LINKING LENDERS AND COMMUNITIES

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The Health Care/Community Development Connection

Hospitals Move Beyond Traditional Roles

By Amy Simpkins
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The importance of the health sector frequently surfaces in discussions surrounding community development. In many ways, hospitals and health-care organizations contribute to the stability and growth of the local economy.

Most obviously, there are jobs created by such organizations. The impact on quality of life is another benefit health-care organizations can bring to the local economy. The presence of a health-care organization might make a community more attractive to citizens and businesses alike. The U.S. Small Business Administration and the Ewing Marion Kauffman Foundation both point to a link between access to affordable health care and entrepreneurship and small business development.

An affordable housing development by Avenue CDC in Houston nears completion. Funding came from Community Direct Investment, a program of CHRISTUS Health.

Health-care organizations can also play a part in community development activities beyond their traditional role of providing health services. Supporting asset-building programs, small business finance opportunities and affordable housing initiatives are areas where health-care organizations are involved in direct community development activities. Two examples of this type of health-care system are Healthy Connections and CHRISTUS Health.

Asset Development: IDAs

When Healthy Connections formed in Mena, a rural community in western Arkansas, it was a small nonprofit with five employees offering health-education programs on a $200,000 annual budget. Since then, it has grown to become a comprehensive community health umbrella organization operating six distinct programs and employing 31 people with an annual budget of more than $2 million. Healthy Connections now offers programs and services to a seven-county region and is one of the top 25 employers in Polk County.

What started as a small local agency has grown into a full-service regional center, with its flagship Western Arkansas Total Community Health Center (WATCH) at the heart of it all.

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WATCH is a federally qualified community health center providing a full range of medical, dental, mental health and case-management services to the entire community on a sliding fee scale. WATCH is governed by an advisory board comprised of local citizens representative of the demographic mix in the community.

Like many organizations in rural communities that perform multiple services for residents, Healthy Connections offers more than direct medical care. It also operates a program for abused children, a smoking prevention and education program, a state technical assistance program in cooperation with the Arkansas Children's Trust Fund, and a support services program for pregnant adolescent parents.

It is through the services targeting teen parents that the individual development account (IDA) program was born. After conducting countless home visits to pregnant and parenting teens, a common theme emerged: There is a pervasive lack of personal financial literacy, making saving for any type of asset a distant dream.

With a broad mission to serve the needs of children and families in the communities in western Arkansas, it made sense for Healthy Connections to address what they saw as a fundamental necessity in their community. The hope is to provide their clients a continuum of care, from prenatal to end-of-life, that addresses the full range of needs in the community.

Healthy Connections Executive Director Bob Young recognized a seamless connection from the programs and services they were already offering to the IDA concept. "We were seeing young parents with no budgeting skills, no way of running a house or saving for anything. Now they think it is too good to be true," Young said.

Individual development accounts provide participants an opportunity to open a savings account in a local bank and, after completing a financial literacy course, to begin a savings plan. Matching funds are added to the accounts. Money can be used to buy a home, rehab an existing home, develop a small business or save for college. The state of Arkansas is the primary source of matching dollars for the Healthy Connections IDA program.

The first major hurdle for the program was a lack of internal knowledge. Young said they started an education campaign for their employees on the range of programs and services offered by Healthy Connections, including the IDA program. The goal was twofold: to increase awareness and the number of participants in the program.

Word of mouth tends to be the best marketing tool for the IDA program. As more and more participants complete their savings plans and obtain their asset, community interest continues to grow. Even Healthy Connections' employees are getting in on the act and starting their own accounts. It would be hard to deny there has been an increased level of financial literacy resulting from the program, as a former IDA participant is now teaching the very financial literacy classes she once attended.

External partners are critical to the success of Healthy Connection's community development activities. Partnerships with schools, the community college, banks, local government and professionals working in the area are key to securing funding and recruiting participants.

Of particular importance is the statewide Arkansas Assets Coalition, made up of all IDA providers in the state. Healthy Connections actively participates in the coalition with the goals of ensuring program sustainability, seeking increases in funding and expanding the program to the entire state. One unique idea the asset coalition is exploring is a franchise model for IDA programs. The model would make it easier for the programs to reach every county by consolidating expensive back-office functions while relying on local organizations to be the face of the program.

For more information about Healthy Connections and its IDA program, contact Young at bob_young@healthy-connections.org or visit www.healthy-connections.org.

