LINKING LENDERS AND COMMUNITIES

SUMMER 2008

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

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# Exploring Innovation in Rural Areas

## Big Things Are Happening in Small Communities

*By Amy Simpkins*
*Community Affairs Specialist*
*Federal Reserve Bank of St. Louis*

*Dyess, Ark., received a $42,000 grant to help restore this building. When completed, it will house the Johnny Cash Memorial and city offices.*

Community developers are innovators by nature—or maybe out of necessity. For many decades, they have worked to raise awareness, build consensus and improve social and economic conditions in communities, often with few resources.

The Federal Reserve Bank of St. Louis celebrated the culture of innovation that is so much a part of the community development profession during its first-ever "Exploring Innovation in Community Development Week" from April 14-18.

Activities across the Bank's Eighth District drew national attention to the community development industry and its important role in American life. Speakers, resource fairs and workshops focused on innovation and turning ideas into results.

From all of these discussions, a common theme emerged: Innovation can be found in all types of communities, facing all types of challenges. Innovation is not limited to big cities or urban areas. There is story after story of community development professionals, elected officials and citizens in small towns across the Eighth District embracing innovation as a way to preserve their communities.

Certainly, rural areas have unique assets and face unique opportunities. But one thing is for sure, big things are happening in small communities. A perfect example is Dyess, Ark.

**Dyess, Ark.**

What do you do with a school building when you don't have any students?

In 2004, Dyess faced a problem that many small towns experienced in the aftermath of Arkansas' school consolidation efforts. The elementary school in Dyess closed, leaving the building empty. Recognizing the toll a vacant building—that would surely fall into disrepair—would have on their

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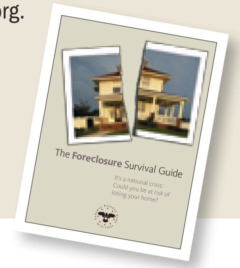
# Brochure Gives Tips on Avoiding Foreclosures

The number of people who have lost their homes to foreclosure in the last few years is in the millions. By some estimates, another 2 million people could lose their homes by the end of 2008, due in large part to defaults on subprime mortgages. How many of them will see it coming? It's hard to tell, but what is clear is that many homeowners do not understand what type of mortgage they have, what to do to avoid foreclosure and what to do when foreclosure is imminent.

A new publication that may be helpful is *The Foreclosure Survival Guide,* which provides basic information on when to worry about a loan, how to get help from a housing counselor and what pitfalls to avoid in choosing a counselor. It also includes a national hotline number and a list of local counseling agencies.

*The Foreclosure Survival Guide* is a publication of the Federal Reserve Bank of St. Louis in cooperation with the Federal Reserve Bank of Philadelphia. It is available for free to individuals or organizations by calling the Federal Reserve Bank of St. Louis at 314-444-8761 or by sending an e-mail to communitydevelopment@stls.frb.org.




## Exploring Innovation

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town, Dyess city officials agreed to accept the school as a donation from the district. This left the city wondering, "What in the world do we do now?"

Luckily, the community already recognized that its strongest cultural asset is the fact that Dyess was the boyhood home of music legend Johnny Cash. Its vision for sustainable community development centered on its cultural and historic presence in the Arkansas Delta region. Through that vision, the leadership in this small town of just more than 500 people was able to see how an abandoned school building could play a critical role in its heritage preservation-based plan.

With ample creativity, hundreds of volunteer hours, an amazing number of in-kind donations, and a fair amount of elbow grease, the citizens of Dyess transformed the school building into a performing arts auditorium and capitalized on their unique cultural asset.

This auditorium has become home to formal and informal events as well as fund-raisers for the planned Johnny Cash Memorial. A centerpiece for Dyess Days, an annual music festival and fund-raising event, the new auditorium has featured the likes of Buddy Jewell, Tommy Cash, Mickey Gilley and Gene Williams & the Country Junction Band.

With historic preservation at the core of their community development initiatives, residents are now restoring the Dyess Administration Building. The city received a $42,000 grant from the Arkansas Historic Preservation Program for a portion of the restoration. Upon completion, the Dyess Administration Building will house the Johnny Cash Memorial, other Delta cultural museums, as well as the city offices.

But like many small, rural communities, Dyess residents realized that, to sustain their community development initiatives and create successful outcomes, they would have to tap into the larger pool of resources that is available through regional partnerships.

Dyess is an active participant in the Rural Heritage Development Initiative (RHDI). The RHDI is a three-year pilot program of preservation-based economic development in the 15-county Arkansas Delta region. The RHDI has five areas of focus: heritage tourism, local business development, preservation education, landmark preservation and imaging and branding.

The RHDI is funded by the W.K. Kellogg Foundation and sponsored by the National Trust for Historic Preservation. Partners in the RHDI are Main Street Arkansas, Arkansas Delta Byways and the Historic Preservation Alliance of Arkansas, as well as the Main Street programs in Blytheville, Dumas, Helena, Osceola and West Memphis.

