FEDERAL RESERVE BANK OF ATLANTA

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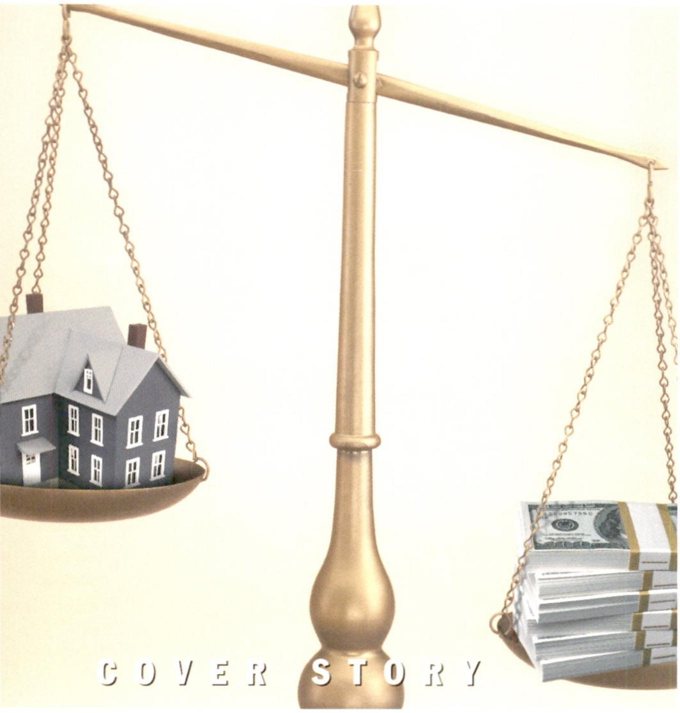





## FEATURES

# Clearing Hurdles to Mainstream Banking

First-time bankers sometimes meet with unexpected obstacles when they try to open an account. Those with a problematic credit record may find it especially difficult. Nevertheless access to a banking relationship is important for financial success, and the Community Affairs Office partners with organizations helping those who want to enter or re-enter the financial mainstream.

Even without credit blemishes, it can be tough to set up a first account without banking history. But many banks are willing to open an account for first-time customers with reliable income and a clean financial slate. New account holders can then build credit history through secured credit cards or co-signed loans.

A strong banking relationship offers many advantages that make it worth the effort, including access to direct deposit of paychecks, checking accounts, debit and credit cards, and on-line banking. Banks also help families build wealth through savings and investment products and reasonable transaction fees. Loan products allow families to own a home or make other major purchases sooner. Plus, banks provide the security of FDIC insurance.

While establishing a banking relationship takes time, the association can be damaged quickly: just a few mistakes like bounced checks or missed loan payments can lower one's credit score. Once an individual has been ousted from mainstream banking, it's often extremely difficult to return—even when the missteps have been corrected—because banks rely on credit reports. Fixing the problem is indeed a starting point, but restitution alone is usually not enough.

The Federal Reserve understands that access to banking services is important. Our Community Affairs office works with partners throughout our region to get the unbanked on board—both those who have never banked and those who have an impaired banking history.

Personal financial education is crucial for those who have fallen out of mainstream banking, and it's a central component of our work. However, financial education alone doesn't guarantee reconnection with a bank; it takes the commitment of our financial partners to get potential customers on the right track. One such partner is Get Checking™ (www.getchecking.org), a program that helps individuals gain access to mainstream banking.

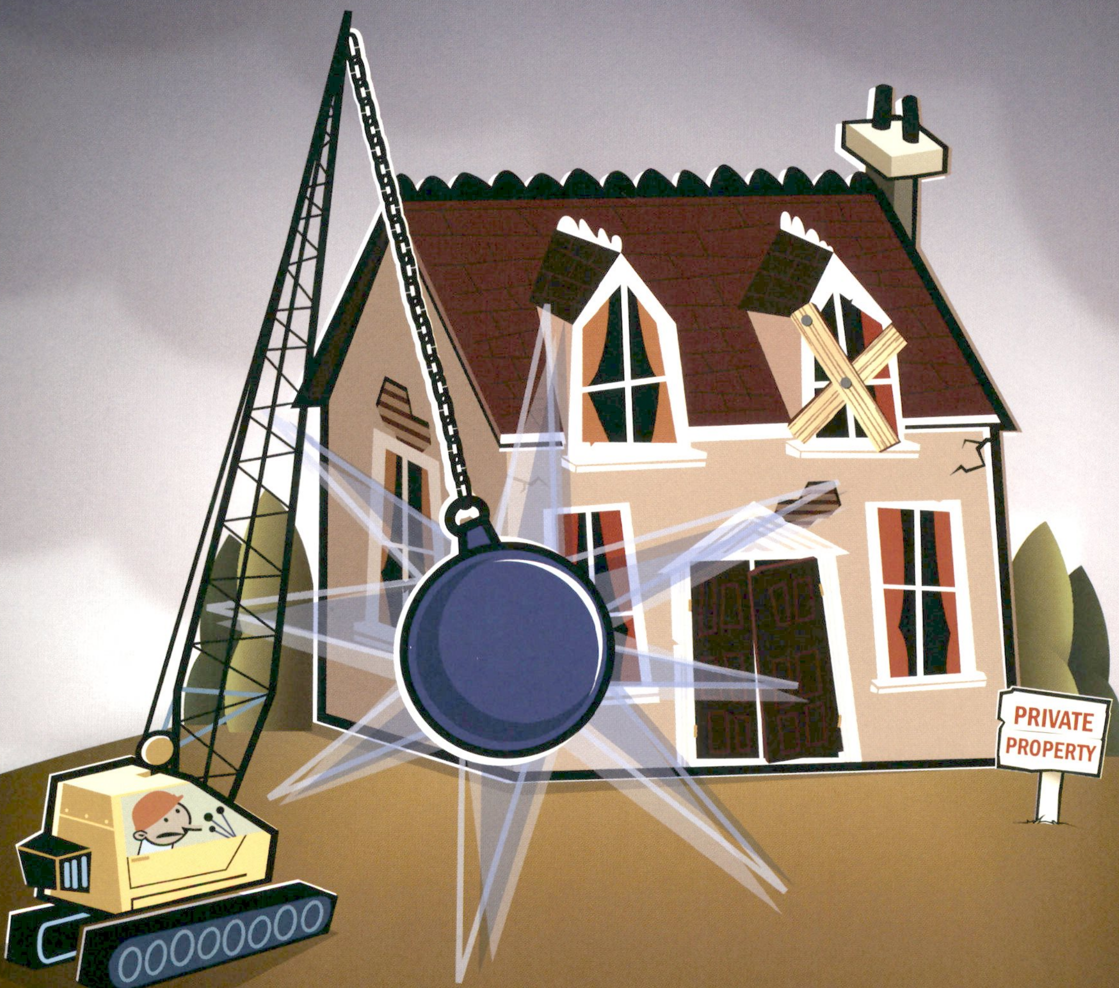
Get Checking is a national collaboration of the University of Wisconsin, its extension services and eFunds. The organization not only provides financial education leading to a bank account, but it also cultivates a network of financial institutions to provide banking for its graduates.

Since 2001, Get Checking has helped nearly 9,000 people become new deposit account holders, and the number of graduates is growing rapidly. Although Get Checking is just one of many viable financial education programs, it stands as a model of effective collaboration that achieves real results.

Get Checking can't promise to resolve every financial problem, but it does provide critical assistance for those trying to enter mainstream banking.

Juan C. Sanchez
Community Affairs Officer

# Eminent Domain and Economic Development: Striking a Balance



## EMINENT DOMAIN IS A LONG-STANDING AND POWERFUL TOOL OF LOCAL GOVERNMENTS. IT IS ALSO ONE OF THE MOST CONTROVERSIAL, PARTICULARLY IN MINORITY AND LOW-INCOME COMMUNITIES.