Investing in Communities

With a mission to serve all people regardless of income or

Development by the Numbers

Healthy Connections IDA Program	
Number of IDA accounts (current)	52
Total savings by participants	$64,312
Number of homes purchased	10
Number of homes renovated	64
Number of students in higher education	8
Total impact on the community in dollars (participants' savings and match)	$257,249

Community Direct Investment
1,265+ affordable housing units created or preserved
200+ full-time jobs created
$21 million+ in loans to support nonprofits
$158 million+ in leveraged funds from other sources

economic status, CHRISTUS Health System is keenly aware of the complex problems facing low-income communities.

The CHRISTUS Health system includes more than 40 hospitals and facilities in seven states—Texas, Arkansas, Missouri, Louisiana, Oklahoma, Utah, Georgia—and Mexico. With assets of more than $3.4 billion, CHRISTUS has been ranked among the top 10 Catholic health systems in the United States.

But do not let its size fool you. CHRISTUS Health prides itself on its community focus. In an effort to address local priorities, CHRISTUS formed the Community Direct Investment (CDI) program. CDI provides access to capital for nonprofit housing developers, microlenders and service providers to low-income communities. Through direct loans, participation loans and economically linked deposits, CDI ensures that local nonprofits have the resources to carry out their activities.

CDI puts into action CHRISTUS Health's commitment to promoting the total health of the community. "Our mission has always been to serve the most-needy in our communities, and the hospital provides us a system and programs to achieve that mission," says Joseph Gonzales, CDI program administrator with CHRISTUS Health. "CDI is one way we do that."

For example, CDI made a $2.5 million investment in Nueces County Community Action Agency. This investment reduces the interest costs for the agency on a loan used to purchase a building serving as its headquarters. Services offered include housing, weatherization, comprehensive energy assistance, rural rental assistance, emergency food and shelter, and the administration of a Head Start program.

Key to CDI's success are the partnerships that generate investment opportunities and deliver services to the end user. Some of its investments include ACCION Texas, Local Initiatives Support Corp., Greater Houston Redevelopment and Southern Financial Partners. These partners allow a large health-care system like CHRISTUS to maintain a community perspective, with local nonprofits serving as a touchstone for its community development efforts.

CDI does not limit its investments to opportunities where CHRISTUS Health facilities are located, but extends to areas with a demonstrated need. This includes investments with organizations serving the Arkansas/Mississippi Delta.

Recently, CHRISTUS Health joined Mercy Housing's Strategic Healthcare Partnership, a collaboration to increase access to health care and affordable housing in the United States. This partnership will provide special focus on housing for residents in areas affected by hurricanes Katrina and Rita. It will also allow Mercy Housing to hire a staff member dedicated to helping hospitals and other developers build affordable housing for senior citizens.

In addition to the CDI program, the CHRISTUS Fund provides grants to community-based, nonprofit organizations. Organizations that are funded work to improve access to (1) quality health-care services for the uninsured and (2) services such as affordable housing and IDAs. The CHRISTUS Fund responds to a variety of requests, with an emphasis on programs that offer a proactive approach to helping low-income communities.

To learn more about CDI and CHRISTUS Health's community development initiatives, contact Gonzales at joseph.gonzalez1@CHRISTUShealth.org or visit www.CHRISTUShealth.org.

How Financial Institutions Can Work with Health Care Systems

Banks and other financial institutions can play a vital role in community development activities spearheaded by health-care organizations, making those activities sustainable and successful at the local level.

Representatives from financial institutions often serve on advisory boards for health-care organizations to ensure broad community support and to offer expert advice on fiscal accountability structures.

Further, financial institutions play a critical role for IDA programs by housing participant accounts. This is often seen as a way to reach new customers.

Financing health-care organizations that serve low- to moderate-income communities and underserved areas is another way to support community development activities.

Interagency Questions and Answers Regarding Community Reinvestment, published by the Federal Financial Institutions Examination Council, offers guidance on the Community Reinvestment Act (CRA). It states that community development loans and services and qualified investments may be made to health services targeted to low- or moderate-income people and activities that revitalize or stabilize low- or moderate-income areas.

For a complete discussion of CRA-qualified loans, services and investments, visit www.ffiec.gov/cra.

Making Strides

With University's Help, Community Moves Toward Stabilization

"Partnerships and bringing people together to focus their resources on a specific community can bring the greatest successes."
Kay Gasen, Director, Community Partnership Project, University of Missouri—St. Louis

By Eileen Wolfington
Community Affairs Specialist
Federal Reserve Bank of St. Louis

When you combine the resources of a university, community partners and residents, positive outcomes can occur. A good example is the Affton Community Partnership, which began in January of 2006, with help from the University of Missouri—St. Louis (UMSL). How did Affton, an inner ring community in south St. Louis County, and the university, in north St. Louis County, get connected?

