



# PartnersUpdate

September/October 2011

**Editor's Note:** This publication is posted on a rolling bi-monthly schedule.

*Updated October 31, 2011*

## Articles

[Economists Post on Southeast in SouthPoint](#)



[Atlanta Fed Economists and Analysts Write about the Southeast in SouthPoint](#)

10/31/2011 - Weekly posts in the *SouthPoint* blog provide commentary and observations on regional economic topics, issues, industries, and trends.

[Podcast Explores the State of Multifamily Real Estate](#)



[Podcast Explores the State of Multifamily Real Estate](#)

10/31/2011 - Ron Johnsey, president of Axiometrics, discusses the trends, challenges, and opportunities facing the apartment sector.

[Lockhart Discusses FOMC Policy Actions](#)



[Atlanta Fed President Believes Current Fed Policy Actions Should Bring Modest Positive Impact](#)

10/31/2011 - Atlanta Fed president Dennis Lockhart spoke on September 27 about recent Federal Reserve policy actions and his views on what their impact on the economy and employment will be.

[Land Banks: One Tool for Housing Market Recovery](#)



[Land Banks: One Tool for Housing Market Recovery](#)

10/19/2011 - Governor Elizabeth Duke discussed "lessons learned" from the financial crisis during a Federal Reserve Board forum on September 1. Duke also identified obstacles to the housing market recovery and explored possible solutions. One option, land banking, has a good track record in the Southeast.

[Fed Gov. Raskin Speaks on Foreclosures and the Legal System](#)



[Fed Gov. Raskin Speaks on Foreclosures and the Legal System](#)

10/18/2011 - The impact of the foreclosure crisis is far-reaching and has put pressure on the legal system. Federal Reserve Governor Sarah Bloom Raskin spoke October 4 about the challenges and opportunities that arise from the high numbers of foreclosures.

[Sept. 8 Microfinance Call-in Resources Online](#)



[Audio and Slides from Sept. 8 Fed Microfinance Call-in Session Now Online](#)

10/14/2011 - Miss a Fed community development call-in? No problem! You can hear the presentations and discussion plus see the slides and related resources online after the session. Materials from the first call-in on September 8, *Micro Finance: Helping to Create First-time Entrepreneurs*, are available now.

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## Atlanta Fed Economists and Analysts Post about Southeast in *SouthPoint*

The Atlanta Fed's *SouthPoint* blog covers the southeastern region and its role in the nation's economy. Assistant vice president in the Atlanta Fed's research department [Michael Chriszt](#) and other [Atlanta Fed economists and analysts](#) write the weekly posts. *SouthPoint* provides readers with up-to-date information along with unique insights and observations from the Atlanta Fed.

Recent posts include:

- [Regional employment: Looking better, but still not great](#)
- [General Motors reopens Tennessee plant as it seizes market share](#)
- [Digging into the weak jobs outlook](#)
- [When will economic vigor return to the Southeast?](#)
- [Southeastern housing update: Polls show sales ahead of weak levels in 2010](#)
- [Silver linings around the manufacturing sector?](#)



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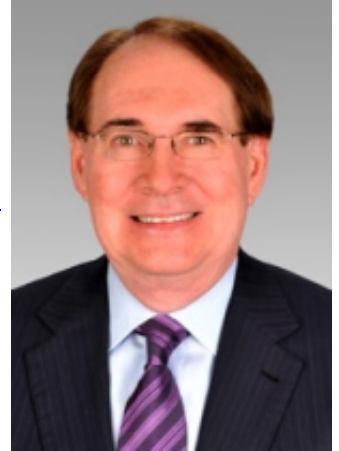
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## Podcast Explores the State of Multifamily Real Estate

An interview with Ron Johnsey, president of Axiometrics, is the latest addition to the *Perspectives on Real Estate* podcast series. These podcasts feature experts who discuss emerging trends and innovative strategies and how they are adapting existing strategies to keep up with changes in the real estate industry. In "[Buying into Rental?: Tracking the Multifamily Real Estate Market](#)," Johnsey speaks about current conditions in the multifamily real estate market, trends, and how home foreclosures are affecting the market.





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## Atlanta Fed President Believes Current Fed Policy Actions Should Bring Modest Positive Impact

In a September 27 [speech](#) to the World Affairs Council of Jacksonville, Federal Reserve Bank of Atlanta president Dennis Lockhart spoke about the maturity extension program adopted by the Federal Open Market Committee (FOMC) in mid-September. The program will sell \$400 billion of short-maturity Treasury securities and buy longer-maturity ones by June 2012.

Lockhart said that the Fed's actions should be viewed together with other policy elements already in place as part of the larger effort to promote economic recovery. He believes the FOMC's actions will lower the cost of borrowing for both consumers and businesses, freeing up money for other uses.





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## Land Banks: One Tool for Housing Market Recovery

The recovery of neighborhoods and the housing market remains a challenge for communities across the country. At [The Housing Market Going Forward: Lessons Learned from the Recent Crisis forum](#) held by the Federal Reserve Board on September 1, Governor Elizabeth Duke discussed "[lessons learned](#)" from the recent financial crisis with a focus on the beleaguered U.S. housing market. Duke indicated that certain "obstacles" have prevented typically reliable self-correcting mechanisms, such as lower home prices and mortgage rates, from reviving the housing market.