Through the RHDI, Dyess has seen the benefits of regional marketing and branding in the "Arkansas Delta Soil and Soul" campaign, played a critical role in creating the "Arkansas Delta Music Trail: Sounds from the Soil and Soul" CD and tourism guide, and gained access to grants and funding opportunities for landmark preservation that would not otherwise have been available.

Dyess illustrates the unique cultural and historical assets that can be found in rural communities in every state. But more than that, Dyess shows how rural areas can create a comprehensive vision for development, seize on the things that set them apart, and through strategic partnerships form a plan for sustaining and growing their communities.

Visit www.dyessday.com for more information about Dyess. For more information about the RHDI, visit http://delta.preservearkansas.org.

# "Green, Affordable" Housing: A Contradiction in Terms?

The term "green building" is often used interchangeably with the terms "sustainable building," "high-performance building" and "environmentally responsible building." It is most commonly defined as a process that creates buildings and infrastructure that minimize the use of resources, reduce harmful effects on the environment and provide healthier environments for people.

The term "affordable housing" is often used interchangeably with the terms "low-income housing," "attainable housing" and "subsidized housing." It is used most often to describe single-family or multifamily dwellings that have purchase prices or rental payments affordable to low- to moderate-income individuals, usually with the help of subsidies.

For most people, green building and affordable housing are not considered compatible. However, if the term "affordable housing" is used to describe "sustainable affordability" of single-family or multifamily dwellings for lower-income individuals, then green building becomes a perfect companion.

### Affordable and Long-Term

In our current environment of rising utility costs and escalating gas prices, simply building houses that are affordable for low- to moderate-income individuals to purchase or rent is not sufficient. To be truly affordable over the long term, residents must be able to afford the monthly mortgage or rent payment as well as the utilities and transportation costs associated with the home. Homes must be energy-efficient and located close to public transportation.

Residents of green-built housing can realize long-term savings through efficiencies incorporated in the design of the home. Green, affordable housing presents an opportunity to reduce variable costs, such as utility and transportation expenses, which disproportionately affect low-income people.

According to a 2005 report by the Federal Home Loan Bank of Atlanta, in addition to lower utility rates, green building practices improve occupant health and comfort through the use of better ventilation systems and better construction materials. The end result is cleaner indoor air and a reduction in the occurrence of asthma, respiratory diseases and other ailments.

### Green Home Features

Designing affordable housing that is also green requires careful consideration of what green features to include and what green features are simply too expensive to maintain initial affordability. Heightened environmental awareness has made fund-raising for affordable green projects slightly less burdensome. However, keeping the homes affordable still requires careful upfront planning.

Some common green features used in affordable housing projects include:

- compact fluorescent lighting,
- ENERGY STAR appliances,
- low-flow fixtures and dual-flush toilets,
- environmentally preferable products,

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## What is LEED?

The U.S. Green Building Council's Leadership in Energy and Environmental Design (LEED) system is a voluntary, consensus-based, national standard for designing and rating high-performance buildings. LEED certification is available in four levels: certified, silver, gold and platinum.

LEED for Homes (LEED-H) is the certification specific to housing. LEED-H has eight environmental categories that are further divided into credits. For each credit, the rating system identifies the intent, requirements, verification procedures, rationale, outside reference and technologies or strategies to achieve the credit. One or more points are available within each credit, and points are achieved by meeting specified requirements.

The eight credits for the LEED-H program are: location and linkages, sustainable sites, water efficiency, indoor environmental quality, materials and resources, energy and atmosphere, homeowner awareness, and innovative design.

ADDITIONAL RESOURCES:

**Department of Energy Database of State Incentives for Renewables and Efficiencies**
www.dsireusa.org

**U.S. Green Building Council**
www.usgbc.org

**Housing Assistance Council Affordable Green Building in Rural Communities**
www.ruralhome.org/manager/uploads/GreenBuildingReport.pdf

**New Ecology Inc.**
www.newecology.org

**The Carpet and Rug Institute**
www.carpet-rug.org

## Green Housing

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- use of local sources for materials,
- recycling of construction materials, and
- homeowner awareness education.

### Challenges for Developers

Maintaining a relationship with local green-building experts is essential for developers who want to prevent costly mistakes when undertaking a green built project. State or regional chapters of the U.S. Green Building Council are a great place to start. Chapter locations are listed at www.usgbc.org.

The main challenge to green building cited by most affordable housing developers is the higher initial capital outlay. However, a report by New Ecology Inc. shows that total development costs for green projects reviewed for the report ranged from 18 percent below to 9 percent above the costs for comparable conventional affordable housing. On average, the 16 case studies in the report show a small "green premium" of 2.42 percent in total development costs. These incremental costs are largely due to increased construction, as opposed to design, costs.

