LINKING LENDERS AND COMMUNITIES

AUTUMN 2005

PUBLISHED QUARTERLY BY THE COMMUNITY AFFAIRS DEPARTMENT OF THE FEDERAL RESERVE BANK OF ST. LOUIS

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Land Banks Restore Neighborhoods...

Building by Building, Lot by Lot

By Lyn Haralson
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Federal Reserve Bank of St. Louis

The concept of land banking began in the 1960s as communities sought solutions to urban disinvestment. The idea is simple…to create a governmental entity that focuses solely on the conversion of vacant, abandoned and tax-delinquent properties into productive use. Land bank authorities achieve this goal by acquiring and overseeing redevelopment of these properties.

The organization of a land bank requires the cooperation of all state, county and local taxing entities that have liens on these properties. Negotiating agreements and developing priorities and guidelines takes some time.

The first land bank authority did not come to fruition until 1971 and emerged in the form of the St. Louis Land Reutilization Authority. During the last 30 years, additional land banking authorities have been created, each slightly different in structure, but all focused on the common goal of revitalization through the conversion of unproductive properties.

The two major authorities located in the Federal Reserve's Eighth District are the St. Louis Land Reutilization Authority and Louisville and Jefferson County Land Bank Inc.

A Solution to Urban and Rural Blight

Although first conceptualized as a solution to urban blight, land bank authorities have come to be used as a tool by older communities in both urban and rural areas. Regardless of their size, older communities face similar problems when dealing with issues surrounding abandoned properties. These properties depress tax revenues, strain public services and require public intervention for upkeep. Neighborhoods with significant numbers of these properties experience increased crime, and the structures often become targets of arson. Ironically, a community with a large number of tax-delinquent properties might be forced to cut city services for lack of funds—services such as fire and police, which are needed to combat the crime and arson in these structures.

When looking at ways to expedite the conversion of abandoned properties into

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Is a Land Bank Right for Your Community?

Common indicators:

- noncontiguous abandoned properties
- ineffective tax foreclosure procedures
- code violations
- title problems
- property disposition requirements

In many communities, abandoned and vacant properties exist in low-income neighborhoods. As with any redevelopment, concerns for existing residents must be considered. Fear that increased property values will drive existing residents out is real. For one idea on how to accomplish redevelopment while preserving the ability for current residents to remain, see "What Is a Community Land Trust?" in the 2003 summer issue of *Bridges.* (This article can be found online at: http://stlouisfed.org/publications/br/2003/b/pages/1-article.html.)

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productive use, communities often try to speed up the tax foreclosure and sale process or strengthen code enforcement. The lag in time between delinquency and tax foreclosure can be a problem, but expediting this process only ensures the property is removed from one owner's hands and placed in another's. It does not ensure the property will be rehabilitated. Ramped up code enforcement requires financial resources that a community with a large inventory of these properties might lack.

Land bank authorities not only acquire and dispose of the land, but by design maintain and set guidelines for the use of the land. Following disposition, authorities track the land for a period of years to ensure the property is being maintained in accordance with the sales agreement. Land banks are neither a redevelopment agency nor a land assembly agency. Land banks do not try to acquire entire blocks in neighborhoods, but acquire those properties within neighborhoods that are causing blight.

Land banks acquire the majority of land through tax foreclosure. Other methods, such as gifting by heirs or tax-delinquent owners and financial institutions, are rare but do occur. Land bank authorities are created with the power to waive unpaid taxes on properties if they are acquired for redevelopment.

The majority of land banks give nonprofit development organizations first rights to acquired property. By using the legal tools a land bank provides, a community can ensure tax-foreclosed properties are sold or developed with the long-term interest of the community and surrounding property owners in mind. Land banks provide marketable title to properties previously impossible to develop because of complicated liens and confusing ownership history.

Louisville and Jefferson County Land Bank Inc.

Louisville and Jefferson County Land Bank Inc. was established in 1988. Since its inception, the land bank has acquired approximately 4,000 parcels of land, disposed of 3,000 parcels and holds another 500 in predevelopment review. These parcels are being marketed as side yard opportunities to individuals living in adjacent properties.

Melissa Barry, director of Louisville Metro Housing and Community Development, says that, prior to 1988, vacant properties in Louisville and Jefferson County were made up of city and county foreclosures. Taxing entities in the area included the city of Louisville, Jefferson County, Jefferson County Public Schools and the commonwealth of Kentucky. Even after tax foreclosure and the sale of the property at a state land commissioner sale, tax liens often remained, clouding the title. Through an inter-local government agreement, Louisville and Jefferson County Land Bank Inc. was established.

Maria Hampton, senior branch executive of the Louisville Branch of the Federal Reserve Bank of St. Louis, says she made use of the Louisville land bank on numerous occasions in her former capacity as president of The Housing Partnership Inc. in Louisville. The land bank allows nonprofit organizations to gain site control of land in disenfranchised neighborhoods, to redevelop housing for homeownership and to deliver homes at less than market rate, Hampton says. The availability of these lots also offers opportunities for large-scale, single-family development financed with tax credits, she says. Site control allows for easier bank financing and offers an opportunity for private investment to leverage the total development cost of a deal. In addition, creative use of land bank land offers opportunities for commercial development integral to the success of neighborhoods.

