Partners

in community and economic development

Federal Reserve Bank of Atlanta
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Branching Out

In 1981, the Department of Supervision and Regulation established a team of four individuals at the Federal Reserve Bank of Atlanta's Miami Branch following an efficiency analysis of examinations and supervisory functions conducted throughout South Florida. Over the years, the team expanded with the growth of International activities and related supervision, and the decentralized structure has proven to be highly successful.

In 1997, Community Affairs, which is structured within Supervision and Regulation, similarly reached a point where we justified expanding to Miami because of our growing constituency. As our Community Affairs program emphasizes technical assistance and facilitation of partnerships, we soon realized that a Branch liaison can be more effective due to greater accessibility. In addition, local staff members are able to conduct more outreach, attend more functions, and stay more aware of local news and activities than Atlanta staff. Furthermore, Branch liaisons provide an added service to their Branch officers by being an on-site resource for community information.

This model's success set the tone for creating a position in both our Nashville and Birmingham Branches in 1999, and the expansion also proved to be highly successful in our service to Tennessee and Alabama. In 2001, with the attrition of staff in Atlanta, we were able to complete the full Branch network by creating positions in the Federal Reserve's remaining two Branches: Jacksonville and New Orleans. As a result, a team of six Branch liaisons now cover the six Branch geographical zones: Alabama, North Florida, South Florida, Georgia, Louisiana/Mississippi, and Tennessee. In addition, Jennifer Grier, who has been with us almost 10 years, brings invaluable assistance in coordinating functions such as training, conference planning, database development, publications, and special projects.

The current Community Affairs team has a combined skill set that we believe is second to none in any Community Affairs program anywhere. While that probably sounds biased, the credentials speak for themselves. Including my own background, the team presently has well over 100 years of combined experience in various specialties such as lending, micro-enterprise, small business incubators, investments, tax credits, rural development, Community Development Financial Institutions (CDFIs), Community Development Corporations (CDCs), subprime and predatory lending, Individual Development Accounts (IDAs), consumer compliance laws, urban planning, government programs, public policy, and Hispanic initiatives. This issue of *Partners* is an opportunity for us to showcase each Branch liaison on a current topic of interest. As an added feature, we have a guest column from a former Community Affairs liaison concerning predevelopment funding.

Finally, it is with great pride to announce our "branching out" into the new Federal Reserve building in Atlanta, which is shown above. After Community Affairs moved out of the main office "temporarily" in 1986, we have finally rejoined the rest of the Bank in its brand new facility at 1000 Peachtree Street in Midtown Atlanta. Along with the new address, we have a new telephone exchange: 498. (Our direct-dial extensions remain the same.) For your reference, the Department's main telephone number is 404/498-7200 where we can all be reached.

With this full Branch network in place, we're positioned optimally to serve you in promoting community and economic development and fair lending throughout the Southeast. We live in a dynamic time where challenges are a certainty, yet creativity and opportunity still abound. And we are well positioned to do our work in a way that makes a difference.

- Editor

In This Issue

Section 8 Homeownership Program in Nashville

By Jessica LeVeen

Jessica LeVeen, Community Investment Advisor, is in the Nashville Branch and serves middle and eastern Tennessee.

In September 2000, HUD published the final regulation that allowed Public Housing Authorities (PHAs) to use Section 8 rental vouchers for homeownership assistance. HUD's Section 8 program has provided rental assistance to low income families since 1974. However, in an effort to increase housing opportunities for low-income families, the new legislation allows PHAs to convert any portion of their Section 8 rental assistance to homeownership assistance. This program aims to promote self-sufficiency and empower lower income families, who can be brought into the economic mainstream through the benefits of homeownership.

HUD initially authorized 15 PHAs to develop pilot programs. The final rule requires that the programs contain certain provisions, including:

- ◆ employment and income requirements;
- ◆ a minimum downpayment of 1 percent from the homebuyer's resources;
- ◆ a term-limit on assistance of 15 years;
- ◆ a requirement for homeownership counseling;
- ◆ a housing quality inspection.

In addition, the rule provides several options for applying the Section 8 payment towards homeownership. The Section 8 payment the recipient is eligible to receive equals the difference between HUD's Fair Market Rent and the 30 percent of the recipient's income. The payment can either be deducted from the principal and interest payment on the first mortgage, it can be added into the recipient's income, or it can be used to pay off a second mortgage on the home. Within these parameters, each PHA was allowed to develop individual program requirements and eligibility policies.

