall Street Journal Financial Inclusion Challenge (WSJFIC). HOPE was selected because of their work to serve distressed people and bring opportunity to a cluster of small towns in the Mississippi Delta, a region that is home to more than a third of the most impoverished counties in the U.S. The WSJFIC is focused on issues that low- and moderate-income Americans face in managing their personal finances and

financial health. HOPE provides affordable financial services; leverages private, public and philanthropic resources; and engages in policy analysis to fulfill its mission of strengthening communities, building assets and improving lives. Since its beginning in 1994, HOPE has generated over \$2 billion in financing and related services for the unbanked and underbanked, entrepreneurs, homeowners, nonprofits, health care providers and other community development purposes. These projects have benefited more than 1 million people. To learn more about the WSJFIC, visit <https://financingthefuture.wsj.com/us/financial-inclusion>. To learn more about HOPE, visit <https://hopecu.org>.

Following the MONEY

Local community and economic development (CED) depends on a combination of public and private funding. Grant dollars are an important source of funding for initiatives that create better-paying jobs and infrastructure to support revitalization, affordable housing or improved systems for education or health care. An analysis of

foundation grants for CED from the Federal Reserve banks of Atlanta and Philadelphia (<https://scholarworks.gvsu.edu/tfr/vol8/iss3/7/>) found the geographic distribution of grant funding is highly uneven. On a per capita basis, grant dollars flow to some metro areas much more readily than to others.

The updated Following the Money tool allows users to explore data on grant funding for CED from a variety of sources. Check

out the interactive data tool and instructional videos on the Following the Money webpage: www.frbatlanta.org/community-development/data-and-tools/following-the-money.aspx.