Other challenges related to affordable green building include:

- **Capacity challenges and the learning curve:** Many affordable housing providers lack the organizational capacity to undertake the additional planning and upfront work necessary to effectively incorporate green building processes. It requires additional training for affordable housing developers, and resources for training are limited.

- **Perceived risk:** Affordable housing developers are often risk-adverse because they have little margin for project failure. Any cost increases directly affect developer fees, which are used to sustain the organization and fund future development.

- **Multiple funding sources:** Affordable housing developers use many funding sources, each with its own criteria and regulations. It can often be difficult to fit new technologies and ideas into the existing funding criteria.

- **Lack of documented success:** To date, energy efficiency has been the only real measure used to show long-term affordability of green building. Lack of research makes it difficult for affordable housing developers to overcome the increased initial investment prejudice with funders.

- **Lack of public transportation and land use planning:** Public transportation is not readily available in all areas. In some states (many within our district) only a handful of cities have public transportation systems in place. Therefore, residents must consider fuel costs when deciding where to purchase a home and how much they can afford.

- **Ability to sustain homebuyer educational programs:** Resources to sustain homebuyer awareness on how to keep their property green must be taken from existing sources.

### New Way to Calculate Affordability

Whether a home is considered affordable has traditionally been calculated based on the upfront initial cost to the homebuyer. In the United States, a commonly accepted guideline for housing affordability is housing costs that do not exceed 30 percent of a household's gross income. Housing costs considered in this guideline generally include taxes and insurance for owners, and sometimes include utility costs. When these combined monthly costs exceed 30 percent to 35 percent of household income, then the housing is considered unaffordable for that household.

Life-cycle costing is needed to adequately assess housing affordability. Life-cycle costing takes into account the long-term costs of building maintenance to provide a more accurate picture of the total costs associated with a structure.

# LEED-ing the Way in Argenta

Directly across the Arkansas River from the Little Rock Branch of the Federal Reserve Bank of St. Louis is the historic Argenta District of North Little Rock. For more than 16 years, Argenta Community Development Corp. (CDC) has worked to improve targeted neighborhoods there by developing quality housing, by promoting homeownership and by stimulating economic growth.

Argenta's most recent affordable housing development was undertaken in partnership with the Arkansas Chapter of the U.S. Green Building Council. Brad Williams, executive director of the CDC, said Argenta was proud to be the developer of the first Leadership in Energy and Environmental Design for Homes (LEED-H) certified affordable housing in Arkansas. "Based on our initial plans, we hoped to receive a silver certification and were extremely pleased to receive gold and almost platinum," he said.

*This house in the Argenta District of North Little Rock was built using green technologies. It is part of an affordable housing development undertaken by the Argenta Community Development Corp. in partnership with the Arkansas Chapter of the U.S. Green Building Council.*

The Argenta team said the success of the project and the enhanced certification is a direct result of their close partnership with the Green Building Council. Consultants Chris Ladner and Ron Hughes were invaluable to the project and Shelly Green led the equally invaluable technical advisory team. Green has created a manual to help homeowners keep their homes green. Although the homes were slightly more expensive to construct than conventional affordable homes Argenta has developed, the CDC was able to keep the selling price equal to comparable homes in the neighborhood thanks to an additional subsidy provided by the North Little Rock Community Development Corp.

## Green features of the homes in Argenta include:

- energy-efficient, double pane, low-E windows,
- water-conserving plumbing fixtures,
- a highly efficient heating and cooling system,
- EnergyStar hot water heater,
- EnergyStar light fixtures,
- paints and sealants that meet green standards, and
- "green" label carpeting throughout.

Components considered are the total cost of a structure, including initial construction costs, and long-term operating and maintenance costs. When looked at from a life-cycle cost perspective, the operating savings of an affordable green-built home far exceed the incremental capital costs. Traditional costing methods simply do not capture the economic benefits of green building.

**Ideas for Funders**

Financial institutions should develop mortgage products and underwriting standards that look at life-cycle costs rather than only upfront purchase costs.

Federal, state and local housing finance agencies should give preference to applications for funding for projects that include green technologies.

Philanthropic organizations should support capacity building for affordable housing developers to enable them to effectively incorporate green technologies in their projects. Utilities and for-profit entities should support pre- and post-purchase education for homeowners to ensure that they get sustained benefits from maintaining a green home.

*The information for this article was compiled by Lyn Haralson, community development specialist for the Federal Reserve Bank of St. Louis, Little Rock Branch, from the following resources: U.S. Greenbuilding Council; FHLB of Atlanta 2005 Report; Argenta CDC;* Affordable Greenbuilding in Rural Communities, *a Housing Assistance Council publication; and New Ecology Inc.*

Commentary

# Philanthropy and the Foreclosure Crisis

## Models of Partnerships between Foundations, CDCs

In my book, *Rebuilding Communities the Public Trust Way: Community Foundation Assistance to CDCs, 1980-2000,* I focus on the contemporary role of philanthropy in community development by illuminating some models stemming from the work of community foundations with community development corporations (CDCs) and other nonprofit organizations. The models describe partnerships and activities undertaken in Cleveland, New Orleans and Miami.