Nashville Pilot Program

Many of the PHAs have chosen to partner with nonprofit organizations to assist with the administration of their program and to provide the homeownership counseling. One of the pilot programs was developed in Nashville, TN through a partnership between the city's public housing agency, Metropolitan Housing and Development Agency (MDHA), and Affordable Housing Resources (AHR), a local nonprofit. Neighborhood Reinvestment Corporation (NRC), HUD, Fannie Mae, and local financial institutions are also important partners in this program.

The MDHA/AHR program requires that participants be enrolled in the Family Self Sufficiency program or be referred by the Section 8 staff at MDHA. In addition, the participant must have an annual income of at least $15,000 and have been employed for a minimum of three years (with some exceptions). MDHA provides Section 8 vouchers to over 5,300 households. When the Section 8 recipients were first screened by the program criteria, over 1,800 recipients were identified as potential candidates for homeownership. The individuals were contacted, and after a second round of screening, approximately 200 participants were selected into the Section 8 to Homeownership program, at varying stages of homebuyer readiness.

Second Mortgage Program

MDHA and AHR chose to structure its program to offer a second mortgage to qualified applicants. The participant works with a traditional lender to qualify for a first mortgage where the monthly payment will be no higher than 29 percent of their income. The amount available for the second mortgage is determined by the sum of the participant's current Section 8 payments, amortized over 10 years at the prevailing interest rate.

AHR sets the maximum house price the participant can afford based on the sum of the first mortgage, the available second mortgage, the participant's required downpayment and any other available resources, minus the estimated closing costs. The second mortgage is provided by AHR, and MDHA pays the Section 8 payment directly to AHR for up to 10 years in order to retire the second mortgage.

All program participants are required to participate in AHR's Fast Track Counseling program, which includes two hours of indi-

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vidual counseling and eight hours of classroom training. Participants in need of greater assistance are offered long-term counseling.

In order to implement this program, AHR capitalized a revolving loan fund to provide the second mortgages. The two largest contributors to this pool are The Neighborhood Reinvestment Corporation (NRC) and Fannie Mae. NRC provided $200,000 in capital grants, and Fannie Mae made an initial investment of $200,000, which was followed recently by an additional $500,000 investment. To date, AHR has loaned approximately $350,000 of this pool for the second mortgage program.

Since the inception of Section 8 to Homeownership in early 2000, 186 individuals have been enrolled. Of those initial enrollees, 145 are still active. As of September 2001, 21 participants have closed on the purchase of their home, 22 were ready to buy, of which seven have homes under contract, and approximately 80 participants may be ready to buy within a year.

The typical participant in the program is an African-American female head of household, age 38. Most of these individuals have worked an average of five years, and the average annual income is $21,000. The average purchase price of the participant's homes is approximately $80,000, and the homes have been purchased throughout the metropolitan Nashville area.

Key to Program's Success

The Section 8 to Homeownership program developed by AHR and MDHA is recognized as one of the early national success stories. As of October 2001, HUD records indicate that the AHR program participants who have closed on the purchase of the their home account for approximately 25 percent of all of the new Section 8 to Homeownership home closings nationwide. NRC recently awarded $5 million to 20 affiliate organizations to develop programs utilizing a similar model.

Eddie Latimer, executive director of AHR, believes the appeal of the second mortgage model is the simplicity of the program for the homebuyer. "This is a simple model, which is easier to understand and comply with for a first time homebuyer. It is based on the historical precedent of homeownership, meaning the homebuyer makes one payment to the mortgage company, which won't change as long as they hold that mortgage."

Standing, left to right: Ralph Perrey, Director, FNMA Tennessee Partnership Office; Pat Clark, MDHA; and Joyce Norris, AHR. Seated, left to right: Jennifer Pierce, closing agent; Lashonda Miller, Section 8 Homeownership participant.

"In addition, the one payment program is similar to paying rent, so it does not require a significant change in behavior. An additional benefit of this model is that there is no payment shock to the homebuyer when the Section 8 voucher expires after 10 years, as that portion of the loan will have been completely paid off."

From a counseling perspective, Mr. Latimer said that the program is working well because the minimum requirements for the program participants automatically identify those who are stable in terms of employment and income. The second mortgage model also has widespread appeal to lenders as they are able to originate the first mortgages utilizing existing loan products and underwriting guidelines, with low loan-to-value ratios, and therefore relatively lower risk.