Some critics of eminent domain argue that it allows local governments to ignore private property rights, and others contend it provides an opportunity for government to take from those who have the least and give to those who have money and power, all in the name of economic development. A 2005 Supreme Court decision has made eminent domain one of the hottest topics across the country, and one that is of particular importance in the current debate surrounding rebuilding the City of New Orleans.

### The power of eminent domain: what is it and how is it used

Eminent domain is the power of government to take private property for public use. The Fifth Amendment to the U.S. Constitution grants government the authority to take private property for a public use, provided that the property owners receive just compensation. The debate arises over the different interpretations of "public use" that justify recourse to eminent domain. The courts have held that "public use" should be defined broadly to include improvements that are publicly owned, used by the public or for public benefit.

Eminent domain has most frequently been used by local governments to acquire land for such purposes as new roads, infrastructure improvements, civic buildings or schools. Government has also used the power of eminent domain to cure blight and for other economic development purposes, including the transfer of property to private owners to encourage revitalization. The use of eminent domain for economic development purposes relies on the broadest definition of public use. This interpretation argues that new investment, while possibly benefiting private interests, provides a public benefit by improving the economic conditions in a city.

According to the National League of Cities, land acquired through eminent domain for economic development is usually designated for one of four purposes: to cure blighted conditions; to clear title of vacant property; to resolve compensation disputes; or as part of an overall redevelopment plan for an area. Most governments have used eminent domain to acquire land for economic development purposes as a last resort.

### Is economic development a sufficient public benefit?

Numerous examples illustrate the use of eminent domain for economic development, including the revitalization of Times Square in New York City, the redevelopment of the Inner Harbor in Baltimore, and the construction of Centennial Park in Atlanta. All of these projects have met the "public use" test for eminent domain and are considered successful revitalization projects from the perspective of increasing tourism to the area and sparking new development. However, these redevelopments also required the displacement of existing residents or businesses.

These projects raise the question of whether economic development is a sufficient public benefit, and if it is, how can this benefit be quantified? Such questions are particularly relevant if the benefit is derived at the expense of lower-income or minority property owners who tend to have fewer resources and less political capital than the new private owners who stand to gain from developing the property.

Thus the question surrounding eminent domain is not whether it can be applied for a clearly public use, such as a new roadway or airport, or for the purpose of eliminating a dilapidated structure. Instead, it arises in the significant gray area between explicit applications that meet the narrowest and most obvious definitions of public use, and uses for economic development that meet the broadest definition of public benefit. The latter justification for eminent domain can be very controversial.

### The Kelo case

The 2005 Supreme Court ruling in Kelo v. New London has ignited an intense public debate about the use of eminent domain for economic development purposes. In the Kelo case, the Supreme Court ruled that the City of New London, Conn., could invoke eminent domain to take private property currently occupied by homeowners to make way for a new waterfront development, even though the properties in question would be transferred to a new private owner.

The public purpose stated for recourse to eminent domain was increased tax revenues that would be generated by the project. The city had experienced decades of disinvestment and its fiscal health was in jeopardy. It desperately needed new development to generate funding for basic public services.

The Supreme Court ruling in favor of the city sparked an immediate backlash from a wide range of groups. Anti-government forces who want to limit all government powers view the ruling as a direct attack on personal property rights. Advocates for low-income and minority communities are also concerned because they have seen the damage to these communities through use of eminent domain for urban renewal projects in the past. These groups fear that the Supreme Court's decision will give local governments the "green light" to pursue new development for economic development purposes at the expense of poor and minority communities.

Supporters of the Court's decision believe it only confirmed that economic development is a valid public use for eminent domain, and thus protected a critical tool for the revitalization of blighted communities.

### In the aftermath of Kelo

Although eminent domain is an essential tool for governments, it can be dangerous because of the potential for abuse. Consequently there is an ongoing effort to define the limits of its use. The Kelo case was seen by some as an opportunity to set those limits, but the legislative and public response to the Supreme Court decision has stymied much thoughtful discourse.

Developing a clearer definition of "blight," evaluating the methodology for determining just compensation, setting uniform standards for assessing public benefit, and providing for public input on reasonable limits for the use of eminent domain are options that could be considered to reform eminent domain. However, states across the country are bypassing the discussion of reform in a rush to adopt new legislation that significantly restricts the use of eminent domain for economic development purposes.

The legislation proposed by the states varies widely. Some states are considering legislation that only allows eminent domain for a recognized public use or to acquire blighted property. Other states would like to require more public involvement in redevelopment planning and in the decision to use eminent domain. Still other states are proposing a ban on eminent domain for certain purposes, including residential, retail or commercial development, when the primary purpose for the project is to generate tax revenues.

### Response at the state and federal level

In the Sixth District, constitutional amendments and legislation are currently being considered in all states to address the use of eminent domain. Alabama and Georgia have already passed legislation to restrict the use of eminent domain, and lawmakers in Tennessee, Florida and Mississippi are also considering limits to applications of eminent domain.

The U.S. Congress is also considering legislation to restrict eminent domain for economic development. One bill proposes to deny federal economic development funding to any jurisdiction that invokes eminent domain for economic development purposes. Even financial institutions have reacted to the Kelo decision: BB&T Corp stated it would no longer provide financing to commercial developers for projects that have used eminent domain.

Proponents of eminent domain for economic development are concerned that the public outcry over acquisition of private property is driven by a lack of knowledge about the use of eminent domain. They fear that in the rush to respond to the vocal critics, legislators will enact unnecessarily severe restrictions on one of the few tools available to cities to draw private investment to economically distressed communities. Proponents believe if cities employ this power judiciously, they can encourage private activity that will generate substantial public benefits.

Nowhere is this balancing act between private investment and public benefit going to be more important than in rebuilding the devastated city of New Orleans.

### Rebuilding New Orleans in a post-Kelo environment

Hurricane Katrina exposed the tremendous social and economic problems that exist in neighborhoods with concentrated poverty. The flooding disproportionately affected neighborhoods where the city's poorest and most vulnerable residents lived. The flooded neighborhoods were home to over 80 percent of the city's minority population. As the city begins the process of rebuilding, it has a tremendous opportunity to address the problems associated with concentrated poverty by creating more diverse, sustainable and economically vibrant communities.

**PUBLIC-PRIVATE PARTNERSHIPS WILL BE CRITICAL TO AUGMENT THE CITY'S RESOURCES FOR REBUILDING.**

The Brookings Institute, the Urban Land Institute and many other national organizations involved in redevelopment planning are encouraging the city to create economically, racially and socially integrated "neighborhoods of choice." They believe the city has the opportunity to plan for new neighborhoods with affordable housing options for different income levels located near jobs and public transportation. Public-private partnerships will be critical to augment the city's resources for rebuilding.

Most of the redevelopment plans proposed to date suggest that although eminent domain is a tool available to the city for rebuilding, it should only be used as a last resort. Eminent domain can be used to get clear title on land targeted for redevelopment and to acquire blighted properties. The city could theoretically use property acquired through eminent domain to encourage the development of neighborhoods of choice, using the land for the construction of affordable housing or commercial space for small business owners displaced by the hurricane.

However, the use of eminent domain in rebuilding the city has already become controversial. Because it is most likely to be applied in the flooded areas, it would have a disproportionate impact on the city's poor and minority communities and those residents who have already been displaced. There is widespread concern that the city will not use eminent domain to promote a more integrated city, but will instead use it to separate poor residents from their property in order to focus resources on higher-end development that will increase the city's tax base. Many are concerned that because the need to rebuild is so urgent, government will be tempted to use eminent domain to draw private investors without requiring that new development provide housing or commercial space that is affordable for the city's existing residents.