In her [speech](#), Duke explored solutions such as reducing the obstacles for existing owners to refinance mortgages at lower rates and converting real estate owned (REO) assets into rental properties, while acknowledging that the REO-to-rental solution likely will not work in all areas. "Low-value properties," in particular, often carry a repair or demolition cost that exceeds market value, demanding a more creative approach—land banks.

### What is a land bank?

According to the [U.S. Department of Housing and Urban Development](#) (HUD), a land bank is a "governmental or nongovernmental nonprofit entity established, at least in part, to assemble, temporarily manage, and dispose of vacant land for the purpose of stabilizing neighborhoods and encouraging re-use or redevelopment of urban property." In recent years, HUD's [Neighborhood Stabilization Program](#) has provided federal funding for local land banks through the Housing and Economic Recovery Act of 2008 and two subsequent bills in 2009 and 2010, respectively. In her speech, Duke said, "Because it likely will take several years for the overhang of vacant homes to be sold, such a strategy would help some communities deal with the short-term crisis and then ultimately allow for the disposition of properties in a manner suitable to local market conditions in the longer term." [Emory University School of Law professor Frank Alexander](#) agrees, [writing in 2009](#), "Land banking's ultimate objective is to provide a multijurisdictional response to inefficient land markets and to reallocate land for inclusionary, sustainable purposes.... The need is greater than ever, and the opportunity is here." Participating in an Atlanta Fed [podcast](#), Alexander made it clear: "Land banking...is best used when the market itself cannot reabsorb the properties. Whenever the market, the private market, can reabsorb the inventory, I think it's best to let the market do that." [With more than 4 million residential loans currently seriously delinquent or in foreclosure](#), many communities will continue to face housing inventories that cannot readily be absorbed by the market.



### **Southeast land banks**

Several jurisdictions across the Southeast already have established land banks that stand ready to address the REO problem. In the Atlanta area, the [Fulton County/City of Atlanta Land Bank Authority](#) has helped return tax-delinquent and non-revenue-producing properties to productive states over the past 14 years. The Valdosta-Lowndes County Land Bank Authority in south Georgia successfully acquired several parcels and held them tax-free until the local Habitat for Humanity was ready to develop the Fellowship Place subdivision, an award-winning affordable housing project. Alexander noted recently that officials in Tuscaloosa and Joplin, Alabama, also are considering how a land bank may help their cities recover from the tornadoes that struck last April.

### **Challenges and opportunities**

Yet, the land bank solution poses several challenges, most notably inadequate and unsustainable funding sources. In the current political and economic environment, there are no assurances that the Neighborhood Stabilization Program, or similar efforts, will receive additional federal funding. Still, Governor Duke admitted that "more funding and technical assistance [will] be needed to scale these efforts up to an adequate level."

Alexander, [who has conducted extensive research on this subject](#), commended Governor Duke for identifying the most critical issues facing land banks. He believes that a "dramatic growth in understanding" about land banks has created momentum for the tool to become an enduring policy solution. More importantly, nearly every jurisdiction across the country now has more vacant property inventory than before the recession. Such a common, urgent problem might turn land banks into an appealing long-term tool for helping the housing market recover.

*By Kevin Mahoney, research assistant, Federal Reserve Bank of Atlanta's Community and Economic Development Department.*

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## Fed Gov. Raskin Speaks on Foreclosures and the Legal System

Federal Reserve Governor Sarah Bloom Raskin discussed how the large number of foreclosures is affecting the U.S. legal system in her [address](#) to the Maryland State Bar Association Advanced Real Property Institute on October 4. Raskin noted that the magnitude of foreclosures has strained the courts, and falling housing prices have shaken the contractual relationships that make up the nation's mortgage finance system.



In addition to looking at impacts, Raskin noted that the high number of foreclosures has also created opportunities. She encouraged the legal community to seek ways to improve the available array of mortgage contracts to better serve clients in the field of mortgage finance and to build new contractual mechanisms needed for a healthy securitization market.

Raskin, who is an attorney, was the commissioner of financial regulation for the state of Maryland before her appointment to the Federal Reserve Board of Governors. Prior to that, she was managing director at the Promontory Financial Group, and she also served as the banking counsel for the U.S. Senate Committee on Banking, Housing, and Urban Affairs.

A [pdf](#) version of "Legal Opportunities and Challenges in Crafting a Foreclosure Response" is also available.



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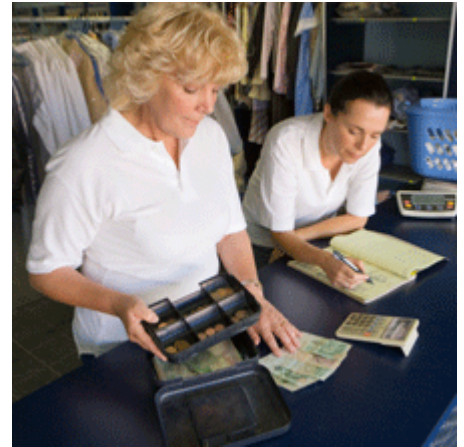
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## Audio and Slides from Sept. 8 Fed Microfinance Call-in Session Now Online

Support materials from the first Fed call-in session are [now available](#), including an audio recording of the presentation and discussion, slides, and related Federal Reserve System resources. The resources for *Micro Finance: Helping to Create First-time Entrepreneurs* also include conferences and events, papers and publications, speeches, and a video produced by the Federal Reserve Bank of St. Louis, "[Lessons from Bangladesh: How Microfinance Can Work in America](#)." 



Materials for *Addressing the Credit Impacts of Foreclosure*, which was held on Thursday, October 13, will be posted soon.



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