There are several other critical elements that have contributed to the success of this program. First, MDHA and AHR have a very strong working relationship. Each partner has clearly defined responsibilities and the capacity to fulfill these roles. A second key element is the support of the local financial and real estate community, which has been encouraged by educating all involved parties on the details of the Section 8 program. Lastly, the extensive counseling services provided to the program participants are essential to ensure that they are ready to both purchase and maintain an investment in a new home.

There are many options available for the structure of the Section 8 to Homeownership program, and each community has unique requirements. However, the initial success of AHR and MDHA program indicates that the model this partnership has developed provides a good framework for the development of future programs nationwide.◆

Mark-to-Market Update

By Michael Milner

Mike Milner, Senior Community Investment Advisor, is in the Birmingham branch and serves the state of Alabama.

HUD's Mark-to-Market program is aimed at preserving the affordability of low-income rental housing while reducing costs to the federal government of rental assistance subsidies provided to low-income households.

The program provides a process of restructuring insured Section 8 properties by lowering their rents to market levels when their current Section 8 contracts expire, and reduces their mortgage debt if such action is necessary for the properties to continue to have a positive cash flow. Without restructuring rents for many of the approximately 8,500 properties in HUD's portfolio that substantially exceed market levels, there would be higher federal subsidies under the Section 8 program.

Mark-to-Market Restructuring

The Office of Multifamily Housing Assistance Restructuring (OMHAR) contracted with public and nonpublic entities to carry out the mark-to-market restructurings on behalf of the federal government. These Participating Administrative Entities (PAEs) negotiate with the owners to perform two types of restructuring.

The first type of restructuring is referred to as a full mortgage restructure. In these cases, a property's rents are adjusted to market levels and its mortgage debt is reduced by the amount needed to permit the property to achieve a positive cash flow. The second type of restructuring, referred to as rent restructuring, involves reducing the property's rent to market levels, but not reducing its mortgage debt. This type of restructuring generally occurs when the property is physically and financially sound enough to continue operation at market-level rents with its existing mortgage.

Current Status of Program

As of May 2001, the GAO reports that approximately 1,500 properties have entered OMHAR's mark-to-market program. About 60 percent of these properties are expected to receive full mortgage restructurings and the other 40 percent are expected to receive rent restructurings only. OMHAR estimates that the federal government will realize about $499 million in savings over a 20-year period from restructurings that it has completed thus far.

Loss of Affordable Housing Units Through Owners Opting Out

When a Section 8 contract renewal request is made, the owners of the property can either renew the contract without restructuring the mortgage debt, renew the contract and restructure the mortgage, or "opt out" of the Section 8 program. The first option can be done with either below-market or above-market projects. Because the contract restructuring process may take some time, contracts are renewed at present rent levels temporarily while the mortgage is being restructured.

The Mark-to-Market program was initially developed to target those Section 8 properties that had rent subsidies above market rates. No consideration, however, was given to property owners that had subsidies below Fair Market Rents (FMR). Consequently, HUD found that as contracts expired, a significant number of owners elected to opt out of the program.

According to the Florida Housing Coalition's Housing News Network, the state of Florida had a 1,200 percent increase in the number of Section 8 units converted to market rents through the Opt-Out process within a 12-month period.

Mark-Up-to-Market Program

HUD estimated that in 1999, approximately one million subsidized units would be subject to contract expiration in the next five years. About half of these have contract rents below prevailing market rental rates for comparable units. Thus, HUD responded to this potential crisis with a "Mark-Up-to-Market" program, allowing owners to receive subsidy increases that would provide rents comparable to the market. This program is available only for property owners that believe their properties could attract at-market or above-market rents.

Opt-Out Protections for Tenants

Although Congress intended to allow owners their prepayment right, it also wanted to minimize involuntary displacement of tenants. So, it enacted a series of post-prepayment resident protections. All current residents have a right to remain in the property so long as they pay

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the new market rent. To enable them to do so, HUD will grant special Section 8 Enhanced Vouchers to certain categories of residents provided the new rent requires a tenant payment greater than 30 percent of adjusted gross income and the rent increase takes effect within 12 months of the owner prepaying a HUD loan.