Thus, in the aftermath of the Kelo decision, New Orleans is likely to become a critical testing ground for whether eminent domain can be used judiciously in the rebuilding of a city. Given the widespread devastation, the city will need all of the tools legally available to generate sorely needed economic development activity. However, with so many urgent and conflicting interests, the city must be held accountable to ensure that poor and minority communities are not further marginalized in the name of economic growth. ♦

This article was written by Jessica LeVeen Farr, regional community development manager in the Atlanta Fed's Nashville Branch.

# Nonprofits Use Eminent Domain to Develop Affordable Housing in Georgia

Much has been written about the use of eminent domain by cities for the benefit of private investors to encourage development in struggling communities. However it is less well known that eminent domain is also an important tool for nonprofit organizations working to build affordable housing and revitalize economically depressed communities.

The use of eminent domain by nonprofit organizations has been recently documented by the Georgia State Trade Association of Nonprofit Developers (GSTAND). The study was commissioned to inform state legislators in the policy debate surrounding the use of eminent domain for economic development purposes.

The study surveyed GSTAND members and found that eminent domain was an essential tool for neighborhood revitalization as well as for the creation and preservation of affordable housing in urban areas across the state. In this context, eminent domain has primarily been employed to acquire vacant or dilapidated structures or to obtain clear title on property. Without the opportunity to work with local housing authorities to acquire land through eminent domain, nonprofits would have a difficult time obtaining the critical mass of land needed to revitalize a distressed community, the report states.

Macon, Ga., is one of three cities recognized in the GSTAND report for effective use of eminent domain in neighborhood revitalization and affordable housing development. The Macon Housing Authority partnered with In-Fill Housing Inc. and several other nonprofit organizations to develop a neighborhood-based, inner-city redevelopment strategy. The plan increased single-family homeownership in targeted urban neighborhoods and created new affordable housing opportunities for low- and moderate-income homebuyers. This innovative project received the Georgia Department of Community Affairs Magnolia Award for Excellence in Affordable Housing in 2004.

The city targeted for redevelopment its worst communities, where the housing stock was dilapidated and crime was rampant. Eminent domain was required to acquire some of the properties identified for redevelopment. Surprisingly, Macon's use of eminent domain not only benefited the city's redevelopment efforts, but it also proved beneficial to some existing property owners. Owners of dilapidated structures or of property encumbered by many heirs were able to turn a low-value asset into one of substantially higher value. The city and nonprofit organizations thus invoked the power of eminent domain to address a problem the private market was unable to solve.

Bruce Gerwig, executive director of In-Fill Housing, is a strong proponent for protecting the use of eminent domain. According to Mr. Gerwig, "The Macon Housing Authority and In-Fill have been able to build more than 40 houses in inner-city Macon through a partnership with the City of Macon and the Macon-Bibb County Land Bank. That's at least $3.5 million in new investment in the inner city. None of this—none of it—would have happened without the use of eminent domain. In a city that is competing with suburban growth and growth headed toward other counties, we need all the redevelopment help we can get for our inner-city areas."

For more information on the GSTAND report, see the website at http://affordablehousingvenue.gstand.org/Library/Eminent_Domain-Report.pdf. ♦

**The City of Macon, the Macon Housing Authority, the Macon-Bibb County Land Bank and In-Fill Housing Inc. used eminent domain to turn dilapidated structures into an award-winning development.**

# New Orleans Welcomes Visitors, but Recovery is Slow

**DEBRIS REMOVAL AND INFRASTRUCTURE REPAIRS STILL DOMINATE RECONSTRUCTION ACTIVITY ON THE GULF COAST. BEYOND THE FESTIVE FRENCH QUARTER AND RESPLENDENT UPTOWN GARDEN DISTRICT, THE PHENOMENON OF FLOOD DAMAGE, DEPOPULATION, DELAYED RECONSTRUCTION AND POLICY UNCERTAINTY HAS TRANSFORMED MUCH OF RESIDENTIAL NEW ORLEANS INTO A DISMAL PLACE.**

Although locals continue to deal with the daily inconveniences of early store closures and abandoned neighborhoods, visitors can still find spicy food and hot entertainment in the shrunken city. Policymakers are very concerned that residents now working and schooling their children elsewhere will not return.

### Uncertainty about federal levee protection

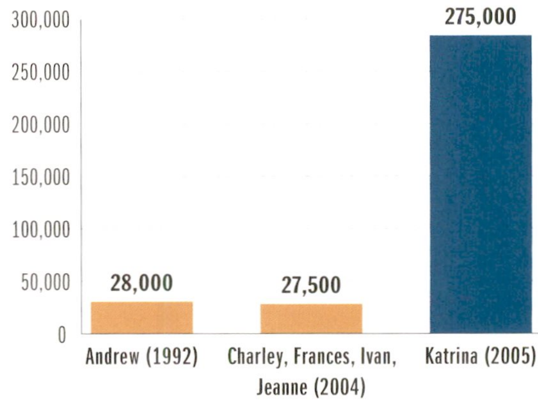
Flooding caused by levee failures accounts for roughly 90 percent of destroyed homes in metro New Orleans. If the levees had held (particularly federal floodwalls inside the city), Katrina would have been just another close call for New Orleans, a tragic Mississippi storm-surge story, and a typical Florida hurricane. No wonder Louisiana homeowners have deposited their insurance checks and waited. The U.S. Army Corps of Engineers (USACE) expects to complete a massive $2 billion emergency levee repair project by early summer—a requirement for this year's hurricane season and an initial step towards fulfilling the President's pledge to protect the city.

The project underway will bring federal and municipal levees up to pre-Katrina design specifications, which were not in effect at the time Katrina hit because of settling, design flaws, and other issues. Moreover, USACE released a report recommending substantial upgrades to the system because pre-Katrina specifications did not provide adequate protection to meet standards for levee protection under the National Flood Insurance Program. The Corps is required to "certify" that levees meet Federal Emergency Management Agency (FEMA) standards.

Congress approved only a portion of the $11 billion price tag submitted by the Corps for beefing up levee protection in the four worst-affected parishes. However, the cost of prevention is trivial compared to the payout of $14.7 billion in national flood insurance claims and at least $50 billion in emergency assistance to displaced residents and flooded communities. Private insurers paid claims of $22.6 billion in Louisiana.

Many analysts say that FEMA has lost its focus and status after being placed under the Department of Homeland Security (DHS). According to a July 2005 report from the U.S. Government Accountability Office (GAO), DHS has channeled disaster planning resources to preparations for terrorist attacks using chemical, biological and nuclear weapons. Nevertheless, the most common national disaster is flooding.

## Unprecedented Destruction of Homes*




*Destruction is defined as rendering a structure uninhabitable or damaging it beyond economic repair.

Source: Insurance Information Institute, National Association of Home Builders, National Red Cross (as of 9/15/05).

### Good news in New Orleans

New Orleans has experienced several milestones in its recovery over the past six months. The city was able to throw a scaled-back Mardi Gras fete in February. The port is operating at roughly 70 percent capacity and cruise ships are returning to the city. The convention industry is gradually recovering; and the convention center has partially reopened.

Federal mortgages are available. Owners of damaged homes are able to obtain construction loans that are rolled into permanent financing after repairs are completed and inspected. The city is issuing permits but requires that substantially damaged homes be demolished or rebuilt to the safe flood elevations established by FEMA. The agency issued long-awaited advisory building guidelines in early April. FEMA guidelines assume partial levee flood protection in Orleans and St. Bernard, based on progress made so far and expected congressional funding.

Shortly after the storm there were predictions that New Orleans would be inundated with floodwaters contaminated by toxic waste. The "toxic soup bowl" hypothesis has been proven false by the U.S. Environmental Protection Agency (EPA). The EPA's final report states that the levels of pollutants in the worst-affected parishes have not changed and remain on par with other urban areas (except the area in St. Bernard Parish affected by the Murphy Oil Spill). Most toxins carried in the floodwaters appear to have washed out to sea or evaporated.