In addition, some important lessons are presented that might prove useful to community philanthropy more generally. For example, in all three cases, the community foundation's ability to convene nonprofit, private-sector, and public interests and provide legitimacy to community development efforts proved to be paramount to the partnership's success.

The Cleveland Foundation, the second largest in the nation, brought together the George Gund Foundation, the Local Initiatives Support Corp. (LISC), the Enterprise Foundation, the city administration and Cleveland Tomorrow—a coalition of the top 50 companies in the city—to form Neighborhood Progress Inc. This is a broad-service delivery organization and financial intermediary that supports the local CDC industry.

The Greater New Orleans Foundation (GNOF), with the assistance of LISC, provided support for about one third of the city's CDCs. It also supported the Jeremiah Group and All Congregations Together faith-based organizations. Realizing groups such as these would need technical assistance and training, GNOF played a lead role in establishing the Center for Nonprofit Resources. Later, they joined with the Council for a Better Louisiana, the Baton Rouge Area Foundation and the Community Foundation of Shreveport-Bossier to establish the Louisiana Association of Nonprofit Organizations. Primarily due to strong leadership, GNOF helped build a better nonprofit infrastructure by creating statewide and regional networks.

The Dade Community Foundation brought together organizations with very little history of working together, including the Greater Miami LISC, Homes for South Florida, Miami-Dade County and CDC representatives in one of the most impoverished major cities in the United States. The smallest of the three foundations, the Dade Community Foundation, entered an arena of community development where it had little experience. However, its role was significant in coordinating support and assistance to Miami CDCs.

*By Jeffrey Lowe*

Local nonprofit organizations working in community development face major challenges when it comes to funding. Resources from government, corporations and foundations typically become critical to their success. Failure to leverage the appropriate level of support can result in an inability to follow through on any sustainable plan for community development, let alone new initiatives needed to eliminate the threat foreclosures present to neighborhood revitalization.

Community philanthropy could play a greater role in expanding capacity, activities and successes toward understanding and resolving the foreclosure crisis. It could do so, and by extension even advance social justice, through contributions to nonprofit organizations that work to increase opportunities for those who are less well off. Indeed, as Americans, we seek to increase opportunities for achieving wealth. We view home ownership as the primary approach to wealth building and, in turn, closing the wealth gap. Today, foreclosures threaten our ability to gain wealth and create high-quality communities where all people live, work and play.

Given the current housing market and economic climate, a rather nuanced question looming among partnership ranks and beyond is: What is community philanthropy to do? The answer might be found in how community philanthropy typically engages or conveys the attributes of leadership, convening and innovation in its locale. Staying the course, reacting or developing proactive and even progressive strategies offer viable and concrete options that should be seriously considered.

### Staying the Course

A traditional practice of community philanthropy is to support social service programs. As households in foreclosure have little to fall back on, the demand for social services has increased. Community philanthropy should enhance its support for social service activities. Specific attention should be given to ensuring funding continuity to local nonprofits that offer loan modification and loan-loss mitigation programs. (Loan modification is a permanent change in one or more terms of a borrower's loan that results in a payment the borrower can afford. Loss mitigation is recovery of monies owed on the mortgage in excess of the property value from other assets a borrower holds.)

#### Reactive Strategies

Community philanthropy should support networks of community-based organizations, lenders and secondary market entities that offer financial education and counseling. In places where nonprofit capacity may be limited, such activities could be managed by a single community partner. Region 2020, a nonprofit based in Birmingham, Ala., (www.Region2020.org) is a good example of an organization providing financial education and counseling service for an alliance.

Ensuring the likelihood of success would necessitate a commitment to support marketing. Marketing might include radio and television ads that target delinquent homeowners and foreclosure intervention information that is distributed in welfare and disability offices. Community philanthropy could also support partnerships in which nonprofit counseling organizations and lenders write weekly newspaper columns where people could ask questions about mortgage financing and get honest answers, should they experience financial difficulty in advance of foreclosure. This approach was suggested by focus group participants in a study conducted by Housing Environments Research Group at the City University of New York and NeighborWorks America. The goal in each of these approaches is to reach those most in need where they are and where they are most likely to turn for assistance.

#### Proactive Strategies

Community philanthropy could fund research that identifies patterns of predatory lenders and areas concentrated with high-interest-rate mortgage loan originations. This type of research would identify the potential of foreclosures before they occur, saving households financial and emotional hardship as well as stymieing community decline in the process. Similar action is already under way in Cleveland, where the Cleveland and Gund Foundations are funding an initiative coordinated by Neighborhood Progress Inc.