This enhanced voucher program is created specifically for the properties that are being prepaid and the eligible residents. These enhanced vouchers provide that the resident's contribution to rent will remain at whatever it is today, but not below 30 percent of income. So long as the resident remains in the property, HUD will pay the Section 8 subsidy up to a total rent that is considered the reasonable post-prepayment rent for the property. If the resident moves out, the subsidy travels with the resident, but in turn the owner or purchaser is then free to rent the apartment to unassisted residents. In areas where the FMR is below-market rent for the property, the residents have an economic motivation to stay in the prepaying property.

Some properties have Section 8 Loan Management Set Aside (LMSA) contracts. These LMSA contracts do not automatically terminate on prepayment. HUD has established detailed notification procedures for terminating these contracts. Generally, when a Section 8 LMSA contract expires, the owner cannot simply decline to renew it; instead, the owner must give twelve months notice of termination and comply with Section 8's statutory disclosure requirements. Failure to provide sufficient notice requires the owner to accept Section 8 LMSA renewal.

As Section 8 contracts expire, the owners of the property can either renew the contract with or without restructuring the mortgage, or 'opt out' of the program.

Conclusion

The efforts of HUD to decrease the number of Opt-Outs and to provide additional protections for tenants are notable and will no doubt help in the Section 8 affordable housing shortage. However, many are concerned about the long-term effect of the overall restructuring process. Is there enough financial incentive to keep the owners of these properties interested long term? What about the marginal properties that are not eligible for restructuring or Mark-Up–to-Market rents?

The reduction in HUD payments may force many owners to cut back on maintenance or default on their mortgages. The result would be deteriorating properties and substantial claims against the FHA insurance fund. Unless the government provides additional financial incentives to for-profit property owners, getting non-profits in the business of acquiring and managing Section 8 properties continues to be the most viable option if the appropriate capital funding is available and the necessary training is provided on managing the units.

HUD is aware of this market condition and provides incentives to property owners who intend to sell their property to non-profits. The more non-profits prepare for what many see as a significant opportunity to serve a tremendous community need, the better the future looks for older Section 8 properties.◆

For additional information on Mark-to-Market, Mark-Up-to-Market, or Enhanced Vouchers can be found in the Section 8 Renewal Guide at

www.hud.gov/fha/mfh/exp/s8renew.pdf

Investments in America's New Markets

By Ana Cruz-Taura

Ana Cruz-Taura, Community Investment Advisor, is in the Miami branch and serves South Florida.

Economic vitality is the cornerstone of a healthy community. More specifically, community development professionals often emphasize the importance of a community being able to sustain itself economically in order to ensure long-term growth and stability.

Despite the fact that there is a plethora of economic development programs available on a local, state, and federal level, the greatest challenge lies in securing an adequate capital infusion to support a prolonged revitalization cycle. In some cases, there is limited funding available that can provide a handful of small businesses with small loans. Too often the available funding cannot satisfactorily meet the credit needs of existing businesses or attract larger employers to the community.

Two new federally enacted economic development programs are intended to be a catalyst to spur capital investment into the economic core of our most challenged communities. The New Markets Venture Capital Program and New Market Tax Credit Program are in final stages of implementation to begin complementing ongoing revitalization initiatives in target areas next year.

These programs draw on a market-based approach to attract investment into long-neglected urban and rural geographies. The goal of both programs is to bring these isolated, under-served areas back into the macro-economic framework of the local, and potentially global, economy by re-establishing commercial channels and developing the assets unique to each community.

The New Markets Venture Capital Program and New Markets Tax Credit Program target a well-capitalized and sustained flow of investment into lower-income communities to support a long-term business development cycle.

New Markets Venture Capital

The New Markets Venture Capital Program (NMVC) Act of 2000 focuses on economic development in low-income areas. The U.S. Small Business Administration (SBA) has been charged with administering the program by selecting NMVC companies that will serve as the conduits for capital infusion and technical assistance in growing and strengthening small businesses.

As described by SBA, a NMVC company is a privately managed, newly formed, for-profit investment company established for the purpose of providing capital and operational assistance to smaller businesses located in specific rural and urban areas. These companies may have a variety of structures – partnership, limited liability company, or corporation – but must have been formed after December 21, 2000.

Several conditionally approved NMVC companies already exist, with their formal approval contingent on their ability to raise required amounts of regulatory capital and grant matching resources, as well as meeting other technical requirements for participation. Following formal designation of NMVC companies and funding commitments, the NMVC Program will provide up to $50 million in economic development funding in the coming year.