### Housing shortage

Housing losses and a large renter population pose unique recovery challenges to the New Orleans metropolitan area. In total, Katrina destroyed ten times more homes than either hurricane Andrew or the four major storms that battered Florida in 2004. Katrina and Rita resulted in major or severe damage to a total of 266,000 homes—61,000 in Mississippi and 205,000 in Louisiana, including 77,000 rental units.

The New Orleans MSA lost over 200,000 jobs and 403,000 residents. This population loss equals the entire city of Atlanta or Tulsa—or the combined population of Orlando and Richmond. The rollout of FEMA trailers has so far barely made a dent in this figure. Thousands remain doubled-up with nearby friends and relatives. More than 200,000 displaced Louisianans reside in nearby southeastern states and Texas.

Catastrophic damage along the three-county Mississippi coast initially displaced 48,000 residents, and 42 percent had still not returned by January 2006. Over 26,000 owner-occupied Mississippi homes were destroyed or rendered uninhabitable.

### Rebuilding a low-wage economy

Judging by the number of closed restaurants, a lot of crawfish have escaped Big Easy kitchens—less than half the city's restaurants have reopened. The loss of jobs and income has severely eroded public finances as well as demand for goods and services. Many businesses, including the city's major hospitals, have pared staffing and hours or closed down.

Recovering the large number of low-wage service workers (who often rent) is a major planning problem. Unless wages increase significantly, the state may have to subsidize new affordable housing units for a large low-wage workforce made up predominantly by renters. Along with the school district and the police department, the local housing authority has a poor track record for managing funds and avoiding corruption scandals.

So far the worker shortage has led to modest wage increases. Hourly wages in the restaurant industry have risen 10 to 30 percent; a worker who formerly made $8 per hour now earns about 25% more and overtime is plentiful according to local trade associations.

## Housing policy

Most recent data for the fourth quarter of 2005 show alarmingly high mortgage delinquency rates of 20.8 percent in Louisiana and 16.9 percent in Mississippi, compared to the national rate of 5.1 percent. Deferrals have thus far helped keep foreclosure rates low, but as they expire, the rate of foreclosures is expected to rise, especially since these states had very high foreclosure rates before Katrina. Many lenders are extending initial six-month deferrals on a case-by-case basis because consumers may lack the means to become current on mortgage payments.

Unlike Fannie Mae and Freddie Mac, FHA guarantees only the credit of the borrower and stipulates that a lender must convey a "marketable" house to FHA. This requirement would compel foreclosing lenders to make costly repairs to flooded homes. The same is generally true for private mortgage insurance. Will lenders steer borrowers away from FHA financing in flood-prone areas nationwide? If so, this could affect housing affordability throughout the District.

In the case of a prolonged recovery period following a natural disaster, will lenders choose not to report adverse credit events associated with the disaster to credit bureaus?

A substantial number of flooded housing units (64,000) were outside the 100-year floodplain, where flood insurance is required for borrowers obtaining mortgages from federally regulated financial institutions. Louisiana accounted for 90 percent of owner-occupied homes that suffered severe damage in the 100-year floodplain and 59 percent of those outside the floodplain.

## Consumer issues and prices

Unlike federally sponsored flood insurance, which remains readily available, private homeowners insurance has become scarce—a problem being faced by many coastal areas. This is hurting local housing markets. Many private insurers have stopped writing new policies in Louisiana. Policies are now more expensive and also typically include very high deductibles for wind damage. Even the insurer of last resort, the state-sponsored "Fair Plan," is often prohibitively expensive for prospective buyers. Katrina and Rita produced more than $1 billion in losses for Louisiana's Fair Plan.

Some realtors in New Orleans now require borrowers to find insurance shortly after signing the contract because acquiring insurance can no longer be taken for granted.

Damage-adjusted property prices appear to be holding up in most areas, but lot values in some low- and moderate-income areas have already fallen below pre-Katrina levels. In the most severely damaged areas, home sales are few and dominated by cash transactions, which will lower comparable sale prices. General concern exists about downward pressure on prices that could result from an excess supply of lots, foreclosures and other forced sales.

Although extreme poverty exists in New Orleans, photos that appeared in the media grossly distort the overall condition of housing stock prior to Katrina in many of the city's severely flooded areas, which included vibrant working- and middle-class neighborhoods. One can only hope for a bright future for the Big Easy. ♦

This article was written by Bryan Gobin, financial analyst in Supervision and Regulation Division at the Atlanta Fed.

# Credit Card Payments: Can Consumers Handle the Minimum?

## CONSUMERS MAY BE FACING HIGHER MINIMUM PAYMENTS ON THEIR CREDIT CARD BALANCES. THE FEDERAL BANKING REGULATORY AGENCIES ISSUED JOINT GUIDANCE IN JANUARY 2003 THAT CALLED FOR LENDERS TO RAISE MINIMUM MONTHLY PAYMENT REQUIREMENTS FOR CREDIT CARD DEBT BY YEAR-END 2005.

In the past minimum payments required by industry standards typically did not cover monthly interest charges and fees, and thus could create negative amortization. Rather than reducing the debt, negative amortization actually causes it to build over a prolonged period with no definite repayment schedule.

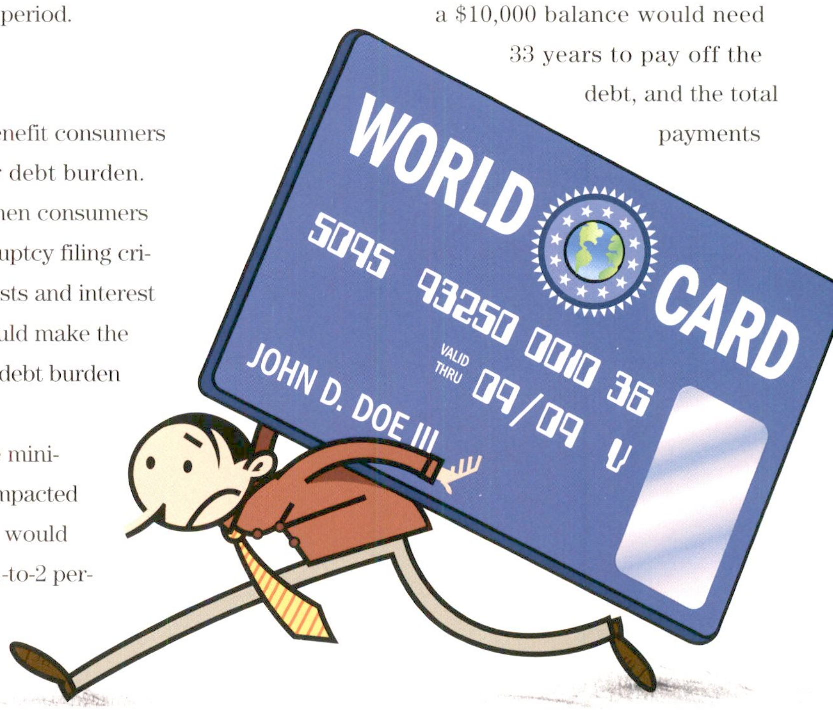
From a regulatory perspective, this type of financing is bad for both consumers and lenders: it not only increases and prolongs the debt liability of the consumer, but it also leads to higher credit risk for the lender. To address this problem, lenders have been required to raise minimum payment requirements to cover finance charges, fees and some portion of the principal balance to assure the debt will be repaid in a reasonable time period.

### Impact on consumers

The new guidelines are designed to benefit consumers in the long run by helping reduce their debt burden. However, the change comes at a time when consumers are carrying record levels of debt, bankruptcy filing criteria have been tightened, and energy costs and interest rates are rising. These circumstances could make the transition difficult for consumers whose debt burden is excessive relative to their income.