It started with the U.S. Department of Housing and Urban Development's Office of University Partnerships (OUP), which encourages universities to work in communities, using faculty, master students and advanced undergraduates. The partnership with Affton was the result of a two-year, $200,000 New Directions grant awarded to UMSL under OUP's Community Outreach Partnership Centers program.

To select a community, the university had a series of conversations with St. Louis County and other elected officials. It was determined that the Affton area was appropriate for a number of reasons.

The largely middle-class community is unincorporated, so it does not have a local government that can make binding decisions. It does, however, have a strong sense of community. One of the distinguishing features of Affton is that it has the largest percentage of older residents in Missouri. It also has a large population of Bosnian immigrants who have moved to the area in recent years. This ethnic group represents approximately 25 percent of the Affton School District and 30 percent of the Bayless School District, which is also located in Affton.

Community leaders were eager to participate. University individuals involved came from departments such as Social Services, Gerontology, Public Policy and Administration, and Psychology. Although it is not uncommon for UMSL to provide assistance on community projects, the scale of the Affton project was uncommon.

Other partners included the local chamber; school districts; police neighborhood captains; FOCUS St. Louis, an organization that promotes community connections; the International Institute of St. Louis; St. Louis County Planning; the St. Louis County Economic Council; and the Affton Community Betterment Association (ACBA).

Three focus areas were identified: (1) welcoming new Americans to the Affton community, (2) supporting Affton's older residents and (3) building capacity to bring about change.

Welcoming New Americans

The ACBA, UMSL and the International Institute collaborated to form the Affton New Americans Task Force. With assistance from the International Institute, the task force initiated the Affton Community Links program to bring longtime residents and new Americans together to support one another. Three groups were formed that focused on supporting a multicultural business corridor, neighborhood networks, and school and community relations. Two success stories followed.

The nearby St. Louis Enterprise Center now houses a satellite office for the Business Links Department of the International Institute. It provides technical assistance in English or Bosnian to clients who want to start or expand a small business. Business Links consultant Elvir Kolenovic said he is glad to be in a building that has many resources in one place for people who want to stay or move to the area. "Helping people to open a business is more difficult than where I came from," he said.

Another successful program that came out of the task force was the development of a Bosnian language and culture class that was held during three, 2-hour sessions. The expectation was that about 15 people would enroll. To the task force's surprise, 60 people enrolled, resulting in two class offerings with a third class beginning in the fall.

One of the challenges the New Americans Task Force faced was getting people involved when they were already busy working two jobs or tending to their children. Another challenge was that some people were content with how things were going. The conditions in Affton are not severe, so there isn't a sense of urgency. The biggest complaint was about the appearance of Gravois Road, the community's main thoroughfare, where small businesses occupy aging, nondescript buildings.

Supporting Affton's Older Residents

"The university involvement is to facilitate and provide an extra catalyst—energy for people already embedded in the community."
Ann M. Steffen, Director of Clinical Training and Associate Professor, Department of Psychology—UMSL

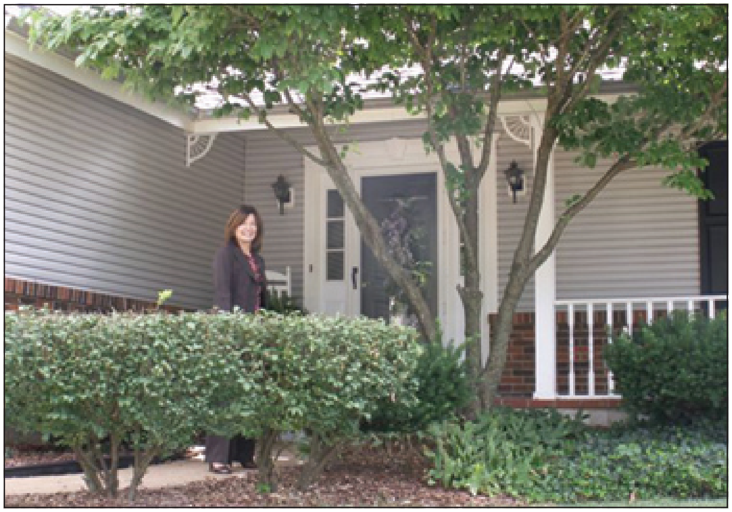
The Affton community has a large older adult population and an aging housing stock dating back to the 1950s. The Affton Community Partnership conducted telephone interviews and face-to-face surveys of older adults and found differences between two age groups. Those 80 years old and above were more vulnerable than those ages 65 to 79 who said they were doing just fine and planned to remain in their homes. However, for the most part, their homes have not been modified to be older-adult-friendly.