The program is a derivation of the SBA's Small Business Investment Company (SBIC) Program that has attained considerable success in establishing and growing small businesses through equity-type investments. While the SBIC Program is focused on providing capital to businesses owned by socially or economically disadvantaged individuals, the NMVC Program uses a geographic approach, targeting entire low-income communities to create general entrepreneurial opportunities, strengthen the commercial infrastructure, and increase employment opportunities.

For additional information, visit the SBA website at www.sba.gov.

New Markets Tax Credit

As part of the Community Renewal Tax Relief Act of 2000, $15 million in tax credits will become available over seven years for additional private investment into the economic development of low-and moderate-income communities following final implementation of the program parameters (expected in late 2001).

New Markets Tax Credits (NMTCs) are aimed to spur new investment into privately managed investment programs that make loans and equity investments in eligible businesses in distressed urban, rural, and Native American communities.

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New Markets
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The Department of the Treasury's Community Development Financial Institutions (CDFI) Fund has been designated to administer the NMTC Program. The CDFI Fund is accepting applications from nonprofit and for-profit entities for certification as a Community Development Entity (CDE) through which the tax credits will be distributed. A CDE must have as its primary mission serving, or providing investment capital for, low-income communities or low-income persons. Private investors making qualified investments into CDEs will be eligible to receive tax credits allocated to the particular CDE. The allocation process will be competitive, with priority given to organizations with successful track records.

The CDE may distribute the tax credits to its investors. The tax credits will be claimed by investors over a seven-year period. Investors will receive 5 percent of the investment for each of the first three years and 6 percent for each of the remaining four years. The accumulated stream of tax credits will total 39 percent, with a present value of approximately 30 percent. Expectations are that the program will mirror the success of the Low Income Housing Tax Credit Program, which has spurred substantial growth in the development of affordable housing since its inception.◆

For additional information, visit
www.treas.gov/cdfi/programs/newmarkets/index.html

New Markets Venture Capital Company Spotlight

The aim of this initiative is to assist smaller businesses, but the endeavor is no small business itself. One conditionally approved NMVC company, The Southern Appalachian Fund, L.P., is attracting $5 million in capital to be matched according to NMVC Program parameters at 150 percent through SBA-issued debentures to create a $12.5 million venture capital fund. Another $1.5 million is being raised to be matched dollar-for-dollar by the SBA to fund operational assistance to the Fund's portfolio companies and market the program to the target geography.

The Fund is an equal general partnership between the Kentucky Highlands Investment Corporation and Technology 2020 Finance Corporation, both experienced small business development entities with established performance in the targeted geography. As a community development venture capital fund, The Southern Appalachian Fund will promote economic development and the creation of wealth and job opportunities in low-income and under-served geographic areas in southern Appalachia by providing access to capital through equity for seed, early-stage, and growth companies.

Hank Helton, Assistant Fund Manager, says that initial funding for portfolio companies is projected to range from $250,000 to $750,000. The Fund has coordinated an assessment team that will review potential business investment opportunities for viability and eligibility for funding. Helton expects the majority of business growth supported by The Southern Appalachian Fund to be in the telecommunications, information technology, and manufacturing industries. He says that the Fund will meet an identified venture capital gap in the target markets, particularly in low-income geographies.

Investment in The Southern Appalachian Fund, L.P. will be attracted from various industries and individuals, including financial institutions for which these will be qualified community development investments under the Community Reinvestment Act. Investments also stand to qualify for New Markets Tax Credits if such credits are allocated to the Fund as a Community Development Entity under that program. The minimum subscription from investor-limited partners is $100,000 with 10 percent nt of the capital commitment to be delivered at the closing of the Fund, with subsequent draw-downs by the Fund on an as-needed basis.

For more information, call Technology 2020 at 865/220-2020.

Unique Solutions for Special Needs Housing

By Janet Hamer

Janet Hamer, Community Investment Advisor, is in the Jacksonville branch and serves North Florida.

When communities consider the needs of its disabled citizens, particularly the developmentally disabled, it is often in the context of social services. The reality is that disabled individuals and their families have the same basic needs as all of our citizens, including affordable housing and economic opportunities to lead self-sufficient lives.

Grove House, a Jacksonville, Florida nonprofit organization, was formed in 1993 by a small group of committed individuals, many of whom had family members with disabilities. It has since evolved into being the primary provider of housing opportunities in northeast Florida for adults with developmental and acquired disabilities.