For more information on Louisville and Jefferson County Land Bank Inc., contact Barry at (502) 574-3107 or e-mail her at melissa.barry@loukymetro.org.

St. Louis Land Reutilization Authority

The city of St. Louis Land Reutilization Authority (LRA) was created in 1971 by state statute and was the first entity of its kind.

LRA receives properties in three ways: through donations; as the "default owner of last resort" following tax delinquency foreclosure proceedings where the property is not purchased

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Talking in Memphis

Groups Create Educational Programs to Tackle Foreclosures, Bankruptcies

By Martha Perine Beard

Financial literacy has become a key initiative in recent years for several nonprofit groups in Memphis, Tenn. Spurred on by an excessive number of bankruptcy filings, an increase in the number of home foreclosures and a growing concern about predatory or abusive lending, the groups have taken up the challenge of financial education for consumers.

The increased activity became evident in 2000, after the American Bankruptcy Institute reported that Tennessee led the nation in the relative number of personal bankruptcy filings. In addition, judges in Tennessee carry one of the heaviest bankruptcy loads in the nation.

Bankruptcy filings occur for a number of reasons, including job loss, medical bills, extensive credit card debt and gambling problems. Since 2000, Tennessee has seen minor improvement in reducing bankruptcies. In 2004, the state ranked No. 2—Utah is now ranked No. 1. An article in *The Commercial Appeal,* Memphis' daily newspaper, indicated that the number of bankruptcy filings in Tennessee is declining, in part because judges are transferring cases filed in Memphis by Mississippi and Arkansas residents to their home states. The U.S. Bankruptcy Court for the Western District of Tennessee, located in Memphis, currently handles more than 20,000 cases per year.

Foreclosures are another growing concern. The events that lead to bankruptcy also result in home foreclosures. Additionally, foreclosures may occur when people buy homes that are a significant stretch for their income.

Some Memphis nonprofit organizations are addressing the foreclosure issue by offering education programs to first-time home buyers. The programs stress the importance of buying a home that is affordable and of maintaining a home.

For 10 years, United Housing Inc. (UHI) has been a key player in the Memphis market in providing affordable housing for families with low to moderate incomes. Tim Bolding, president of UHI, has seen firsthand the benefit of home-buyer education, which the organization requires potential home buyers to take. The UHI foreclosure rate is 2 percent, compared with 13 percent for homeowners with Federal Housing Administration (FHA) loans, he says. Additionally, in some instances, the result of working with families through home-buyer education is that they find out they are not ready to purchase a home.

Many first-time buyers also fail to consider the cost of ongoing home repairs and try to borrow the money when repairs are needed. Because many banks do not make home improvement loans, homeowners often secure them from home improvement contractors, mortgage brokers or other lenders who advertise through fliers, phone calls and radio spots.

Although many of these companies are honest, others are predatory and take advantage of homeowners in need by providing loans that have unfair terms and conditions. In many instances, high-pressure sales tactics are used, and a contract is signed before the homeowner has an opportunity to discuss the loan with a family member or other trusted adviser.

Randy Hutchinson, president of the Better Business Bureau of the Mid South, recommends that consumers always check with them to find out if a firm has a good record in dealing with its customers. "If you don't have a particular company in mind, we can provide you with a list of BBB members who are committed to treating you fairly," he says.

The Memphis Branch of the Federal Reserve Bank of St. Louis is collaborating with several groups on a variety of financial education projects.

Last year, the Fed, the Federal Deposit Insurance Corp., the Office of the Comptroller of the

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Currency, the Office of Thrift Supervision and the Community Development Council jointly sponsored a community roundtable on bankruptcy and predatory lending.

Additionally, the Fed has provided technical assistance for several years in support of the MemphisDEBT Collaborative, which develops consumer education programs. More information about the collaborative's work is available at its web site: www.memphisdebt.org.

"The majority of community residents we have worked with most closely, in public housing and affordable housing, in the work place and in neighborhoods, have had credit scores that were roughly 620 or under," says Saralyn Williams Crowell, program coordinator for the collaborative. "Many residents have no idea what their credit score is and, once told, have even less of an idea if that number is good or bad.

"This lack of knowledge, coupled with current advertising messages telling buyers that no credit and bad credit are OK, is leading to disastrous outcomes." These companies promote low monthly payments while downplaying or omitting high interest rates, lengthy repayment terms, and extra fees and penalties, she says.

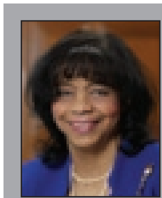
Crowell says everyone should get a free copy of their credit report at www.annualcreditreport.com. The collaborative's home ownership brochure indicates that a score of "600 or higher, along with factors such as job stability and a good credit history, should get you an 'A' or an FHA-type loan. A score of 500-600 means you'll pay an extra 2 to 3 percent. Less than 500—Wait! You will not get a good deal on a mortgage loan."