Rose Terranova, director of family and community services for St. Louis County, said Affton's older residents comprise a very independent population, most of whom do not think they need help.

Terranova's office recognized that, eventually, these residents will need some type of community service. The partners decided not to create new services, but to package information on existing services with a focus on local contacts in Affton. A brochure was created that combined information from the County Older Resident Programs and the Mid-East Area Agency on Aging. These programs historically market their programs and services independently.

Two additional successes resulted from this initiative.

The first identified the process St. Louis County uses to distribute citations for code violations. An agreement was made that the county would distribute home care and repair flyers with citations so homeowners would know about options available to help them make needed repairs.



Affton resident Kathy Jadlot is active in a community revitalization program involving Affton residents and the University of Missouri—St. Louis.

The second success was the creation of a risk-identification sheet. University students accompanied drivers who deliver meals to homebound residents. Drivers know the residents well and can identify clients who are beginning to deteriorate. A risk-identification sheet is a tool that can inform service providers about the condition of their client so that appropriate referrals can be made.

Because of these successes and others, St. Louis County introduced a housing initiative in Affton designed to prevent older residents from losing their homes. Terranova said the project, called Home Sweet Home, has two critical elements: an assessment of a house's condition and an assessment of services the homeowner needs.

The partnership's Aging Successfully Committee developed strategies for three focus areas. These include raising awareness about aging in place (staying in your home as you age), raising awareness about available community services, and building a volunteer base to serve Affton seniors.

Building Capacity to Bring About Change

"UMSL was the blessing we hoped for. Our timing was pure luck."
Kathy Jadlot, Affton Community Betterment Association Member

Kathy Jadlot, an Affton resident of 28 years, is on the economic development committee of the Affton Chamber of Commerce. She is also a member and former chairperson of the ACBA. The ACBA realized this community partnership project needed to be bigger and better than what had been tried in the past.

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Have you HEARD

Fed Report Studies Effects of Credit Scoring

Since the mid 1980s, when credit scores based solely on the credit records of individual consumers were introduced, credit scoring has become an integral part of consumer lending markets. However, the practice has raised concerns about whether it adversely affects minorities or those who rely largely on nontraditional sources of credit.

Under directions from Congress, the Federal Reserve Board studied the effects of credit scoring on credit markets and recently presented the *Report to the Congress on Credit Scoring and Its Effects on the Availability and Affordability of Credit.*

The report concludes, among other findings, that "there is no compelling evidence that any particular demographic group has experienced greater changes in credit availability or affordability than other groups due to scoring."

Credit scores are only one factor considered in lending decisions. The study does not address how credit scores are weighed relative to other factors considered in lending decisions and whether this weighting differs across demographic groups.

To read the report, visit: www.federalreserve.gov/pubs/reports_other.htm.

RESOURCES

Mortgage Payments Sending You Reeling? Here's What To Do— A Federal Trade Commission publication that could help homeowners save their homes and recognize and avoid foreclosure scams. The publication explains different kinds of mortgages, what to do if homeowners fall behind on their mortgage payments, how to avoid default and foreclosure, and how to avoid predatory scams. To read the publication online, go to www.ftc.gov/opa/2007/06/mortpub.shtm.

Preventing Foreclosures: Improving Contact with Borrowers—A new best practices report from the Office of the Comptroller of the Currency. The rapid growth in the subprime and nontraditional mortgage market, combined with a slowdown in the appreciation of home values, may lead to increased foreclosures over the next few years. The report reviews strategies that banks are using to prevent foreclosures and mitigate credit losses. It is available at www.occ.treas.gov/cdd/Foreclosure_Prevention_Insights.pdf.

The Community Investment Network— A new, online resource for those interested in community development and investment both in the United States and in other countries. The web site offers news, information, perspective and opinion, research reports and links to government, not-for-profit and corporate organizations, and other information sources. The network is available at no cost to community development leadership, civic leaders, public officials, journalists, researchers, public policymakers, funders and others. Visit www.communityinvestmentnetwork.org.

Partnerships

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"At the beginning, we were just four people," she said. "We were just too scattered. With UMSL's help, we have a focus. The idea is for us to be a resource, not the worker bee."

So they created the ACBA Strategic Plan. Introduced in October of 2006, the plan had three specific goals: maintaining and improving the quality of and demand for Affton's housing stock, improving support for the Affton and Bayless school districts, and strengthening the ABCA.