In 1998, Grove House Executive Director Shari Weitzner approached the City of Jacksonville's Housing Services Division and the Duval County Housing Finance Authority with the idea of providing independent living in a group setting for the special needs clients that are served by Grove House.

Out of this partnership evolved an ongoing program to provide second mortgage assistance to purchase single family houses for use as small independent living homes. The second mortgages were provided in the form of forgivable grants. Sources included State of Florida SHIP (State Housing Initiatives Partnerships Program) funds and the city's federally funded HOME program. First Alliance Bank, a local thrift institution, has provided first mortgages for the purchase of 10 single-family homes. David Strickland, president of First Alliance Bank, has stated that in addition to the bank providing housing opportunities for people in its community., the loans made sound business sense because the second mortgage subsidies allowed the bank to have a 60 percent loan-to-value position.

The CASA (Convenient, Affordable, Safe, Attractive) program provides affordable rental housing convenient to public transportation and employment in safe, single-family neighborhoods. Twenty-seven clients are now residents of the houses. Rents are determined on a sliding scale based on income and range from $200 to $225 a month.

The Florida Developmental Disabilities Council has designated Grove House as a state demonstration site to develop affordable housing programs for individuals with developmental and acquired disabilities. A total of $55,000 has been earmarked to fund operational expenses over a two-year period for the program. Additionally, the Florida Housing Coalition awarded Grove House an "Award of Special Recognition" for outstanding achievement in creating community based housing opportunities for Floridians.

The newest housing program to be implemented by Grove House is a homeownership program. The Florida Developmental Disabilities Council has funded a demonstration project designed to facilitate affordable homeownership opportunities for individuals with developmental disabilities. As a result of this grant, Grove House created a user-friendly training manual to assist in the homeownership process. Information in this manual is being presented at a customized training course offered by Jacksonville Consumer Credit Counseling Services. Eighty persons are either enrolled or scheduled to be enrolled in this course.

Another crucial component of the organization's mission of enabling the developmentally disabled to lead productive, dignified and independent lives is economic self-sufficiency. A supported employment initiative is underway to assist clients to be successfully integrated into the work force. Ninety percent of the Grove House clients are either employed in the private sector or are enrolled in training for employment.

Grove House has taken an innovative approach to addressing the needs of the developmentally disabled that looks beyond the context of social services. By forming strategic partnerships, the organization is providing unique opportunities for these individuals to obtain self-sufficiency and lead productive, independent lives.◆

OneGeorgia Authority: Bridging Georgia's Economic Divide

By Sibyl Howell

Sibyl Howell, Community Investment Advisor, is in the Atlanta office and serves the state of Georgia.

OneGeorgia Authority is the latest local and regional economic development tool created to address Georgia's economic divide. Created by Governor Roy Barnes and the state legislature, the Authority will utilize one third of Georgia's National Tobacco Settlement to assist the most economically challenged areas in the state.

OneGeorgia Authority anticipates spending $1.6 billion on investments in 71 of Georgia's poorest counties over the 25-year term of the settlement. OneGeorgia's investments will be in tier 1 and tier 2 counties, based on a four-tier job tax credit map developed by the Georgia Department of Community Affairs (DCA). These tiers are ranked based on unemployment, poverty rates, and per capita income.

FY 2001 Program Funding

On October 6, 2001, the OneGeorgia Authority Board approved a $62 million budget for the fiscal year. A total of $9 million was allocated to a reserve account with the remainder designated for five separate fund accounts. The Flint River Drought Protection program was allocated $10 million to compensate farmers in the Flint River Basin area for losses incurred when they agree to forgo irrigation during a declared drought year. Another $13 million is budgeted for additional assistance to the tobacco farmers beyond that provided through the tobacco settlement, which will assist in attracting additional federal dollars. Another $10 million is devoted to water and sewer loans approved for Tier 1 and Tier 2 counties through the Georgia Environmental Facilities Authority (GEFA).

OneGeorgia's funding also includes two primary components: namely the EDGE Fund and the Equity Fund. Both funds were allocated $10 million each to help eligible municipalities throughout the state address economic development issues. The Equity, Growth and Expansion (EDGE) Fund provides financial assistance to eligible applicants that are being considered as a relocation or expansion site and are competing with another state for location of a project. The Equity Fund will provide funding to Tier 1 and 2 communities to help build the necessary infrastructure for economic development.