Another project supported by the Federal Reserve Bank is the Leadership Academy Fellows. This program for midlevel managers has recognized the importance of financial education and has made this topic its primary focus for the next year.

The Bank also is a member of the Memphis/Shelby County Anti-Predatory Lending Coalition, a citywide group representing bankers, businesses, nonprofit organizations and community advocacy groups with a focus on housing, legal services and credit issues. The group came together last year following a *Commercial Appeal* report about senior citizens who had lost their homes after borrowing relatively small sums of money for home repairs.

It became evident to the coalition that education is the key to addressing predatory lending, bankruptcy and foreclosure prevention. It also became evident that the education needs to begin at a very early age. The coalition's education initiatives will focus on providing information to the faith community, public schools, local colleges and universities, neighborhood associations, and senior citizens' groups.

Many cities have a number of citizens who are facing issues related to bankruptcy, foreclosures and predatory lending. Hopefully, all of these cities have business leaders, faith leaders, educators, nonprofit leaders and others who recognize the importance of financial education and who are willing to take the time to provide the appropriate information where needed—since education is the key.



Martha Perine Beard is senior branch executive of the Memphis Branch of the Federal Reserve Bank of St. Louis.

Financial Education Tips for Consumers

- Tear up unsolicited credit cards.
- Participate in a home-buyer education program if you are buying a home for the first time.
- Contact a reputable credit counseling service if you are having financial problems.
- Think twice about taking out a second mortgage on your home.
- Compare the cost of your proposed loan and interest rate with other lenders.
- Seek the advice of someone you trust and who understands financial matters.
- Make sure that a home improvement loan is not a refinance loan.
- Do not sign forms with blank spaces or incorrect information.
- Toss out loan solicitations from companies you did not contact.
- Beware of "deals" offered by high-pressure telemarketers, TV advertisements from companies you have never heard of and door-to-door salespeople.
- Ask for references and call them or call the local Better Business Bureau to determine if the company has received any complaints from customers.

This list is based on ongoing research and information from a variety of sources, including the nationwide Don't Borrow Trouble Campaign, the Tennessee Bankers Association, the Memphis Fair Housing Center and the Memphis Area Community Reinvestment Organization.

Those interested in counseling can call the Department of Housing and Urban Development for a list of counseling centers. The number is 1-800-569-4287. Information also is available at www.hud.gov.

Local Predatory Lending Laws: Going Beyond North Carolina

By Anthony Pennington-Cross, Senior Economist, and Giang Ho, Analyst, Federal Reserve Bank of St. Louis

Following the lead of federal regulations, numerous states, counties and cities have enacted laws designed to reduce predatory lending. There is at least anecdotal evidence that predatory or abusive mortgage lending is primarily concentrated in the subprime market. However, the impact of these local predatory lending laws on the subprime mortgage market is unknown. The primary questions we examine are: do these laws affect the supply and flow of subprime mortgage credit and does the experience in North Carolina, the first state to enact a local predatory lending law, apply to other local laws?

Defining Predatory Lending

As discussed in a Housing and Urban Development (HUD)-Treasury report, defining predatory lending can be problematic.[1] This difficulty arises because predatory lending depends on the inability of the borrower to understand the loan terms and the obligations associated with them. For example, some borrowers might be willing to accept a prepayment penalty in exchange for lower interest rates or fees because they do not expect to move in the near future. Or, the borrower might plan to diversify his or her portfolio away from a home and therefore would like an interest-only loan with a balloon payment in 10 years. However, interviews conducted by HUD, the Treasury Department and the Federal Reserve Board indicate that some, perhaps many, borrowers using high-cost loans might not have understood that the loan had a prepayment penalty or that it did not amortize through time, leading to a balloon payment.

Federal and Local Laws

At the national level, the Home Ownership and Equity Protection Act (HOEPA) and the regulations promulgated under it define a class of loans that are given special consideration because they are more likely to have predatory features and require additional disclosures. Loans covered under HOEPA include only closed-end home equity loans that have an annual percentage rate (APR) and/or finance fees exceeding a certain threshold. Specifically, the APR trigger is 8 percent and 10 percent above the Treasury rate for first and second lien loans, respectively. The fee trigger is inflation-adjusted and includes dollars paid at closing for optional insurance programs, such as health, credit life, accident, loss of income and other debt protection programs. Home purchase loans and other types of lending backed by a home, such as lines of credit, are not covered by HOEPA.

Local authorities have gone beyond HOEPA by introducing their own predatory lending laws that extend the restrictions on credit to an even broader class of mortgages. These restrictions include limits on allowable prepayment penalties and balloon payments, prohibitions of joint financing of various insurance products with the mortgage (such as credit, life and unemployment) and requirements that borrowers participate in loan counseling.

For example, North Carolina—the first state to enact predatory lending restrictions—expands the coverage of HOEPA by including both closed-end and open-end mortgages. However, reverse mortgages are not included and loan size is limited to the conventional conforming limit (loans small enough to be purchased by Fannie Mae and Freddie Mac and therefore not considered part of the jumbo market). North Carolina did leave the APR triggers the same as the HOEPA triggers, although the points and fees triggers were reduced from the HOEPA 8 percent of the total loan amount to 5 percent for loans under $20,000. For loans $20,000 or larger, the same 8 percent trigger is used or $1,000, whichever is smaller. The North Carolina law also prohibits prepayment penalties and balloon payments for most covered loans. The law prohibits the financing of credit life, unemployment, disability or other life and insurance premiums, while HOEPA includes them only as part of the trigger calculation.