Community philanthropy could also support grassroots and consumer advocacy for policy change, requiring strong regulation on lenders to provide borrowers with financial products that are appropriate for them, given their economic status. Fannie Mae and Freddie Mac stopped purchasing loans containing single-premium credit life insurance, considered one of the most egregious of predatory practices, as a result of grassroots advocacy. According to a study by Gruenstein-Bocian, Ernst, and Li, approximately 40 percent of subprime mortgage holders would have qualified for a mortgage at prime. It is clear, then, that the need for advocacy remains strong.

#### Progressive Strategies

Community philanthropy should support advocacy beyond mortgage lending, with the intention of eliminating the dual financial system that contributes to uneven wealth distribution. It is important to note that wealth building consists of two dimensions: credit and savings. Homeownership is an element of credit. Moreover, a heavy emphasis on mortgage credit has contributed to a relative neglect about the role of savings in building wealth.

To further illustrate this point, the top 1 percent of homeowners control 13 percent of home equity, while the bottom half of homeowners control 12.7 percent of home equity. This suggests some balance between the two cohorts regarding the level of wealth that resides in homeownership. Alternatively, the top 1 percent of stockholders control 33.5 percent of stock wealth, while the bottom half of stockholders control 2.5 percent of stock wealth. Lacking this attribute of savings contributes to the difficulty of building wealth.

Community philanthropy should help turn the tide by supporting coalition building among community-based organizations advocating for credit unions and banks to establish direct deposit accounts. Given that more than two-thirds of tax expenditures for pensions went to households in the top 20 percent of the income distribution, while the bottom 40 percent received only 2 percent, community philanthropy needs to increase its support. Community philanthropy should also support research and advocacy around the possibilities for automatic deduction into IRAs and 401(k) plans for many low-income individuals who do not have such access at work.

In closing, community philanthropy has much to offer community development. Its involvement could and should occur by building upon some great models (see "Models of Partnerships" article on Page 6) that exemplify an ability and legacy of convening, by innovation and by leadership in resolving the foreclosure crisis and building wealth while advancing social justice. Hopefully, moving forward, community philanthropy will maintain vision and courage for pursuing the best strategies that improve the quality of life for households, revitalizing communities beyond the short term and well into the future.

*Jeffrey S. Lowe is assistant professor of urban and regional planning at Florida State University. Lowe's teaching and research interests focus on social and political-economic factors that influence community development and housing. His specific research interests include university-community partnerships, philanthropic involvement in local community development activities, and capacity building among community development corporations that primarily serve African-American and low-income neighborhoods.*

# Cheeks Named to Fed Post


*Cheeks*

Teresa Cheeks has been named assistant community development specialist at the Federal Reserve Bank of St. Louis, Memphis Branch. In that capacity, she will provide advisory services to community organizations, government agencies, bankers and others on community and economic development issues.

Before coming to the Federal Reserve, Cheeks worked at The Women's Foundation for a Greater Memphis, where she was responsible for assisting in development and marketing activities. The Women's Foundation is a nonprofit organization that encourages philanthropy, fosters leadership among women and provides resources to help women reach economic self-sufficiency. She also worked for the American Red Cross and the city of Memphis, primarily in marketing roles.

Cheeks earned her undergraduate degree in business marketing from the University of Memphis.

## RESOURCES

**Defaulting on the Dream: States Respond to America's Foreclosure Crisis**—The PEW Charitable Trusts published this comprehensive report in April, 2008 on how state governments are responding to the foreclosure crisis in America. The report focuses on two approaches: helping borrowers avoid foreclosure and keep their homes, and preventing problematic loans from being made in the first place. To read the report, go to www.pewtrusts.org.

**Empowering Local Communities Through Leadership Development and Capacity Building**—This publication from HUD's Office of University Partnerships (OUP) documents how OUP-supported development of leadership and capacity-building skills helps individuals and organizations take charge of building better communities. The report features individuals who put their leadership skills to work to change their communities. It also gives accounts of organizations that used increased capacity to improve the lives of the people they serve. Download a copy at www.oup.org/files/pubs/empowerment.pdf. Print versions are in limited supply, but may be ordered free of charge by calling 1-800-245-2691, option 3, or by sending an e-mail to oup@oup.org.

**Green Rehabilitation of Multifamily Rental Properties: A Resource Guide**—Local Initiatives Support Corp. (LISC) has a new publication for affordable housing owners who want to integrate "green" technologies into upgrades of their multifamily properties. The guide is a joint project of Bay Area LISC and Build it Green, a California-based, nonprofit organization promoting healthy and energy-efficient housing. For more information, go to www.communityinvestmentnetwork.org/nc/article-search.

# Public Asked To Comment on Credit Card Rules

The Federal Reserve Board is seeking the public's input on proposed rules that are designed to prevent unfair practices regarding credit cards and overdraft services.

Changes to the Board's Regulation AA (Unfair or Deceptive Acts or Practices) would be complemented by separate proposals the Board is issuing under the Truth in Lending Act (Regulation Z) and the Truth in Savings Act (Regulation DD).