Consumers who fomerly paid only the minimum monthly amount are most heavily impacted by the new policy. Minimum payments would have increased from the former rate of 1-to-2 percent of the outstanding balance to a rate of 3-to-4 percent or more to cover fees, finance charges and a partial reduction in the principal. The minimum monthly payment may have doubled for some card holders. Industry estimates vary, but studies by Cambridge Consumer Credit Index and Cardweb (respectively) indicate that anywhere from approximately 11 to 16 percent of credit card holders made only the minimum required payment.

According to Bankrate.com's October 19, 2005 weekly survey of large bank and thrift product rates, the average annual percentage rate on credit cards was approximately 13 percent. At that rate, a consumer making the average minimum payment requirement of 2 percent on a $10,000 balance would need 33 years to pay off the debt, and the total payments

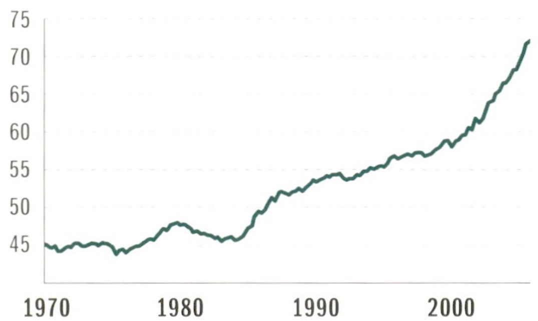


would include more than $11,000 in interest. Under the new guidelines, a 4 percent minimum payment requirement would reduce the payback period to less than 13 years and would lower interest payments to less than $4,000, according to an Associated Press article by Eileen Alt Powell in July 2005.

### Impact on lenders

Bank of America was one of the first to raise the minimum payment in 2004, and the bank experienced a corresponding increase in credit card charge-offs as a result.

**The Ratio of Debt to Income is Rising***



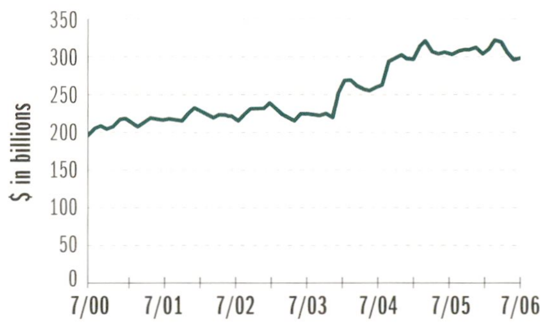

*Debt as a percentage of income, 1970-2005

Source: Federal Reserve Board (Flow of Funds).

Other companies like MBNA (recently acquired by Bank of America), which services receivables for SunTrust, AmSouth, and Regions Banks, have phased in the new requirements by establishing new clients with the higher payment structure when they become card members and applying the changes to existing customers at year-end. Compass Bank, which already required borrowers to pay 2 percent of the balance plus outstanding interest and fees each month, did not need to make any changes to its minimum payment requirements.

Although the guidelines were created to serve consumers, the timing of the decision may present problems for some borrowers, particularly if employment and wage growth remain lackluster. As a result, banks could see higher delinquency and loss rates on credit card portfolios in the coming months as consumers try to juggle higher debt payments and higher costs of living.

**Higher Interest Rates Halt Growth in Consumer Debt**




Note: Credit cards and related plans (including check credit and other revolving credit plans). Excludes installment debt.

Source: Federal Reserve Board (Flow of Funds).

In addition, some analysts believe lenders could experience slower growth in credit card receivables as consumers shy away from building additional debt in light of the higher minimum payments.

### Conclusion

The majority of consumers, who already pay more than the monthly minimums on their outstanding credit card debts, should not be significantly affected by this change. Over time even heavily indebted consumers will benefit from less negative amortization and faster principal repayment. Nonetheless, some borrowers may be finding it difficult to make minimum payments that became significantly higher in 2006, and banks may feel the fallout. ♦

This article was written by Lisa Easterwood, financial analyst in the Supervision and Regulation Division at the Atlanta Fed.

# Alabama Lending Coalition Boosts Housing

**MICHELE JENKINS-UTOMI IS A CEO ON A MISSION: HER GOAL IS TO PRODUCE A PIPELINE OF NEW AND RENOVATED HOMES AND APARTMENTS FOR LOW- AND MODERATE-INCOME FAMILIES THROUGH A UNIQUE JOINT VENTURE SHE HEADS, THE HOUSING ENTERPRISE OF CENTRAL ALABAMA, LLC, OR HECA.**

HECA, a community development lender, was founded in 2003 by four Alabama banks: AmSouth Bank, Regions Bank, Compass Bank and New South Federal Savings Bank. First American Bank in Birmingham has now joined as a fifth investor bank. Through HECA these banks maintain a $54 million loan fund for qualified private and nonprofit developers to build and renovate workforce housing. The loan fund is one of the best-capitalized of its kind in the United States.

But the founders of HECA didn't stop there: they also established a nonprofit affiliate, the Housing Fund of Central Alabama Inc. (the Fund). HECA and the Fund work together to provide gap financing and more accessible construction and acquisition loans or investments on qualified projects.

The Fund also awards grants to nonprofits and community development corporations whose mission is to develop housing for people of modest means. These grants underwrite core-operating support, technical assistance, and programs related to capacity-building. One of the major projects of the Fund is a two-year incubator program for community development organizations. The Fund's $1.5 million grant pool is maintained by HECA member banks and area community foundations.

### A unique structure

Paul Compton Jr., HECA's legal counsel and a partner at Bradley Arant Rose & White, LLP, pointed out that the twin structure which combines a for-profit and a nonprofit affiliate "reinforced the nature of HECA as an ongoing part of the members' businesses, helped to tailor investments in HECA to meet financial and regulatory goals, and matched funding sources with intended uses."

HECA has already made a positive difference in the availability of housing. As of April 1, 2006, the organization had provided approximately $9 million in loans for single-family and multifamily housing. Another $10 million in loans is slated for consideration in the next three months.

The company began offering construction and permanent loan products in 2004. Last year HECA added a subordinated debt product designed to make 4 percent bond deals more feasible.

"We do not offer concessionary financing, but we do offer niche products that are unique in the market," Ms. Utomi said. "For instance, HECA does not require that its developers pledge their balance sheets. Also, we underwrite rigorously. But ultimately, if the project doesn't sell, we own it. So we wind up serving as a financial partner with the developer. Our private developer customers tell us that is a major incentive for them to consider building a product at HECA's price point – generally in the $99,000 to $170,000 range."

Other attractive terms include loans that can be structured to provide up to 100 percent financing with limited personal recourse. Typically, the recourse consists of a completion guarantee that makes the developer responsible for cost overruns and marketing. In return, HECA negotiates a "participating share" of the project's profit.

W. Neill Fox, executive vice president of real estate banking at Compass Bank and chair of HECA's loan and investment committee, said HECA doesn't compete with conventional lenders for loans, and its member banks aren't competitors. Rather, HECA seeks to fill needs that are unmet in the regular market, acting in many cases as a complement to other conventional financing.

"Providing 100 percent financing and offering financing terms with limited "completion-only" guarantees are the fundamental differences between HECA's financing program and those typically offered by commercial banks, including HECA's owner banks," Mr. Fox said.

Doug Jackson, director of community affairs at AmSouth Bank and a HECA executive committee and board member, said HECA is the perfect complement to AmSouth's existing community development programs. "This fit like a glove with what we already have," Mr. Jackson noted.

### Joining forces to make a difference

The partners formed this innovative joint venture to address the lack of quality housing for working families in the 12-county area comprising greater Birmingham.

"The tremendous needs of the communities in the region required a coalition of banks to provide the funding and investment dollars to make a real impact," said Jerry W. Powell, Compass Bank's general counsel and secretary, and HECA's acting board chair.

"The partnership allows the region to have a clearinghouse of ideas and a central resource to evaluate the capabilities of community development organizations so that available funding can make a difference. Without the benefit of a cooperative effort, the identification of opportunities to make wise investments would be diluted, and support for individual projects would be more difficult to obtain."