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Variation in the strength of local predatory laws typically comes from two sources. The first is the extent to which the law extends coverage beyond HOEPA. The second is the extent that the law restricts or requires specific practices. Law coverage is defined typically in terms of loan purpose, loan limit, APR and points-and-fees triggers. Broader coverage strengthens a law. On the other hand, the extent of a law's restrictions is typically defined by prepayment penalty and balloon restrictions, counseling requirements, restrictions on mandatory arbitration, and other factors. Local laws, such as in Chicago and Cook County, Ill.; Colorado; and Washington, D.C., have relatively broader coverage than others, while Cleveland, Georgia and New Mexico laws can be said to be more restrictive.[2]

Do Local Predatory Laws Impact the Flow and Supply of Credit?

The widespread adoption of state and local predatory lending laws raises a natural question: What are the potential impacts of the laws on the subprime mortgage market? Unfortunately, no research to date (to our knowledge) has measured the costs and benefits of HOEPA and the state and local predatory lending laws. However, researchers have been able to measure how the volume of loans reacts to the introduction of a law. This helps answer the question of whether the laws reduce the supply of credit. Prior research has found convincing evidence that the North Carolina predatory lending law did reduce the supply of high-cost or subprime credit. There was some initial evidence that laws passed in Chicago and Philadelphia also had an impact. The laws can also specifically impact the prevalence of targeted loan types or loan-related characteristics, such as balloon payments and prepayment penalties. Balloon payment loans and prepayment penalties tended to become a smaller portion of the market after the law in North Carolina was introduced. Other potential impacts include substitution by lenders from one product type to another and reduced liquidity in the secondary market.[3]

By introducing geographically defined predatory lending laws, policy-makers have effectively conducted a natural experiment with well-defined control and treatment groups. Since state boundaries reflect political and not economic regions, we can compare mortgage market conditions in states with a law in effect (the treatment group) to those in neighboring states currently without a predatory lending law (the control group).[4] Specifically, using the treatment and control group framework, we tested to see whether local predatory lending laws affect the application and origination of subprime loans. We also tested to see the rates at which subprime loan applications are rejected. If volume is unaffected, then the flow and supply of credit to potential consumers has not been affected in the aggregate.

We extended prior research by examining the impacts in a variety of locations to see if the North Carolina experience is representative or typical for other states. Using publicly available Home Mortgage Disclosure Act (HMDA) data, we examined the change in subprime originations in each state before and after the law became effective. The loan samples were reduced by applying the prescribed loan limit (if any) under each law.[5] Growth rates were calculated for loans associated with a list of subprime lenders as identified in the HUD subprime lender list.[6] In an attempt to create as similar comparison groups as possible, we sampled only counties that border each other across state lines. Thus, a typical treatment group includes border counties in a state with a law in effect, and the corresponding control group includes border counties in neighboring states that do not have a law in effect during the observed time period (the year before and the year after the introduction of the law). This contrasts with other studies (see footnote 3) that have used whole neighboring states or regions to define both control and treatment groups. Our approach should help to increase the comparability of the treatment group and the control group because they are geographically closer and, as a result, likely to be more economically similar than full state and region comparisons. This approach and HMDA availability reduce the sample to 10 state predatory lending laws (California, Connecticut, Florida, Georgia, Maryland, Massachusetts, North Carolina, Ohio, Pennsylvania and Texas).

Using North Carolina as an example, the results show that from the year before to the year after the law becomes effective, subprime originations decreased by 35.8 percent in the treatment counties compared with 18.9 percent in the control counties. In other words, consistent with previous research on the North Carolina predatory lending law, subprime originations decreased substantially more than would be expected given the performance of the control counties. This finding also holds in four

Beginning with North Carolina in 1999, at least 23 states have passed predatory lending laws that are styled after the federal Home Ownership and Equity Protection Act. That law features triggers based on fees and the annual percentage rate. The states include Arkansas, California, Colorado, Connecticut, Florida, Georgia, Illinois, Kentucky, Maine, Maryland, Massachusetts, Nevada, New Jersey, New Mexico, New York, North Carolina, Ohio, Oklahoma, Pennsylvania, South Carolina, Texas, Utah and Wisconsin.

other states: Florida, Georgia, Massachusetts and Ohio. However, in the remaining five states—California, Connecticut, Maryland, Pennsylvania and Texas—we found that subprime originations increased more in the treatment locations. These results indicate that the experience in North Carolina might not extend to all other predatory lending laws, and that there might be sufficient variations in the laws that induce different responses in the flow of high-cost credit.