Eligibility Requirements

Eligible applicants for the Equity and EDGE funds are cities, counties, government authorities and joint or multi-county development authorities. Eligible uses of EDGE funds are the development of public infrastructure, land acquisition and site development. The Equity fund regulations were written to be very broad and flexible and can be used for a variety of activities to assist in preparation for economic development. Eligible projects include traditional economic development projects such as water and sewer projects, road, rail and airport improvements and industrial parks as well as workforce development projects, technology development or tourism development proposals. Special consideration is given to projects of regional significance.

Application Process

The OneGeorgia Authority will accept EDGE applications on an ongoing basis. The Equity Fund will be awarded on a competitive basis three times a year on March 30, July 31, and November 30. Since limited funding is available through both programs, projects should be considered for other sources of funds before applying for assistance. In addition, funding will be tied to performance-based criteria.

To date, the EDGE program has awarded over $5 million to seven projects. The projects funded are projected to create 1,754 new jobs and retain 300 existing jobs through the creation or expansion of businesses in the state. There have been two rounds of competition for the Equity Fund with a total of 30 projects awarded approximately $11.4 million in loans and grants.◆

For more details about the OneGeorgia Authority Funding or to view the county tier map visit their website at
www.onegeorgia.org

The Greater New Orleans IDA Collaborative

By Nancy Montoya

Nancy Montoya, Community Investment Advisor, is in the New Orleans branch and serves southern Louisiana and Mississippi.

Americans have long been encouraged to gain self-sufficiency through programs that promote wealth accumulation. The Individual Development Account (IDA) was born from the idea that low-income workers could achieve better access to homeownership, post-secondary education, and self-employment opportunities by building assets through saving.

IDA programs incent participants to save by providing matching funds. With the cooperation of several local partners, the Greater New Orleans IDA Collaborative is realizing significant results as both an anti-poverty and community empowerment strategy.

In 1997, the Tulane-Xavier National Center for the Urban Community and Neighborhood Housing Services of New Orleans launched pilot IDA programs targeting residents of public housing. Both organizations enlisted the support of Hibernia National Bank to establish the residents' savings accounts and assist with financial literacy training. Soon, United Bank and Trust joined the effort, and thus the Greater New Orleans IDA Collaborative (Collaborative) came into being.

The Collaborative is now comprised of over 35 members, including service providers, foundations, housing counseling agencies, community action agencies, public housing authorities, and other committed entities. Its objectives are threefold: (1) to share with members the experience and expertise of existing programs, (2) to develop human, financial, and infrastructure resources for their members and, (3) to expand the number of IDA programs, service providers and referrals throughout the region.

Initial funding for the Collaborative was provided by a $195,000 AHP grant through the Federal Home Loan Bank of Dallas. Hibernia, United Bank and Trust, and Whitney National Bank are providing savings accounts and matching funds. In addition, the Collaborative was awarded an Assets for Independence Act (AFIA) demonstration grant through the U.S. Department of Health and Human Services that provides a 1:1 match to private and non-federal dollars.

To date, the group has raised $175,000 in non-federal funds, which can be matched with AFIA dollars. "We like to call this a process, not a program," says Donna Darensborg, the Collaborative's coordinator. "We're in this to change lives by using education as a means to help poor families work their way out of poverty."

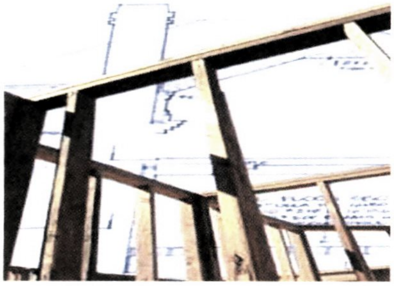
The process begins when a participating member refers an interested person to the Collaborative. The first step after determining eligibility is to insure that a qualified credit counseling agency obtains the client's credit report from the three credit reporting agencies, reviews the reports in person with the client, and along with the client develops a budget and credit repair action plan. With these documents, the detailed application form and copies of income documentation in hand, the client meets with Ms. Darensborg to review their responsibilities and establish a savings account with a partner bank.

All participants are required to adhere to certain requirements of the program: stick to a monthly savings deposit goal, resolve any credit issues, and attend 12 hours of financial literacy training. Also, the participant must complete "asset-specific" training based on their specific goals, such as homeownership training, small business planning, or a counseling session with a career planner at the school of their choice. At the end of a 12-to-24 month process, the client should be "ready, willing and able" to achieve their asset-building goals.