According to a 2003 statewide housing report titled "Sweet Home Alabama," affordable housing remains an "elusive target for significant sectors of the population." The report indicates that more than a third of all Alabama households had incomes less than $25,000, "making it hard—if not impossible—for many individuals to buy their own homes." It notes that "younger persons, renters, and some segments of the minority population are more prone to substandard housing and lack of affordability."

**HECA provided $1.2 million in permanent financing for the Avondale Gardens affordable housing development in Birmingham, Ala. (above). The photo below shows the Oak Park Villas, a 40-unit apartment complex for seniors in Lipscomb, Ala. HECA provided construction and first mortgage financing for the project.**

HECA and the Fund grew out of a 2002 regional housing initiative that involved community and corporate leaders and citizens. To assess need and determine how best to tackle the problem, the group conducted 10 days of hearings with representatives of the affordable housing development community; studied loan funds and CDFIs; visited initiatives in other U.S. cities to learn best practices; and set up a pilot project in Woodlawn, an under-served neighborhood near downtown Birmingham.

### Determined to succeed

The funders agree that strong leadership at the board and staff levels has contributed to HECA's success. HECA and the Fund are overseen by the same board, and the majority of the board's members are not affiliated with HECA's financing sources. HECA and the Fund also share a three-person staff. Other services such as underwriting and communications are handled by consultants.

Ms. Jenkins-Utomi, a Huntsville native, came to HECA from Local Initiatives Support Corporation, the nation's largest community building organization.

"We're fortunate to have someone with Michele's national credentials leading HECA," Mr. Jackson said. "As an Alabama native, she understands the challenges unique to the state. But she also has brought a willingness to take a fresh look at the affordable housing need."

Ms. Jenkins-Utomi is determined to produce that pipeline of housing. But she says there is something much more fundamental about HECA's mission: "We want to transform distressed neighborhoods into healthy communities – that is really what we're striving to accomplish everyday." ♦

This article was written by Tabitha J. Lacy, communications consultant for HECA and the Fund. To learn more about HECA, please contact Ms. Jenkins-Utomi at 205-323-9888 or mutomi@housingenterprise.com. Visit HECA's website at www.housingenterprise.com.

## Why Banks Participate in HECA

**For financial institutions in the region, the benefits of joining the Housing Enterprise of Central Alabama and its nonprofit affiliate, the Housing Fund of Central Alabama, are many:**

- **Resources necessary to meet the task:** HECA is an affordable housing lender committed to working in 12 Alabama counties, and it has resources commensurate with the task. Investor institutions have committed $54 million in loan dollars to HECA. The Housing Fund of Central Alabama (the Fund) has secured nearly $3.6 million from foundations and HECA's investor institutions.

- **High-impact, results-oriented strategy:** HECA and the Fund have a results-oriented strategy focused on identifying market-savvy loan products that fill niches in the affordable housing lending industry and thus have the capacity to substantially increase the supply of quality housing choices for people of moderate means in Central Alabama.

- **More effective use of resources:** The opening of HECA and the Fund in 2003 enables financial institutions in the region to work collectively, bringing to bear greater, more focused resources without fragmentation or duplication. This ability to leverage funds enables HECA to address more fully the affordable housing needs of low- and moderate-income residents in Alabama.

- **Expertise to access governmental programs:** By supporting HECA, financial institutions are fostering an organization with tremendous expertise and the ability to take advantage of—and help others take advantage of—governmental programs that have long been under-utilized in the region.

- **Focus on economic development:** HECA's focus is to serve as a powerful advocate and voice for affordable housing. HECA believes accessible housing can become an economic development driver for the region.

- **Support of the Community Reinvestment Act:** HECA provides financial institutions with an innovative and effective tool to improve the region while also addressing Community Reinvestment Act issues.

- **Risk mitigation:** HECA allows opportunities for institutions to improve their communities by strategically collaborating with other prominent financial institutions, community foundations and civic leaders to move the region forward in a way that minimizes the overall risk.

- **Independence:** Since HECA is an independent body with flexibility to adapt to the market, it can more effectively insist on accountability for the use of funds.

- **Expansion of private capital sources:** HECA and the Fund also help to leverage conventional lending opportunities by spurring and increasing local capacity for development.

# Finances Count in Planning for Disaster

THOUGH IT'S THE LAST THING WE WANT TO THINK ABOUT, BEING FINANCIALLY PREPARED FOR A DISASTER CAN LITERALLY MEAN THE DIFFERENCE BETWEEN LIFE AND DEATH.


According to a survey of evacuees in the Houston Astrodome, the majority remained in the New Orleans area because they lacked transportation to get out or because lodging or shelter elsewhere was not available. The survey, conducted by the Washington Post, Kaiser Family Foundation and Harvard University, implies that lack of resources to own a car or pay for shelter away from their homes prompted Astrodome evacuees to remain in high-risk situations where their lives were at stake.

### Keeping adequate cash on hand

Helping low-income families build assets not only moves them out of poverty but also paves the way for a healthy, resilient financial future. Families that have built an emergency savings fund, established a home equity line of credit or developed formal banking relationships are better equipped to weather either a tropical or a financial storm.

A Federal Reserve Bank of Philadelphia analysis of the financial services industry's effectiveness responding to Katrina states, "without deposit accounts unbanked individuals could not benefit from direct deposit of payroll or other sources of income, electronic bill payment or cash from ATMs.... Even for the roughly 33 percent of lower-income 'banked' evacuees... any personal budget tightness, possibly coupled with no savings or line of credit to tap into, would have exacerbated their financial circumstances in the hurricane's aftermath."

We can and should use the lessons of Katrina to help ourselves and our most vulnerable families prepare financially for disaster. Aside from basic survival needs such as food, water, clothing, and fuel, families will need sufficient cash to tide them over. Because communications and utilities often do not function in the wake of disasters, storm victims cannot rely on debit cards or ATM machines for money.

How much is enough? Some experts recommend cash to cover a families' basic needs for three to five days. This amount will clearly vary from family to family: hotel rooms are more expensive than staying at a friend's or relative's home, and larger families are more expensive to feed than smaller ones.

### Organizing an "evacuation box"

In addition to keeping cash on hand, it's important to make copies of critical documents and store them in a fire and waterproof container that can be located quickly and taken in the event of an emergency. This important step will go a long way in helping families recover from a disaster. Put important papers into a lockable, durable "evacuation box," in sealed waterproof plastic bags. Store the box where you can get to it easily. If you must evacuate, keep the box with you at all times; don't leave it in your unattended car.

**What should go into the box?**

- A small amount of traveler's checks or cash.
- Negatives for irreplaceable personal photographs, protected in plastic sleeves.
- A list of emergency contacts including doctors, financial advisors, clergy, reputable repair contractors and family members who live outside your area.
- Copies of important prescriptions for medicines and eyeglasses, and copies of children's immunization records.
- Copies of your auto, flood, renters or homeowners insurance policies (or at least policy numbers) and a list of insurance company telephone numbers.
- Copies of other important financial and family records (or at least a list of their locations) including deeds, titles, wills, a letter of instructions, birth and marriage certificates, passports, relevant employee benefits documents, the first two pages of the previous year's federal and state income tax returns, etc. Originals, other than wills, should be kept in a safe deposit box or at another location.
- Backups of computerized financial records.
- A list of bank account, loan, credit card, driver's license, investment accounts (brokerage and mutual funds) and Social Security numbers.
- Safe deposit box key. (If you're in a flood zone you may want to make sure that your bank's boxes are well above flood level. Residents of the Gulf Coast are still trying to recover important documents and valuables from flooded bank vaults.)

## Is your insurance adequate?

Insurance provides crucial protection from loss. Even with time to prepare for a disaster, you still may suffer significant, unavoidable damage to your property. That's when insurance for renters or homeowners can be a big help. But how many of us have read our policies and really understand what they will (and will not) cover in the event of a disaster? Many people affected by recent disasters were underinsured, or worse, not insured at all.