The relative changes in both subprime application and rejection rates are also examined. Again, the application results are mixed and very similar to the origination results. For example, four state laws—California, Maryland, Pennsylvania and Texas—experienced a relative increase in applications and six state laws—Connecticut, Florida, Georgia, Massachusetts, North Carolina and Ohio—experienced a relative decrease in applications. However, the rejection rates tell a much more consistent story. In most states, rejection rates declined more in the treatment locations than in the control locations, indicating that the introduction of predatory lending laws was associated with a disproportionate reduction in the rate that subprime applications were rejected. For example, California, Florida, Georgia and North Carolina experienced a relative decrease in rejection rates of at least 14.9 percentage points. At the other extreme, Pennsylvania and Connecticut experienced almost no relative change.

These results do not provide any indication that predatory lending laws systematically reduce the flow of subprime credit. However, the results do show that predatory lending laws tend to be associated with lower rejection rates of subprime mortgage applications. It can be expensive just to apply for a mortgage: the nonrefundable application fee usually runs from $200 to $300, not to mention other unobserved or nonpecuniary costs. Thus, while reducing rejection rates might not have been the primary purpose of the laws, a reduction in rejections can represent substantial savings to consumers and potentially lenders, too.

Summary

Starting with North Carolina in 1999, states and other localities across the United States have introduced legislation intended to curb predatory and abusive lending in the subprime mortgage market. These laws usually extend the reach of HOEPA by including home purchase and open-end mortgage credit, lowering the APR and fees-and-points triggers, and prohibiting or restricting the use of balloon payments and prepayment penalties on covered loans.

Using HMDA data on subprime loans and a sample of state laws, we found that the typical law has little impact on the flow of subprime credit as measured by loan originations, but is usually associated with lower rejection rates. In particular, local predatory lending laws can be associated with either increases or decreases in applications and originations for subprime loans. Earlier research on North Carolina law had found that the supply and flow of credit was reduced when the law became effective. We replicated this finding but did not find any evidence that the North Carolina experience applies to all other local predatory lending laws. It is likely that the exact nature of the law will impact the supply and flow of credit differently. For example, some laws are designed to provide broad coverage of the mortgage market (Chicago and Cook County laws) while other laws are more restrictive (Georgia and New Mexico laws) in terms of prohibiting or requiring certain practices.

To help identify why fewer subprime loans are being originated under some laws but not others, future research needs to examine how the coverage of the law and the restrictions imposed by the law impact the flow and cost of credit. Analysis should attempt to control for not only time and location but also law characteristics, borrower and loan characteristics, and economic conditions in both the control group and the treatment group. In addition, research should examine to what extent there is a regulatory cost associated with the laws that is passed on to borrowers through higher fees or interest rates.

ENDNOTES

1 Department of Housing and Urban Development and the Treasury Department. "Curbing Predatory Home Mortgage Lending." June 2000, p. 17. Available at www.huduser.org/publications/hsgfin/curbing.html.

2 For a detailed description of the local laws, see Pennington-Cross, Anthony and Giang Ho, "The Impact of Local Predatory Lending Laws." *The Federal Reserve Bank of St. Louis Working Paper Series,* WP 2005-049A. Available at www.research.stlouisfed.org.

3 See, for example: Quercia, Roberto, Michael A. Stegman, and Walter R. Davis. (2003). "The Impact of North Carolina's Anti-predatory Lending Law: A Descriptive Assessment." Durham, N.C.: Center for Community Capitalism, University of North Carolina at Chapel Hill; Harvey, Keith D. and Peter J. Nigro. (2003). "How Do Predatory Lending Laws Influence Mortgage Lending in Urban Areas? A Tale of Two Cities." *Journal of Real Estate Research,* V25, N4, pp. 479-508; Harvey, Keith D. and Peter J. Nigro. (2004). "Do Predatory Lending Laws Influence Mortgage Lending? An Analysis of the North Carolina Predatory Lending Law." *Journal of Real Estate Finance and Economics*, V29, N4, pp. 435-456; Elliehausen, Gregory and Michael E. Staten. (2004). "Regulation of Subprime Mortgage Products: An Analysis of North Carolina's Predatory Lending Law." *Journal of Real Estate Finance and Economics,* V29, N4, pp. 411-434.

4 Laws are first enacted by the local legislature and become effective typically at a later date. It is not until the law becomes in effect that lenders are required to follow the new rules and restrictions.

5 The results are very similar if the loan limits are not applied to reduce the sample.

6 www.huduser.org/datasets/manu.html, accessed on 2/1/05. HUD generates a list of subprime lenders from industry trade publications and Home Mortgage Disclosure Act data analysis, and phone calls to the lender confirm the extent of subprime lending.

Have you HEARD

Affordable Rent Focus of $300 Million LISC Initiative

The Local Initiatives Support Corp. (LISC) announced recently that it will invest $300 million over the next three years to preserve affordable apartments for low-income families at risk of losing their homes. The goal is to preserve 30,000 affordable apartments by the end of 2007.

This represents a major expansion of LISC's investment in its Affordable Housing Preservation Initiative, launched in 2001.

Throughout the country, as original affordability agreements expire and as mortgages are prepaid, many affordable housing properties are at risk of becoming market-rate apartments. LISC's expanded preservation investment is timed to help protect the homes of families and others affected by this crisis.