The rules, proposed for public comment under the Federal Trade Commission (FTC) Act, include five key protections for consumers who use credit cards. The rules would:

- prohibit banks from increasing the rate on a pre-existing credit card balance (except under limited circumstances) and require them to allow the consumer to pay off that balance over a reasonable period of time;
- prohibit banks from applying payments in excess of the minimum in a manner that maximizes interest charges;
- require banks to give consumers the full benefit of discounted promotional rates on credit cards by applying payments in excess of the minimum to any higher-rate balances first and by providing a grace period for purchases where the consumer is otherwise eligible;
- prohibit banks from imposing interest charges using the "two-cycle" method, which computes interest on balances on days in billing cycles preceding the most recent billing cycle; and
- require banks to give consumers a reasonable amount of time to make payments.

The proposal also would address subprime credit cards by limiting fees that reduce available credit. In addition, banks that make firm offers of credit advertising multiple rates or credit limits would be required to disclose the factors that determine whether a consumer will qualify for the lowest rate and highest credit limit.

The Board's proposal also addresses practices in connection with a bank's payment of overdrafts on a deposit account, whether the overdraft is created by check, a withdrawal at an automated teller machine, a debit card purchase, or other transactions. The proposal requires institutions to notify consumers and give them an opportunity to opt out of the payment of overdrafts before any overdraft charges are applied to consumers' accounts.

To ensure that all consumers are protected regardless of where they obtained their credit cards, the Board's FTC Act proposal is issued concurrently with similar proposals by the Office of Thrift Supervision and the National Credit Union Administration that would apply, respectively, to savings associations and federally chartered credit unions.

Due to the significance of the issues raised, the comment period for the FTC Act proposal ends 75 days (Aug. 2) after publication of the proposal in the Federal Register, while the comment periods for the Regulation Z and DD proposals end 60 days (July 18) after publication.

To comment, visit www.federalreserve.gov/consumerinfo/default.htm.

# The Wage Gap

One of the most striking economic trends in the United States is the ever-widening wage gap between workers at the top end of the pay scale and those at the low end of the pay scale. Highly educated workers have seen their wages rise dramatically while those with less formal schooling have fallen farther and farther behind.

While some people may not see this trend as a problem, many have expressed concern that rising inequality in income might mean the poor will not be able to maintain even a basic standard of living. Many also argue that rising inequality in the labor market may create perceptions of unfairness which, in turn, could lead to social conflict.

Why is this happening? What can be done?

A new study, *Earnings Inequality within the Urban United States: 2000 to 2006,* by economist Christopher H. Wheeler presents information that may help answer these questions. Wheeler looked at data for nearly 300 cities, including four metropolitan areas within the Eighth Federal Reserve District—Little Rock, Louisville, Memphis and St. Louis. His findings will be of interest to policymakers and anyone interested in social issues.

To read the study, visit the St. Louis Fed's web site at www.stlouisfed.org/community. Print versions are available free of charge by contacting Cynthia Davis at 314-444-8761 or by sending her an e-mail at communitydevelopment.org.

# Bank Names President

Bullard

James B. Bullard has been appointed president and chief executive officer of the Federal Reserve Bank of St. Louis by the Bank's board of directors. Bullard replaces William Poole, who retired March 31.

As the Bank's president and CEO, Bullard directs the activities of the Bank's head office in St. Louis as well as its three branches in Little Rock, Ark.; Louisville, Ky.; and Memphis, Tenn. In addition, he represents the Bank on the Federal Open Market Committee (FOMC), the Federal Reserve's chief monetary policymaking body.

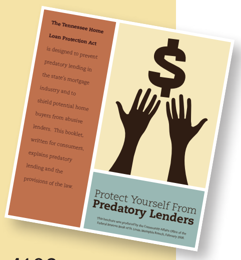
Bullard, 47, previously was deputy director for monetary analysis in the Bank's Research division. He joined the St. Louis Fed in 1990 and took on increasingly responsible roles in the Research department during his 18-year tenure. He has published extensively on economic policy issues and is an adjunct faculty member and Ph.D. adviser at Washington University in St. Louis.

A native of Forest Lake, Minn., Bullard holds a bachelor of science degree in quantitative methods and information systems and economics from St. Cloud State University in St. Cloud, Minn., and a doctorate in economics from Indiana University in Bloomington, Ind. He is a co-editor of the *Journal of Economic Dynamics and Control* and a peer reviewer for more than two dozen periodicals or institutions.

For more information on Bullard, go to: www.stlouisfed.org.

## Tennessee Law Focus of New Brochure

A new publication from the Federal Reserve Bank of St. Louis, Memphis Branch, helps consumers looking for a home loan avoid unscrupulous lenders.




*Protect Yourself From Predatory Lenders* explains the Tennessee Home Loan Protection Act and identifies predatory lending practices in the mortgage industry. The law, which went into effect Jan. 1, 2007, is meant to protect potential home buyers from abusive mortgage lending practices.