If you own a home, buy full replacement or replacement cost coverage—at a minimum. This amount of coverage allows for the structure to be replaced up to the limits specified in the policy. Investigate buying a guaranteed replacement cost policy that will pay to rebuild your house, including improvements, at today's prices, regardless of the limits of the policy. You will need to have your home periodically reappraised to be sure the policy reflects the real replacement cost.

**MAINTAINING SUFFICIENT EMERGENCY FUNDS TO COVER ANY DEDUCTIBLES TO YOUR INSURANCE WILL HELP YOU REBUILD AFTER AN EMERGENCY.**

You should also buy a policy that covers the replacement cost of your possessions. Standard coverage only pays for the actual cash value, that is, the replacement cost discounted for age or use. Use your home inventory list to check that your policy's coverage matches the value of your possessions. An up-to-date video inventory also helps. Big-ticket items such as specific jewelry, collectibles, artwork, or furs may require additional coverage.

Maintaining sufficient emergency funds to cover any deductibles to your insurance will help you rebuild after an emergency. Some homeowners policies may have a 2-to-4 percent hurricane deductible requirement built into the policy.

If you find it difficult to obtain private coverage because of a recent disaster, check state or federally operated insurance pools. Their premiums often run higher than market rates, but higher premiums are better than no coverage.

If you rent, consider locating outside a high-risk flood area or away from a fault line. Regardless of your location, renters insurance can pay for damaged, destroyed, or stolen personal property—liabilities that won't be covered by your landlord's insurance.

As with any insurance, it's important to be clear about what a policy will cover. Some policies cover more than others. For example, will the policy pay for living expenses if you have to live somewhere else temporarily or for damage from sewer backup?

Whether buying homeowners or renters insurance, those with home offices should talk to their agents to determine what items in the office will be covered or not covered. Some policies automatically extend coverage to computer equipment and a few other items of business property. If necessary, acquire additional business coverage or buy a separate small business policy.

Make sure you buy the insurance you need to protect against the perils you face. For example, **homeowners insurance doesn't cover floods and some other major disasters**. It's important to be very clear about what the policy will and will not cover, and how the deductibles work. **READ YOUR POLICY!** Prices for insurance vary and it's important to comparison-shop for the best coverage at the best price.

### Flood insurance isn't only for high-risk areas

It's not just high-risk areas that experience flooding: between 20 and 25 percent of flood insurance claims come from medium or low flood-risk areas. Affordable insurance for flood damage, which is not covered by your homeowners policy, can be acquired through the National Flood Insurance Program (NFIP), regardless of the risk. Coverage above the $250,000 limit for property and $50,000 limit for contents stipulated in the NFIP insurance is available on the private market.

The typical flood insurance premium is approximately $400 a year for an average of $100,000 of coverage. This expense is modest compared to paying back a $50,000 disaster home loan, for example, which would cost an average of $240 a month for a repayment period of 30 years. But you have to acquire insurance well in advance of a disaster---policies go into effect 30 days after the policy is purchased.

### Being prepared calls for planning

Remember that not all financial emergencies are the result of natural disasters. The three major factors contributing to families filing bankruptcy are: death, divorce and a major illness. Be prepared to secure your financial future by having quality personal insurance, which should include adequate health, life, and disability insurance coverage. If you are responsible for parents or other loved ones as they age you may want to look into long-term care insurance.

The saying goes that being prepared is "80% planning and 20% execution." Access to cash reserves, a good banking relationship, well-organized documents, and adequate homeowners (or renters) and personal insurance will help families weather the storm. ♦

This article was written by Nancy Montoya, regional community development manager in the Atlanta Fed's New Orleans branch.

## More on Disaster Planning

**The following websites were an invaluable resource for this article and provide important information on disaster planning.**

**Financial Preparation for a Disaster:**
www.sqvalleyredcross.org/twp/finances.htm

**Preparing for Financial Disaster, Illinois CPA Society:**
http://www.emaxhealth.com/49/4180.html

**Financial Planning: A Guide for Disaster Preparedness:**
http://www.redcross.org/services/disaster/beprepared/FinRecovery/FinPlan/

**Emergency Preparedness Toolkit:**
http://www.operationhope.org

**Free Home Inventory Software:**
http://www.iii.org/

# The Benefit Bank: An Asset Building Tool

## CURRENT CENSUS DATA SHOW THAT 34.8 MILLION PEOPLE IN THE UNITED STATES—12.2 MILLION OF THEM CHILDREN—ARE LIVING BELOW THE FEDERAL POVERTY LEVEL.

Although programs exist to help them raise their incomes, most serve far fewer than the number who are eligible and in need of assistance.

According to estimates, more than $35 billion in public funds are unclaimed by low-income people in the U.S. each year. Deterred by a cumbersome enrollment process that requires potential recipients to interact with multiple agencies in different locations using different application processes, many simply fail to request benefits. Thus they remain in poverty, unable to accumulate assets.

### Access through technology

The Benefit Bank™ is a technology-based tool that helps low- and moderate-income individuals and families apply for the benefits and tax credits they are eligible to receive. Asset building, widely recognized as the key to economic empowerment for low- and moderate-income households, is the goal of the program.

Created by Solutions for Progress, a public policy consulting firm working for social change, The Benefit Bank strengthens participants' economic circumstances by helping them overcome barriers to programs that could increase their incomes.

"These are tough times for all of us, but many families are struggling more than others simply because they're not receiving the benefits that they should," says Solutions for Progress CEO, Robert J. Brand. "Some individuals think they are not eligible for certain benefits, others get lost in the complex application process or they are simply unaware the benefits even exist. The Benefit Bank provides an easy and efficient way to get the benefits to those who need them the most."

### Simplifying the application process

The Benefit Bank cuts through application obstacles. This internet-based, counselor-assisted software program serves low- and moderate-income working families by researching, finding and automatically applying for benefits to which they may be entitled. The program processes federal and state tax returns and surveys a range of federal, public health and social services benefits.

Participants work side-by-side with counselors who assist with entering information into an internet-based system. The user-friendly questionnaire is also available in Spanish. As the client enters the data, the program automatically transfers information into benefit applications. Once the client provides all the necessary information, The Benefit Bank fills out the application or tax return and prints it on the appropriate forms. It can even file returns and applications electronically. Information is saved in the system and protected by a password, so clients can return to make updates and file their annual tax returns.

## Partnerships extend program's reach

National sponsors for The Benefit Bank include the National Council of Churches, the African Methodist Episcopal Church, Salvation Army, United Church of Christ, Christian Methodist Episcopal Church, AARP, and the Children's Defense Fund.

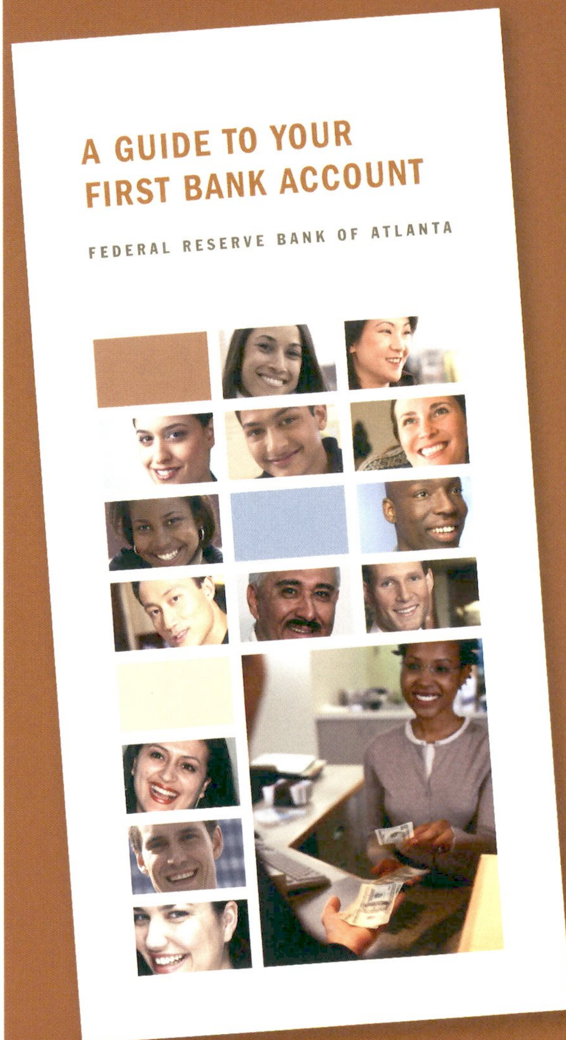
Free to all users and host organizations, The Benefit Bank serves social service agencies, job training programs, advocacy groups, public sector offices, unions, private employers, faith- and community-based organizations. In the workplace the program enhances productivity by decreasing employee turnover; it can provide substantial wage and benefit increases at no cost to the employer and potentially increase employee pension plan participation.