LISC is lending the money to nonprofit housing organizations for early planning and property acquisition; making equity investments using Low Income Housing Tax Credits through its affiliate, National Equity Fund; and making long-term loans and investments through the Community Development Trust, a real estate investment trust dedicated exclusively to affordable housing and community development.

The expanded housing preservation initiative will also use $2 million from the Community Development Financial Institutions Fund (CDFI Fund) in the Department of Treasury.

For more information, visit www.lisc.org/whatwedo/programs/preservation or call (202) 785-2908.

IDA Funding Available, Application Deadline Nov. 1

Organizations and agencies that help low-income clients establish individual development accounts (IDAs) can apply for funding through a federal program, Assets for Independence (AFI).

AFI provides five-year grants to community-based nonprofits, state and local government agencies, community development financial institutions, credit unions and others. IDAs enable low-income people to accumulate savings for long-term assets, such as a house, a small business or a higher education.

Applications postmarked by Nov. 1, 2005, will be awarded by December 2005.

For more information, visit www.acf.hhs.gov/assetbuilding.

Fed Brochures on Checks Translated into Spanish

Three publications from the Federal Reserve Board explaining various aspects of checking accounts are now available in Spanish. Interested individuals or organizations can download and print them from the Board's web site at www.federalreserve.gov/pubs/brochure.htm.

The brochures are: *Consumer Guide to Check 21 and Substitute Checks, Protecting Yourself from Overdraft and Bounced-Check Fees* and *What You Should Know about Your Checks.*

Grants to Help Build Outdoor Recreation Projects

The Missouri Department of Natural Resources is accepting applications from local governments and public school districts for financing for outdoor recreation projects.

The grants, from the Land and Water Conservation Fund, are made available through the National Park Service.

Projects can be for the development or renovation of outdoor recreational facilities or for the purchase of park land. A 55 percent match is required. Applications must be postmarked by Oct. 31, 2005.

The park service estimates that $500,000 will be awarded in the fiscal year 2006 cycle. There will be a limit of $50,000 for each grant.

An electronic version of the application is available on the Department of Natural Resources' web page at www.mostateparks.com/grantinfo.htm. Applications can also be requested by calling 1-800-334-6946 or by sending an e-mail to marilyn.lehman@dnr.mo.gov.

Land Banking

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by a private party; and by affirmative acquisition for specific developments through negotiated sales or eminent domain.

As is the nature of land banks, LRA maintains, markets and sells its inventory. It also demolishes those properties that are too deteriorated to rehabilitate or to make way for new developments.

LRA receives approximately 500 pieces of property yearly. In 2002, the authority took on 579 parcels and sold 435; in 2003, it received 454 properties and sold 368. In 2004, it received 412 properties and sold 552.

LRA's priorities include marketing properties for development in accordance with the city's recently completed land use plan; demolishing LRA properties that pose a public safety hazard and properties that are a barrier to development; and attracting developers who will purchase numerous LRA parcels in conjunction with adjacent private parcels to form large tracts of land for development.

For more information on LRA, contact Ivie Clay, director of communications and marketing for the St. Louis Development Corp., at (314) 622-3400.

Regulators Approve CRA Revisions

Recent revisions to Community Reinvestment Act (CRA) rules expand the definition of community development and increase the number of banks designated as "small" by adding "intermediate small banks" to the category.

The changes—approved by the Federal Reserve Board, the Federal Deposit Insurance Corp. and the Office of the Comptroller of the Currency—went into effect Sept. 1, 2005.

The new rules ease the regulatory burden on community banks while making CRA evaluations more effective in persuading banks to meet community development needs.

The final rules are essentially the same as ones the agencies proposed last spring. They increase the asset-size threshold for small banks to less than $1 billion, without regard to holding company affiliation. Intermediate small banks are those with assets of at least $250 million and less than $1 billion. The changes are also intended to encourage banks to provide meaningful community development lending, investment and services.

Under the new rules:

- Intermediate small banks no longer need to collect and report CRA loan data. However, examiners will continue to evaluate bank lending activity in the CRA examinations of intermediate small banks and disclose results in the public evaluation.
- Intermediate small banks will be evaluated under two separately rated tests: the small bank lending test and a flexible new community development test that includes an evaluation of community development loans, investments and services in light of community needs and the capacity of the bank. Satisfactory ratings are required on both tests to obtain an overall satisfactory CRA rating.

In addition, for banks of any size:

- The new rules expand the definition of community development to include activities that revitalize or stabilize designated disaster areas and distressed or underserved rural areas. By including designated distressed or underserved rural areas, the agencies are recognizing and encouraging community development in more rural areas. (Designated distressed or underserved rural areas are to be listed by the agencies on the Federal Financial Institutions Examination Council web site, www.ffiec.gov/cra.)
- The regulations also clarify when discrimination or other illegal credit practices by a bank or its affiliate will adversely affect an evaluation of the bank's CRA performance.

RESOURCES

Building the Organizations That Build Communities—A 2003 Department of Housing and Urban Development symposium focused on strategies that faith-based and community organizations use to become successful community development organizations. This is a collection of papers that were presented at the symposium on the topic. Visit www.huduser.org/publications/commdevl.html.