With the university's help, the housing committee compiled a list of St. Louis County home improvement and loan-assistance programs into one booklet, making it easier for residents to identify available help. Other housing action items included home improvement assistance, promotion of first-time home buyer programs, monitoring the St. Louis County occupancy permit program and improving the appearance of key corridors, particularly Gravois Road.

In the area of public education, action plans included raising awareness of the financial needs and community contributions of the Bayless School District and involving more volunteers, including older adults, in public school activities.

To strengthen the ACBA, the organization will work toward completing three structural action plans. They include hosting quarterly public forums, revising the ACBA bylaws and articles of incorporation, and establishing a budget to support implementing the strategic plans.

What Happens Now?

The university's reputation and neutrality created connections that traditionally might not have been made. At the recipient level, the university's involvement is seamless. Although the partnership is officially drawing to a close, university representatives say they will maintain a connection with Affton. While the grant enabled funds for some things, the university has made a commitment to help Affton explore alternate funding resources.

For more information, visit:

Community Partnership Project
www.umsl.edu/cpp
A Community Tool Kit for community organizations will be available on this site by fall 2007.

Community Outreach Partnership Centers Program (COPC)
www.hud.gov/progdesc/copc.cfm
COPC was not funded in FY07.

Office of University Partnerships
www.oup.org/

University-Community Partnerships: Current Practices Volume III
www.huduser.org/publications/commdevl/partner.html

Neighborhood Leadership Academy
www.umsl.edu/divisions/graduate/ppa/npml/nla.html

Foreclosures—Let's Talk about the Solution

Counseling at All Levels Works

By Colleen Hernandez and Chris Krehmeyer

Foreclosures are big news. Data seemingly comes out daily quantifying the problem nationally, regionally and locally, but rarely do we discuss solutions to this industry, community and family issue.

While the financial industry may differ on the effects of the current wave of foreclosures, the fact remains that foreclosures are costly to the mortgage industry—as well as to city governments, neighborhoods and families facing foreclosure.

One significant solution is offering counseling, both by phone and face-to-face, to customers. The Homeownership Preservation Foundation (HPF), a Minneapolis-based national nonprofit dedicated to preserving home ownership and preventing home foreclosures, has joined forces with NeighborWorks America to expand their efforts in reaching homeowners as early as possible to prevent them from reaching the point of foreclosure.

The partnership links HPF's 1-888-995-HOPE toll-free hotline, which offers free foreclosure prevention counseling and advice, with NeighborWorks' national network of organizations that provide face-to-face home ownership education and counseling services.

The Telephone Counseling Experiment

HPF opened its doors in 2004 with a $20 million seed grant from GMAC-RFC (now part of Residential Capital Corp.). The nonprofit was established to help reduce foreclosures and preserve home ownership for families in crisis. The hotline is staffed by trained foreclosure counselors working for one of four HUD-approved regional counseling agencies. The call and the counseling, which begins immediately any time, day or night, are offered free of charge to any homeowner in the United States.

In 2006, more than 25,000 homeowners in distress from all 50 states called the HOPE hotline—a 600 percent increase from 2005. Three of four calls to the hotline in 2006 were from people with an average income less than $50,000. By the fourth quarter of 2006, nearly 50 percent of all callers completed a full counseling session ending in a solution or referral.

The first call can take anywhere from 30 to 60 minutes. The counselor and the caller discuss the homeowner's budget, financial situation and mortgage status in depth. The counselor works on a solution between the homeowner and the servicer that often keeps the homeowner in their home, helps them avoid foreclosure and allows the servicer to move the loan to performing status.

Many of the nation's largest servicers, such as Countrywide, Chase and Citigroup, have given the foundation's counselors direct telephone access to one or more loss mitigation specialists. Together, the servicer, the counselor and the homeowner can usually draw up a plan to bring the mortgage up to date, while keeping the homeowner in their home. If staying in the home is not possible, the counselor can offer options such as auctioning or selling the home.

In the event that this comprehensive counseling session cannot resolve the issues, the HPF counselor then transfers the client to the local NeighborWorks organization, such as Beyond Housing in St. Louis. The counseling staff at Beyond Housing receives detailed case notes regarding the individual situation. A face-to-face meeting is scheduled quickly to clearly understand the issues facing the family.

After loan documents and income/expense information are gathered, it is determined whether the underlying problem has been or can be rectified. Often a three-way conversation with the homeowner, counselor and servicer

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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.

New UCA Institute Provides Consulting Services Nationwide

The University of Central Arkansas (UCA) now offers community development consulting to cities nationwide through its new Strategic Growth Institute (SGI).