Copies of the free brochure can be ordered by calling Cathy Martin at the Federal Reserve at 901-579-4102.

# 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.

### Network of Housing Counselors Helps Memphis Area Homeowners

Homeowners in Memphis, Tenn., and the surrounding area who are having problems meeting their mortgage payments can call the Memphis Housing Counseling Network at 901-725-8361 for help. Callers will receive an immediate response and referral for one-on-one counseling to one of 11 counseling agencies in the network. Services are free and confidential.

Created in 2005, the network has worked with local officials, the Tennessee Housing Development Agency and the local media on foreclosure outreach and education.

In addition to foreclosure mitigation counseling, network members provide a full range of housing counseling services, from homebuyer education to credit counseling. This year, the network will add rental counseling to its list of services as it rolls out its rental housing curriculum. All member agencies are certified by the Department of Housing and Urban Development, and most have received NeighborWorks America certification.

For additional information, contact Emily Trenholm, executive director, Community Development Council of Greater Memphis, 901-725-3124, or send her an e-mail at Emily@communitydevelopment.com.

### Louisville Agencies Can Tap Into New Affordable Housing Fund

The Louisville Metro Council passed an ordinance on May 15, 2008, creating an Affordable Housing Trust Fund.

Money in the fund, which will go to Louisville agencies involved with affordable housing, can be used for down payment and temporary rental assistance, foreclosure avoidance, emergency repairs, new construction and rehab financing, and other housing-related needs.

The initial $1 million for the fund will come from taxpayers with a goal of eventually raising $10 million annually.

### Arkansas College Savings Plan Makes Matching Funds Available

A new program makes matching funds available for working families who participate in Arkansas' 529 college investing plan. The Aspiring Scholars Matching Grant Program, created in 2007 as a two-year pilot program, sets aside $250,000 to match funds deposited into the 529 plan, known as the Arkansas GIFT Plan. The plan is a college savings vehicle that offers tax-deferred earnings and tax-free withdrawals for higher-education expenses.

Arkansans enrolled in the GIFT Plan and who earn an adjusted gross income of $60,000 or less may qualify for a one-to-one match of up to $500 annually. Arkansans who earn $30,000 or less can qualify for a two-to-one match of up to $500 annually. In addition, the GIFT Plan account holders must be Arkansas residents whose account beneficiaries also are residents.

The Aspiring Scholars program was modeled after successes in the state's individual development account program and a demonstration project in Helena-West Helena called SEED.

For more information, visit http://thegiftplan.s.upromise.com/or contact Mike Leach at 501-661-0322, ext. 24.

### Social Enterprise Alliance Recognizes St. Louis Chapter

The Social Enterprise Alliance, a national association representing the growing number of social enterprises across the country, named its first local chapter in April. The SEA—St. Louis Chapter hosts learning and networking opportunities among social enterprises, foundations, lenders, educators and technical assistance providers in the St. Louis region. The chapter will work to foster market-based strategies for advancing social change.

SEA launched its chapter program this year to create a local support system for social enterprise.

For information about the alliance or the new chapter, call Chris Miller at 314-935-6906 or clmiller@wustl.edu.

### New Kentucky Law Designed To Protect Homeowners

On April 28, 2008, the governor of Kentucky signed into law House Bill 552. The new homeowner mortgage lending protection law enables the Kentucky Housing Corp. to create a Kentucky Homeownership Protection Center, establishes the Kentucky Residential Mortgage Fraud Act, and addresses high-cost loans.

The Kentucky Homeownership Protection Center will be established as part of a borrower education initiative. The center will provide a centralized location for information on public services from community organizations and from federal, state and local governments that assist homeowners in default or in danger of default on a home loan. The center will provide toll-free telephone numbers for mortgage assistance, home repair assistance and utility assistance programs.

The law also establishes new responsible lending requirements by redefining high-cost loans, setting new affordability requirements for high-cost loans and reducing barriers to refinancing disadvantageous loans made by a mortgage loan company.

To learn more, visit www.lrc.ky.gov/legislation.htm.

**Online Homebuyer Course Available in Indiana**

The Indiana Housing & Community Development Authority (IHCDA) has a new tool for prospective homebuyers: IHCDA University.

IHCDA University is an online homebuyer education course offered at no charge to consumers in the state of Indiana. Those who complete the course also satisfy the education requirement for all homebuyers seeking the .125 percent mortgage rate reduction offered through IHCDA loan programs. Course information is designed to educate consumers about the basics of the home-buying process.

For additional information, visit http://ihcda.knowledgefactor.com.

**Louisville Loan Fund Named "Best in Nation" by CDFA**

The Downtown Development Corp.'s Downtown Housing Revolving Loan Fund in Louisville, Ky., was selected as the best revolving loan fund program in the nation at the recent Council of Development Finance Agencies (CDFA) summit in St. Louis. CDFA recognizes successful revolving loan funds that have proven results, create community change and raise awareness of this economic development finance tool.