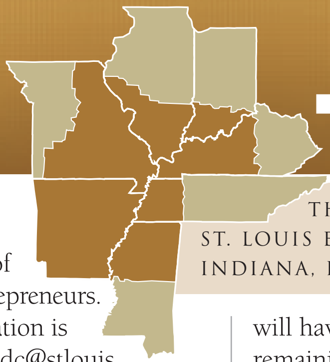
Low-Income Housing Tax Credit Database—The Department of Housing and Urban Development has updated its database on housing created with the help of low-income housing tax credits. The database contains information on 22,000 projects and more than 1.1 million housing units. Researchers can also find information on geographical distribution and neighborhood characteristics of tax credit projects. Visit http://lihtc.huduser.org.

Turning Around Downtown: Twelve Steps to Revitalization—This Brookings Institution research report suggests 12 steps for returning downtown areas into walkable communities. The first six steps describe the "hard" and "soft" infrastructure that is needed and also define the public's and nonprofit sector's roles in the revitalization process. The next six steps describe how to bring a viable private real estate sector back downtown. The report is available at www.brookings.edu/dybdocroot/metro/pubs/20050307_12steps.pdf.

Angel Investment Groups, Networks and Funds: A Guidebook to Developing the Right Angel Organization for Your Community—This guidebook provides tools, practical suggestions and best practices in starting and operating an angel group. It can be downloaded at www.kauffman.org/resources.cfm. The publication is a project of the Angel Capital Association, with sponsorship of the Ewing Marion Kauffman Foundation.

Consumer & Economic Development Research & Information Center (CEDRIC)—The center's research repository at the Federal Reserve Bank of Chicago has been replaced with an upgraded web page that is more inclusive of community development research on the web. Active links search specifically for scholarly literature, including papers, books, abstracts and technical reports. The results page not only lists the documents, but also links to citations, library searches, web searches and author information. The web page address is www.chicagofed.org/cedric/search.cfm.

SPANNING THE REGION



THE REGION SERVED BY THE FEDERAL RESERVE BANK OF ST. LOUIS ENCOMPASSES ALL OF ARKANSAS AND PARTS OF ILLINOIS, INDIANA, KENTUCKY, MISSISSIPPI, MISSOURI AND TENNESSEE.

Efforts Boost Entrepreneurship in St. Louis and Rural Missouri

Several recent developments in Missouri are leading to increasing pockets of support for entrepreneurship as a community economic development strategy.

The University of Missouri Extension has initiated Community Enterprise and Entrepreneurial Development (CEED), which will use multidisciplinary and geographically based teams to facilitate entrepreneurship as a rural economic development strategy in selected communities throughout Missouri. Contact Gwen Richtermeyer for more information at (573) 884-0669 or richtermeyerg@missouri.edu.

The Small Business Development Centers (SBDCs) in Missouri and elsewhere are now authorized to provide entrepreneurship education in vocational-technical schools. In addition, an SBDC in downtown St. Louis was awarded a $350,000 grant to enhance work that encourages the growth of microenterprises in the St. Louis area. The grant came from the Greater St. Louis Regional Empowerment Zone. For more information, contact Kevin Wilson at wilsonkr@missouri.edu.

A grant from the Ameren Community Development Corp. to the St. Louis Development Corp. will cover the costs of technical support services to businesses that are participating in a revolving loan program. The goal is to increase the number of minority entrepreneurs. More information is available at sldc@stlouis.missouri.org.

And lastly, YouthBridge has pledged $500,000 to assist social entrepreneurs and to establish the YouthBridge Award and the St. Louis Social Entrepreneurship and Innovation Competition in partnership with Washington University in St. Louis. YouthBridge is a 135-year-old organization that supports youth-focused social ventures. For information, contact the Skandalaris Center at www.sces.wustl.edu.

Indiana Strives to Identify Critical Gaps in Jobs Skills

A new $23 million program in Indiana is designed to create new jobs and raise incomes. The Strategic Skills Initiative, a joint effort between local and regional businesses and economic development officials, has two primary goals:

1. to identify and alleviate current and future shortages of critical occupations and specific skill sets within the industries that drive Indiana's economy, and,

2. to instill a lasting, demand-driven approach to workforce development at the regional and local levels.

During the first six months of the program, $3 million will be distributed to 11 regions throughout the state. Regions will have to compete for the remaining $20 million.

Indiana Workforce Development will oversee the Strategic Skills Initiative with support from the Indiana Business Research Center and Workforce Associates Inc.

More information is available at www.in.gov/dwd/index.html.

Affordable Housing in Illinois Focus of Tax Credits, Loans

The state of Illinois has taken two steps recently that will help low- and moderate-income people buy their own homes. The help comes in the form of an existing tax credit program and a new mortgage loan program.

The Affordable Housing Tax Credit program was extended until Dec. 31, 2011. The program offers private donors a state income tax credit of 50 cents for every dollar donated in cash, land, buildings, securities and materials to nonprofit sponsors of affordable housing developments. The tax credit may be applied to Illinois personal or business income taxes. Information is available from the Illinois Housing Development Authority (IHDA), (312) 836-5200.