Since its inception in October 2000, the Collaborative has enrolled 160 participants and anticipates meeting its one-year goal of enrolling 180 families. Eight families have purchased a home so far, with another 12 not too far behind.

"We know how difficult it is to develop low-income homebuyers without partnerships like the Collaborative. Not only is it a critical community development tool, it's also a business development strategy for our affordable housing goals," says Bernadette Johnson, mortgage banker with United Bank and Trust.◆

For more information please refer to the GNO IDA website at www.freeman.tulane.edu/lri/IDA/IDA_AP_main.html.



FHLB Predevelopment Fund Helps Members Support Nonprofit Development Projects

By Keenan Conigland of the Federal Home Loan Bank of Atlanta

The most difficult part of many endeavors is getting started. Often, nonprofit organizations that want to sponsor affordable housing and real-estate based community economic development projects see their plans falter for lack of funds to cover initial expenses. To encourage member institutions to increase their participation in eligible projects, the Federal Home Loan Bank of Atlanta (FHLBA) has created a new $1 million Predevelopment Fund that allows them to provide up to $100,000 per project for certain start-up expenses.

"The Bank expects that these funds will encourage members to form partnerships with other public and private institutions throughout the district as well as help provide needed housing, services and jobs to these communities," says President and CEO Ray Christman. Members will be in a better position to provide construction and permanent financing to projects that have used the Predevelopment Fund because the project will be able to demonstrate that it is feasible, marketable and financially sound.

Recoverable Grants

To minimize risk, Predevelopment Fund money is disbursed as recoverable grants to FHLBA member institutions, which will in turn disburse the funds as grants, recoverable at completion of construction and/or through permanent financing. If the grant is used to acquire property that is subsequently sold, the proceeds of the sale must be applied to repayment. The maximum $100,000 grant amount may not exceed 75 percent of the total eligible predevelopment expenses.

Upon recovery, the funds roll back into the Predevelopment Fund, making it a revolving source of capital. However, if the project never receives construction or permanent financing and does not go forward—through no fault of the sponsor—the grant will not be recovered. If the FHLBA determines that the sponsoring organization has not made a good faith effort to complete the project, the grant will be recovered.

Intended Projects

FHLBA's intent is to enable member financial institutions to assist projects that may qualify for its Affordable Housing Program (AHP) and its Economic Development and Growth Enhancement (EDGE) program. AHP is a competitive program that provides subsidized funding for single- and multi-family households with 80 percent or less of area median income. The FHLBA allocates 10 percent of its net profits annually for AHP.

EDGE makes it possible for the FHLBA to lend money to members at subsidized interest rates, for eligible projects such as childcare centers, healthcare facilities, recreational facilities, small business incubators, micro-loan funds, grocery stores, job training facilities, community centers and businesses that create jobs that pay livable wages and offer benefits.

Exclusive Nonprofit Sponsorship

Because they typically don't have the equity or the resources to cover start-up costs, nonprofit organizations are the exclusive recipients of Predevelopment Fund grants. But they must demonstrate a strong track record or have a guarantee from a public entity, and their projects must be located in the FHLBA's district. Nonprofits that want to apply for Predevelopment Fund grants must have successfully completed at least two real estate development projects within the last five years. Those who don't have that level of experience may qualify if they can demonstrate that the development team can provide organizational and financial management expertise. To determine the feasibility of a housing or economic development project, applicants will have to demonstrate both their development capacity and the financial feasibility of the project.

Attracting Partners

Grants from the Predevelopment Fund should leverage funding from other sources; they are not intended to be the exclusive source of funding for the full range of predevelopment expenses. "A Predevelopment Fund grant can be used to get other community partners to put up matching funds when they're interested in what the nonprofit is doing, but can't put up all the soft, or up-front money themselves," says Arthur Campbell, vice president of economic development in the Community Investment Services (CIS) division, "

The Predevelopment Fund represents an innovative approach to utilizing resources to jump-start viable projects in economically distressed communities. When used in conjunction with other development finance tools, it can help generate transformational economic activity—the kind of activity that improves the quality of life for local residents.◆

Further information and applications for the Predevelopment Fund are available on FHBLA's website at www.fhlbatl.com.

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Brochures were mailed in October. To receive a copy, call Bruce Ito at 415/974-2422. If you have questions regarding the conference agenda, please contact Lena Robinson at 415/974-2717.

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