The institute will work with communities in Arkansas and other states to produce strategic plans for development. A few of the services SGI offers are: customized community and economic development plans, analysis of a community's strengths and weaknesses, community marketing plans, and target industry studies.

SGI is an outgrowth of the university's Community Development Institute and Master of Science program in Community and Economic Development. More than 2,500 participants from 35 states have taken courses at UCA's Community Development Institute, which prepares practitioners for certification as a community developer.

For more information about SGI, contact Jennifer Tanner, managing director, at jennifer.tanner@gosgi.org.

2005 Payday Lending Law Saves Illinoisans Millions

Less than two years after the Payday Loan Reform Act was signed into law, a new report says the law has saved Illinois consumers millions of dollars in interest and fees.

Enacted on Dec. 6, 2005, the law limits interest on payday loans and on the amount consumers can borrow. A report by the Illinois Department of Financial and Professional Regulation found that, under the law, consumers were charged $15.35 per $100 dollars borrowed or a 350 percent APR (annual percentage rate) for a 16-day loan. A 2002 survey found that the average cost of a short-term loan was 525 percent APR.

Previously, borrowers who rolled over a loan had to pay additional interest and penalties. Under the new law, consumers caught in the pattern of continually rolling over loans have an option of a no-interest payment plan that allows them to catch up without adding additional fees and interest.

The study also shows that Illinois consumers take out between 45,000 and 65,000 payday loans each month, with the average loan amount being $350 with finance charges of $54. Using those figures, the state estimates that Illinois consumers have saved more than $20.5 million in finance charges since the bill was implemented.

Brookings Study Highlights Cost of Being Poor in Kentucky

Following up on a national report last year on a similar theme, a new Brookings Institution report focuses specifically on the high cost of being poor in Kentucky.

According to *The High Price of Being Poor in Kentucky: How To Put The Market To Work For Kentucky's Lower-Income Families*, not only are lower incomes a constraint, but people with lower incomes face higher prices for services they buy.

Among the added expenses faced by Kentucky residents making $20,000 or less a year, car insurance, on average, costs $384 more and cars of comparable quality $500 more than higher-income residents pay. Low-income Kentuckians pay an average of $363 a year more in home insurance. They also receive less favorable rates for financial services and loans.

To reduce these cost burdens, the study recommends developing financial services targeted for low-income residents and creating insurance pools that can help balance the scales.

To read the report, visit www3.brookings.edu/metro/pubs/20070618_kentucky.pdf.

FHLBCin Program Protects Homeowners from Foreclosure

The Federal Home Loan Bank of Cincinnati (FHLBCin) has developed a new program to help member banks offer refinancing to homeowners who are at risk of default or foreclosure.

The HomeProtect Program will provide up to $250 million to its lenders to refinance first mortgages for primary residences in Tennessee, Kentucky and Ohio and other states served by member banks. Cities in the FHLBCin territory reporting higher foreclosure rates in recent years—such as Memphis, Tenn., and Louisville, Ky.—could see lower rates using the program.

To be eligible, borrowers must be at or less than 115 percent of area median income. Loans are subject to Freddie Mac conforming loan limits; reasonable points and fees will apply.

Under the HomeProtect Program, borrowers will be able to pay off a mortgage balance and all delinquent payments and fees, but must complete a homebuyer counseling program. Borrowers will not be able to borrow cash for other needs.

The funds can be used with other mortgage programs or related grants if those programs permit it within their guidelines. Member institutions applying for funds should contact FHLBCin at 513-852-7615 or e-mail Carol Peterson, senior vice president, at petersoncm@fhlbcin.com or W. Jeff Reynolds, vice president, at reynoldswf@fhlbcin.com.

Foreclosures

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occurs to find a solution to the problem. Funds may be available to help the family bring their loan payments current as a condition of the solution.

Getting the Phone To Ring

Homeowners facing foreclosure are embarrassed about their situation, with 50 percent too embarrassed or unwilling to contact their servicer about their problem. Therefore, the experiment required a diversified marketing program to speak to troubled borrowers and ensure they knew the hotline was available.

Referrals come through nonprofit partners, which include NeighborWorks America, the National Urban League and USA Cares. In addition, several cities and states refer residents facing foreclosure to the hotline, either directly or through their 311 nonemergency call centers.

At the local level, the hotline is promoted through grassroots meetings, radio and television interviews, paid advertisements, and local-access cable programs. An initial review of call volume reflects a direct correlation between local promotion and number of calls to the HOPE hotline. A foreclosure prevention advertising campaign is an exciting new effort by NeighborWorks in partnership with the Ad Council to reach struggling homeowners. The campaign directs struggling borrowers to call 1-888-995-HOPE.