The new mortgage program is run by the IHDA, which has committed $175 million to help low- and moderate-income individuals and families become homeowners. The I-LOAN Mortgage Program is available through local mortgage lenders. (Mortgage brokers are not eligible to participate). The program offers first-time home buyers a 30-year fixed mortgage with interest rates that are approximately one-half percent below market rates. Borrowers must be first-time home buyers with income and purchase price not exceeding specified limits. Mortgage lenders can find information at www.ihda.org. Home buyers can call the homeownership hotline at 877-ILOAN56 or visit www.ihda.org.

New Illinois Law Takes Aim at Abusive Payday Lenders

A new law strengthens consumer protections against predatory payday lenders in Illinois.

The Payday Loan Reform Act limits interest on payday loans to $15.50 per $100. Consumers may not borrow more than $1,000 or 25 percent of their monthly salary, whichever is smaller. They are also limited to having two loans at a time and can refinance a loan only twice.

Loans will have a 56-day repayment period with no additional interest rate changes for borrowers. After paying off a loan, consumers must be loan-free for seven days before the lender can make another loan.

Under the law, lenders are required to use a new database that will have the applicant's payday loan record. If the new loan does not violate the rules, the lender will receive authorization to issue the loan.

For more information, contact the Illinois Attorney General in Springfield at 1-800-243-0618 or in Carbondale at 1-800-243-0607.

Cities Get Help Creating Asset-Building Programs

What do Louisville, Ky., and Itta Bena, Miss., have in common?

They are two of the nine cities chosen by the National League of Cities' Institute for Youth, Education & Families (YEF) to participate in its project, Cities Helping Families Build Assets. This technical assistance project is meant to develop or enhance municipal asset-building initiatives for low-income families.

Representatives of the selected cities will participate in site visits to cities that showcase ways municipal leaders can support and initiate asset-building initiatives. The nine project cities will then develop local asset-building plans and may receive customized technical assistance from the YEF Institute to implement the plans.

For more information, contact Heidi Goldberg at Goldberg@nlc.org or (202) 626-3069.

CALENDAR

The following events are sponsored by the Community Affairs Office of the Federal Reserve Bank of St. Louis.

A Closer Look at Manufactured Housing

Oct. 11, 8:30 a.m.-4 p.m., Little Rock, Ark.

Providing safe, decent and affordable housing is a challenge across the state of Arkansas. Manufactured housing is one answer to the problem. Experts will share their experiences with manufactured housing, including how to use it in urban in-fill settings and how to make it an appreciable asset for the homeowner. Regulatory barriers will be discussed, and participants can join an open dialogue on the topic.

The event is being presented in partnership with the Arkansas Manufactured Housing Association.

Information: Julie Kerr, (501) 324-8296, or www.stlouisfed.org/community

Entrepreneurship: What's *Government* Got to Do with It?

Oct. 18, 8-10:30 a.m., St. Louis

What can government officials do to help entrepreneurs—and, in turn, their communities—thrive? Federal Reserve economist Tom Garrett and a panel of experts will discuss the latest research on the effects of state and local government policies on entrepreneurs.

Information: Cynthia Davis, (314) 444-8761, or www.stlouisfed.org/community

Prescription for Entrepreneurship: Craziness

Nov. 1, 7:30-9:30 a.m., Louisville, Ky.

This breakfast meeting will feature Barry Moltz, author of *You Need to Be a Little Crazy: The Truth About Starting and Growing Your Business.* Attendees also will receive a new resource guide for small and micro businesses in the Louisville area. The resources listed are a starting point for new businesses and existing businesses wishing to expand. The publication is a joint effort between the Fed and the Enterprise Corp.

Information: Lisa Locke, (502) 568-9292, or www.stlouisfed.org/community

Improving Access to Community Development Capital in the St. Louis Region

Nov. 17, 11:30 a.m.-4:15 p.m., St. Louis

This policy symposium will be of interest to civic leaders, financial institution representatives, government officials and community investment professionals. Mark Pinsky, president and CEO of National Community Capital Association, will be the keynote luncheon speaker. Discussion topics will include new financing instruments and intermediaries, coming to scale, social and community investment, and progressive real estate investment.

The symposium is being presented in partnership with National Community Capital Association, the Urban Land Institute-St. Louis Chapter and the Enterprise Foundation.

Information: Matthew Ashby, (314) 444-8891, or www.stlouisfed.org/community

Breakfast with the Fed

Nov. 18, 7:30-8:30 a.m., Pine Bluff, Ark.

Federal Reserve Bank research economist Tom Garrett will speak on the topic of bankruptcy.

Information: Pam Haynie, (501) 324-8205, or www.stlouisfed.org

BRIDGES

Bridges is a publication of the Community Affairs department 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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If you have an interesting community development program or idea for an article, we would like to hear from you. Please contact the editor.

Free subscriptions and additional copies are available by calling (314) 444-8761 or by e-mail to communityaffairs@stls.frb.org.

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