The Benefit Bank is up and running in several southeastern states and nationwide. An integral part of Florida's Prosperity Campaigns in Miami-Dade, Palm Beach, Hillsborough and Pinellas Counties (Tampa Bay area), it will soon be implemented in Jacksonville through the Northeast Florida Prosperity Campaign. The service is available in Mississippi, and development is underway in Louisiana and Georgia. Pennsylvania, Kansas, Ohio and Washington D.C. use the program, and California, Maryland and Texas are working to develop it. The goal of The Benefit Bank is to be operational in all 50 states by 2010.

Because this asset-building tool is useful for a wide range of organizations, The Benefit Bank can become a crucial part of a community-wide response to poverty. In addition, the program builds relationships between counselors and clients, host sites and the community, and the community and policy makers. The Benefit Bank not only offers an opportunity to help neighbors, but it also provides information that can help organizations advocate more effectively for the communities they serve. ♦

This article was written by Janet Hamer, regional community development manager at the Atlanta Fed's Jacksonville Branch.

For more information on The Benefit Bank, visit the website at www.thebenefitbank.com.

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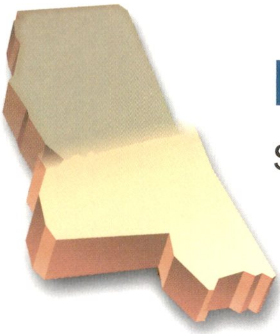

# MISSISSIPPI

## STRATEGY FOR REBOUND

Damage from Hurricane Katrina in Mississippi alone was worse than that in any natural disaster in U.S. history.

More than six months after the devastating hurricane and flood surge, damage remains. Debris still stands in the millions of metric tons. An estimated 75,000 homes were destroyed, and rebuilding decisions still hang in the balance waiting on word from insurance companies and government officials.

Yet in the face of unprecedented disaster, Mississippians have shown their determination to recover as quickly as possible and to rebuild better than before. Mississippi Governor Haley Barbour has led the rebuilding effort, and communities have followed his example.

### The Commission

Within hours of Katrina's landfall, Governor Barbour created the Governor's Commission for Recovery, Rebuilding and Renewal. Chaired by Mississippian Jim Barksdale, former CEO of Netscape, and led by a diverse group of South Mississippians, the Commission assembled people from across the storm-ravaged region to address the state's short-term problems and long-term needs. In dozens of town hall meetings, citizens voiced their concerns on topics ranging from education to agriculture to defense contracting to tourism to urban planning.

Governor Barbour also assembled a team of urban planning professionals. During six days in October, more than 200 local and national planners drew rebuilding blueprints for 11 devastated cities.

The Commission's final report, "After Katrina: Building Back Better than Ever," was the product of over 50,000 work-hours by more than 500 volunteers. It catalogs the hurricane's damage to the state and recommends over 200 ways to meet long term challenges and build back "better than ever."

Nothing in the report is mandated; individual communities must consider the report's recommendations and decide how to act on them. Already towns are coming together to rebuild, making the most of this unique situation.

### Recommendations for rebuilding

The Governor's Commission offers several important recommendations for economic recovery:

- **New building and zoning codes to produce safer structures and desirable development.** Towns want the option to use time-tested ideas like mixed-use, higher-density development and pedestrian-friendly streets to reduce blight and add value.
- **Regional approaches to transportation, public services and tourism development efforts.** More efficient use of water and sewer resources, multimodal transportation and mass transit are just some of the ideas that can help regionalize the recovery.
- **Housing.** The report promotes asset building in low-income communities and encourages pilot housing projects to help the worst hit areas recover quickly.
- **Emergency preparedness.** The state legislature has created an Office of Long Term Recovery and Renewal to assist storm-damaged areas and formulate disaster policy for the state. Communication systems and evacuation plans are also targeted in the report.
- **Paying for it.** The final report identifies state and federal financing sources such as bonds and other existing financing programs. Federal appropriations and legislation will be critical to the rebuilding effort.

You can find the Governor's Commission Final Report and more information on Mississippi's rebuilding process at www.governorscommission.com. ♦

This article was written by Will Longwitz, former communications director for the Governor's Commission on Recovery, Rebuilding and Renewal.

# SOUTH FLORIDA

## ACCESS MIAMI RESPONDS TO CITY'S POVERTY CHALLENGE

When the City of Miami was ranked the poorest large city in the U.S. by the 2000 Census, Mayor Manny Diaz responded quickly with an anti-poverty initiative, dedicating substantial resources to improving quality of life and family financial stability for the city's residents.

With its service-driven economy, Miami has historically registered median income levels below the national average. Nevertheless the 2000 Census ranking surprised many in the city and underscored the urgency conveyed by numerous nonprofit groups working with the area's growing low-income population.


Mayor Manny Diaz launches ACCESS Miami.

To coordinate and target its anti-poverty campaign the city launched ACCESS (Assets, Capital, Community, Education, Savings, and Success) Miami in 2001. ACCESS joins city resources with existing public, private and nonprofit capacity to maximize the benefit of services available to Miami residents through a variety of assistance programs.

ACCESS Miami is based on four founding principles: providing access to existing benefits; facilitating access to capital; building wealth; and increasing financial literacy.

The program has established numerous collaborations for its participants with such organizations as the Small Business Association, the Internal Revenue Service, the Mortgage Bankers Association, H&R Block, Miami Dade College, and many local banks and nonprofit organizations.

ACCESS Miami partners with participants one-on-one to provide customized programs that meet the needs of individual residents. Opportunities include financial seminars, workshops, free tax sites, counseling and more.

H&R Block, for example, agreed to lower significantly its charge for tax preparation at offices licensed to do business in Miami, and city-affiliated tax preparation efforts last year yielded impressive results: more than 9,000 residents participated, saving over $800,000 in combined fees. In addition, more than 300 city residents opened IRA savings accounts as part of an ACCESS Miami effort. And micro-loans worth more than $700,000 were extended to small business owners throughout the city.

This year's goals include bringing more residents into the mainstream banking system, partnering with the Miami Dade County School Board Parent Academy, arranging a collection of parenting and mentoring education workshops, and increasing employer-based education and outreach—including to city and county staff.

The recent South Florida real estate boom has heightened concern about affordable housing, and gentrification in the area, including the City of Miami, has led to a housing crisis for many. But without Miami's anti-poverty efforts, it's certain that even more families would be pushed out of the city by the high cost of living. As redevelopment and revitalization projects move forward, commitment to meeting the needs of low- and moderate-income families may determine the success of Miami's efforts to address the challenge of poverty without displacing its neediest residents.

This article was written by Ana Cruz-Taura, regional community affairs director in the Atlanta Fed's Miami Branch.

Photo courtesy of Miami Office of Communications.

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