But Does it Work?

The 1-888-995-HOPE number receives 3,000 calls a month. Moreover, call volume is increasing by 20 percent to 25 percent every month, which in turn means an increase in call volume at the local level. HPF has found that more than 75 percent of those who engage in counseling ultimately avoid a foreclosure sale—some through loan modifications and others through mechanisms like deed in lieu of foreclosure. But this is still only a small fraction of those in need.

Servicers also find they can only reach a limited number of their customers who face losing their homes. Numerous reports suggest that more than half of homeowners are afraid to contact their servicer for fear of losing their home sooner, and direct mail has limited success rates. Clearly, alternatives for making contact must be explored. The HPF/NeighborWorks experiment begs the questions: Does counseling really save a homeowner from foreclosure? And if so, what is the most effective type of counseling—telephone or in person?

J. Michael Collins of PolicyLab Consulting Group, LLC, has researched these questions and made some interesting discoveries. "The question of face-to-face vs. telephone counseling is moot," Collins said. "Both have a place."

In-person counseling does tend to keep homeowners more engaged—they are truly a captive audience, without the distractions that can plague telephone callers. Nevertheless, focus groups with homeowners suggest some borrowers favor telephone counseling.

"Telephone counseling offers more flexibility for working families," Collins said. "Some find it impossible to attend a face-to-face session. Phone counseling fits easily within busy lifestyles, making it sometimes a better alternative."

The most important factor in counseling is not the method, but the time a homeowner spends actively engaged in the process.

"Our research shows that the longer the time spent in active counseling, the lower the chance the homeowner will lose their home to foreclosure," Collins said.

The emphasis of our collective dialogue needs to shift from affirming the problem of foreclosures to promoting the solutions. Counseling does work. We must compel families in trouble to reach out for help by calling their lender or servicer or by calling 1-888-995-HOPE.

Colleen Hernandez is president of the Homeownership Preservation Foundation (www.hpfonline.org), and Chris Krehmeyer is president and CEO of Beyond Housing (www.beyondhousing.org), a NeighborWorks organization in St. Louis.

This is the first of a two-part series on foreclosures. The winter issue of *Bridges* will look at neighborhood solutions to foreclosures.

Regulators Join Forces To Improve Supervision of Subprime Mortgage Lenders

Federal and state regulators are collaborating on a pilot project to conduct targeted consumer-protection compliance reviews of selected nondepository lenders with significant subprime mortgage operations.

The project will focus on nondepository subsidiaries of bank and thrift holding companies and mortgage brokers doing business with, or working for, these entities.

The state agencies will also conduct coordinated examinations of a select sample of independent, state-licensed subprime lenders and associated mortgage brokers.

The agencies will share what they learn during the reviews, take action as appropriate, collaborate on the lessons learned, and work to improve cooperation to ensure effective and consistent reviews of the institutions.

The regulatory agencies involved in the project are the Federal Reserve System, the Office of Thrift Supervision, the Federal Trade Commission and state agencies represented by the Conference of State Bank Supervisors and the American Association of Residential Mortgage Regulators.

The agencies will examine the companies' underwriting standards and the senior management oversight of risk-management practices used for ensuring compliance with state and federal consumer protection regulations and laws. These laws include the Home Mortgage Disclosure Act, the Equal Credit Opportunity Act, the Truth in Lending Act, the Real Estate Settlement Procedures Act, the Federal Trade Commission Act, and the Home Ownership and Equity Protection Act.

When the pilot project ends, the agencies will study the results and decide whether the project should be continued.

The Ups and Downs of Infill Housing

What is infill housing? Many in community development think of infill housing as new houses constructed on vacant, underused lots interspersed among older, existing properties in established urban neighborhoods. However, others broaden the definition to include major refurbishing or reuse of existing homes or buildings. This article will focus on the former definition.

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According to the Urban Land Institute's *Urban Infill Housing Myth and Fact Report,* "the rapid growth of infill housing in U.S. cities has been spurred in large part by the emerging market demand from people moving back to the city." However, the institute's report also stated that "despite the construction and population gains, doubts remain that this trend can continue."

We will explore anecdotal evidence of which way the trend in infill housing development is going in four major urban areas in the Federal Reserve's Eighth District: Little Rock, Ark.; Louisville, Ky.; Memphis, Tenn., and St. Louis. Information was collected from key people in community development organizations.