The Downtown Housing Revolving Loan Fund is a $6.8 million fund that has helped to leverage financing for $128.6 million in housing projects in downtown Louisville. The fund was created in the late 1990s through a partnership between the city of Louisville and a consortium of 14 local private-member institutions of the Downtown Development Corp. The goal of the revolving loan fund is to stimulate this market and revitalize a dormant downtown housing market.

To find out more about the fund, visit www.downtowndevelopmentcorp.org.

**DREAM Applications Available in Missouri**

Community leaders in small- and medium-sized towns in Missouri have until 5 p.m. July 18, 2008 to apply for state funding for downtown revitalization and job creation. The funds are available from the Downtown Revitalization and Economic Assistance for Missouri (DREAM) Initiative.

According to information from the state, 20 communities have received more than $225 million in total investment for housing, construction and renovation projects and infrastructure improvements since the initiative began two years ago. Public investment totals $38 million, which in turn has generated $189 million in private investment in the communities. Past DREAM recipients are the cities of Aurora, Cape Girardeau, Caruthersville, Chillicothe, Clinton, Excelsior Springs, Hannibal, Hermann, Kennett, Kirksville, Maryville, Mexico, Neosho, Poplar Bluff, St. Joseph, Sedalia, Sikeston, Trenton, Washington and West Plains.

The program is administered through the Missouri Department of Economic Development, which works closely with the Missouri Housing Development Commission and the Missouri Development Finance Board to provide assistance to community leaders.

Applications for funding may be obtained at the DREAM Internet site, www.dream.mo.gov. There will be two applications available, one for previous applicants who were not selected and a second for first-time applicants.

SAVE THE DATE!

**Exploring Innovation**

**in Community Development**

**April 22-24, 2009 | St. Louis, Missouri**

Sponsor: Federal Reserve Bank of St. Louis

# CALENDAR

## JULY

### 23-24

**Home Equity Conversion Mortgage (HECM) Training—Springdale, Ark.**
Sponsor: Arkansas Coalition of Housing and Neighborhood Growth for Empowerment (ACHANGE)
501-978-2234

## AUGUST

### 18-22

**NeighborWorks Training Institute—Chicago**
Sponsor: NeighborWorks America
1-800-438-5547
www.nw.org/network/training/calendar/default.asp

### 27-28

**Statewide Conference on Housing and Community Economic Development—Indianapolis**
Sponsors: Indiana Association for Community Economic Development, Indiana Housing & Community Development Authority, and Indiana Coalition on Housing and Homeless Issues
aseidler@ihcda.in.gov

## SEPTEMBER

### 9-11

**Low Income Advocates Conference—Little Rock, Ark.**
Sponsor: Arkansas Coalition of Housing and Neighborhood Growth for Empowerment (ACHANGE) and the Central Arkansas Development Council
501-978-2234

### 10-12

**Missouri's Future: Prepare to Profit—Kansas City, Mo.**
Sponsor: Missouri Department of Economic Development
573-751-4962
www.ded.mo.gov (Click on "2008 Governor's Conference.")

### 15-16

**Governor's Conference on Economic and Community Development—Nashville, Tenn.**
Sponsor: Tennessee Department of Economic and Community Development
615-741-1888
www.tnecd.gov

### 22-24

**Under One Roof: Building Communities in the Delta Conference—Tunica, Miss.**
Sponsor: Mid South Delta LISC
662-335-3318

### 22-26

**Community Development Academy—Excelsior Springs, Mo.**
Sponsor: University of Missouri Community Development Extension Program
573-882-4349
http://extension.missouri.edu/cd/cda/

### 25

**Kentucky Hispanic and Immigrant Networking Summit—Shelbyville, Ky.**
Sponsor: Kentucky Human Rights Commission
502-585-4024

## OCTOBER

### 6-10

**Non-profit Housing Management Training—West Memphis, Ark.**
Sponsor: Arkansas Coalition of Housing and Neighborhood Growth for Empowerment (ACHANGE)
501-978-2234

### 7

**The Baby Boomer Bust: Implications for Community Development—Memphis, Tenn.**
Sponsor: Federal Reserve Bank of St. Louis, Memphis Branch
901-579-4103

### 22-23

**Spirit of Unity: Embracing Partnerships—Lexington, Ky.**
Sponsor: Kentucky Housing Corp.
502-564-7630, ext. 383
www.kyhousing.org

### 27-30

**Fall Meeting and Urban Land Expo—Miami**
Sponsor: Urban Land Institute
202-624-7000
www.uli.org

### 29

**Inter-agency CRA Training for Financial Institutions—Little Rock, Ark.**
Sponsor: Federal Reserve Bank of St. Louis and OCC
501-324-8268


## BRIDGES

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

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If you have an interesting community development program or idea for an article, we would like to hear from you. Please contact the editor.

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