In Memphis, Emily Trenholm, executive director of the Memphis Community Development Council (MCDC), arranged a special community development organization workshop to discuss a wide range of issues. When it came to infill housing, the discussion focused on four major challenges: new construction that does not match the styles of existing homes, finding qualified buyers for these homes, obtaining funding for administrative costs of such efforts, and pricing caps of some governmental programs that underpriced homes relative to buyer household incomes. Most infill housing in Memphis is purchased by low- and moderate-income households.

However, MCDC cited positive aspects as well. Construction financing has generally been available through governmental units, regulated financial institutions, and national intermediaries. Although infill housing has not always fit the profile of existing homes, residents in some neighborhoods were re-energized at the sight of new construction for the first time in 30 or more years. Finally, infill housing has reduced the number of problem properties and certain types of crimes in neighborhoods.

Melissa Pearce of the University District, Inc. (UDI) led a "development in action tour" of the area surrounding the University of Memphis. UDI is a member of the community development council. The tour revealed contrasting neighborhoods, from high-priced mansions to dilapidated houses, all within about a two-mile radius of the University of Memphis.

There were many examples of infill housing in the UDI area, including new homes built along the style of existing homes. There was a sense of continuity in these neighborhoods. However, there were several examples of discontinuity. Pearce said spot zoning had resulted in multifamily housing units being built alongside single-family dwellings.

Pearce addressed other concerns as well. As stated previously, community based organizations often lack funding for administrative costs, such as staff salaries and benefits, office space and marketing. Without these funds, the organizations are limited in their ability to develop a neighborhood housing strategy, identify available parcels and provide home-buyer education.

Still, Pearce said she expects infill housing to continue at a strong clip, not only in the UDI area but in other neighborhoods in Memphis.

Middle- and higher-income infill housing is dominant in Louisville. Rob Locke, executive director of the Louisville affiliate of Habitat for Humanity, said the design of their homes for Louisville had to be refined from the typical "cookie cutter" design to that of higher-income households with distinctive architectural cues.

Overall, anecdotal evidence supports the notion that the St. Louis District is mirroring the national trends for continued growth of infill housing.

In Little Rock, Cynthia Stone, executive director of The ARC Arkansas, offered yet another perspective on infill housing. Arc Arkansas (www.arcark.org) is a statewide membership organization providing support, advocacy, education and leadership to people with developmental disabilities and their families. Some of their infill housing includes multifamily units.

Stone said challenges for community organizations wanting to build infill housing include significant red tape, a lack of knowledge about available development tools and difficulty securing construction financing.

"Banks and lenders equate strength with financial liquidity," she said. "Lenders don't understand nonprofits. A nonprofit's strength is measured by its ability to meet the mission of the organization and the business integrity of its leadership."

The ARC Arkansas uses tax credit and bond opportunities in conjunction with typical construction and mortgage financing. Furthermore, the tightening of lending standards hampers their work, Stone said. However, Stone spoke highly of the work of national intermediaries like LISC and National Equity Fund, which provide technical assistance.

St. Louis is the final focal urban area. Kimberly McKinney, executive director of the St. Louis affiliate of Habitat for Humanity, offered comments based on her more than 20 years in the field. She said growth trends for infill housing will continue. This growth depends on collaboration among community based organizations, governmental entities and the private sector, she said. In the end, efforts in St. Louis seem to offer benefits through better neighborhoods and higher property values.

One of the obstacles to building infill housing is the increasing cost of land, McKinney said. Her group has been able to secure some parcels from local government at no cost or with HOME funds from the U.S. Department of Housing and Urban Development. Finally, Habitat for Humanity is in a unique position. It is both the builder and the mortgage company. In St. Louis, Habitat for Humanity has a less than 1 percent foreclosure rate.

Peter Murtaugh of the Ranken CDC in St. Louis continued the discussion on infill housing in St. Louis. He said infill housing efforts should be focused on one block at a time, ensuring that no vacant lots or dilapidated structures are left. If not, these problem properties could make neighborhoods unclean and unsafe. Furthermore, infill housing developers need to consider residents already living there. How will this new development affect them? Urban designs for infill housing must reflect the architecture and landscaping of the neighborhoods.

Throughout the Eighth District, anecdotal evidence shows continued growth in infill housing in the near future. While some locations are seeing efforts focusing across all income strata, infill housing in urban neighborhoods often provides home ownership opportunities for low- and moderate-income households. Financing for such development was mostly available.

In addition to providing affordable, safe housing for residents, cities benefit through better neighborhoods, increased property values and increased property tax role valuation.

Overall, anecdotal evidence supports the notion that the St. Louis District is mirroring the national trends for continued growth of infill housing. In contrast to the ULI forecast cited earlier, the St. Louis District looks to continued growth in infill housing.

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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