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Renters Feel the Squeeze, While Homeowners Enjoy Relative Affordability

Andrew Dumont

The housing crisis and resulting Great Recession that descended on the United States over 10 years ago devastated many families and their communities. While many across the country have recovered, many others are still feeling its adverse effects, perhaps none more so than the nation's renters. The recent plight of these renters is a result of increasing competition for rental housing and stagnant wage growth for most of the last decade.

Increasing competition for rental housing has come about due to the foreclosure crisis pushing many former homeowners into the rental market. Further, the impact of changing demographics, progressively higher average student loan balances and changing lifestyle choices among younger generations (e.g., delaying marriage and children) all influence the ability or decision to become a homeowner. These forces have combined to significantly increase the number of renter households in the years since the Great Recession, affecting both urban and rural communities nationally and the Eighth District of the Federal Reserve. (See Table 1.)

Table 1

Change in Renter and Owner Occupant Households, and Homeownership Rates, Between 2009 and 2016

METRO AREAS

	Renters			Homeowners			Homeownership Rate		
State	**2009**	**2016**	**Change**	**2009**	**2016**	**Change**	**2009**	**2016**	**Change**
Arkansas	225,452	256,407	30,955	425,962	439,540	13,578	65.4%	63.2%	-2.2%
Illinois	1,281,257	1,458,178	176,921	2,790,799	2,686,971	(103,828)	68.5%	64.8%	-3.7%
Indiana	573,468	649,758	76,290	1,347,003	1,330,799	(16,204)	70.1%	67.2%	-2.9%
Kentucky	309,590	362,056	52,466	657,531	649,234	(8,297)	68.0%	64.2%	-3.8%
Mississippi	141,157	166,731	25,574	328,964	334,646	5,682	70.0%	66.7%	-3.2%
Missouri	513,352	595,685	82,333	1,188,590	1,158,199	(30,391)	69.8%	66.0%	-3.8%
Tennessee	561,632	659,314	97,682	1,205,069	1,201,130	(3,939)	68.2%	64.6%	-3.6%
U.S. Total	**32,035,105**	**37,151,245**	**5,116,140**	**61,117,650**	**60,946,659**	**(170,991)**	**65.6%**	**62.1%**	**-3.5%**

NONMETRO AREAS

	Renters			Homeowners			Homeownership Rate		
State	**2009**	**2016**	**Change**	**2009**	**2016**	**Change**	**2009**	**2016**	**Change**
Arkansas	134,692	135,621	929	323,529	309,912	(13,617)	70.6%	69.6%	-1.0%
Illinois	175,446	176,865	1,419	501,886	480,110	(21,776)	74.1%	73.1%	-1.0%
Indiana	130,088	136,559	6,471	417,447	396,712	(20,735)	76.2%	74.4%	-1.8%
Kentucky	189,164	208,258	19,094	518,453	498,669	(19,784)	73.3%	70.5%	-2.7%
Mississippi	179,192	185,673	6,481	436,523	411,753	(24,770)	70.9%	68.9%	-2.0%
Missouri	175,847	191,942	16,095	444,449	426,536	(17,913)	71.7%	69.0%	-2.7%
Tennessee	168,883	189,847	20,964	476,983	471,913	(5,070)	73.9%	71.3%	-2.5%
U.S. Total	**5,255,502**	**5,683,924**	**428,422**	**14,202,772**	**13,934,409**	**(268,363)**	**73.0%**	**71.0%**	**-2.0%**

Sources: Author calculations using 2005-2009 American Community Survey 5-year estimates and 2012-2016 American Community Survey 5-year estimates

The increase in the number of renter households has placed upward pressure on rents across the country, including in the St. Louis Fed's District. (See Table 2.) This increase in rents has affected both metro and nonmetro communities.

Table 2

Median Gross Rents

	Nonmetro Areas				Metro Areas			
State	2009	2016	Dollar Change*	Percent Change	2009	2016	Dollar Change*	Percent Change
Arkansas	577	598	22	3.8%	729	738	9	1.2%
Illinois	615	618	4	0.6%	942	966	24	2.6%
Indiana	650	658	8	1.3%	773	785	13	1.6%
Kentucky	546	581	36	6.6%	719	757	38	5.3%
Mississippi	608	631	23	3.8%	830	825	-4	-0.5%
Missouri	584	632	48	8.2%	775	806	31	4.0%
Tennessee	592	616	24	4.1%	781	834	53	6.8%
U.S. Total	**667**	**698**	**31**	**4.6%**	**993**	**1,042**	**49**	**4.9%**

Sources: Author calculations of proportional weighted averages using 2005-2009 American Community Survey 5-year estimates and 2012-2016 American Community Survey 5-year estimates. Figures for 2009 are inflation-adjusted to 2016 dollars using the Consumer Price Index for All Urban Consumers (CPI-U).
* Changes may not recalculate due to rounding.

As previously noted, these rent increases have come at a time when growth in renters' incomes has been modest, particularly in nonmetro areas. Again, this trend holds true both nationally and in the St. Louis Fed's District. (See Table 3.)

Table 3

Median Household Income Among Renters

	Nonmetro Areas				Metro Areas			
State	2009	2016	Dollar Change*	Percent Change	2009	2016	Dollar Change*	Percent Change
Arkansas	22,365	22,567	203	0.9%	29,131	29,864	733	2.5%
Illinois	25,359	25,575	215	0.8%	35,792	36,126	334	0.9%
Indiana	28,260	28,406	146	0.5%	30,084	29,935	(150)	-0.5%
Kentucky	21,519	21,192	(327)	-1.5%	29,587	30,699	1,112	3.8%
Mississippi	20,593	20,825	232	1.1%	30,865	30,792	(74)	-0.2%
Missouri	25,076	25,379	303	1.2%	31,183	31,799	616	2.0%
Tennessee	23,824	23,595	(230)	-1.0%	29,938	30,923	985	3.3%
U.S. Total	**27,447**	**27,564**	**117**	**0.4%**	**37,753**	**38,033**	**280**	**0.7%**

Sources: Author calculations of proportional weighted averages using 2005-2009 American Community Survey 5-year estimates and 2012-2016 American Community Survey 5-year estimates. Figures for 2009 are inflation-adjusted to 2016 dollars using the CPI-U.
* Changes may not recalculate due to rounding.

Not surprisingly, the combination of these challenges facing renter households has resulted in more and more renters experiencing housing cost burden, meaning that they are spending more than 30 percent of their gross income on housing costs. While a greater percentage of renter households in metro areas experience cost burden than in nonmetro areas (48.3 percent versus 40.5 percent in 2016), nonmetro areas witnessed a larger increase in cost burdens after the crisis (burden rates in metro areas increased 2.0 percentage points between 2009 and the peak in 2014, versus 2.4 percentage points in nonmetro areas). Housing cost burden rates also decreased at a somewhat slower pace in nonmetro areas between 2014 and 2016.

The nationwide trends in renter housing cost burdens have also affected the Fed's Eighth District. Between 2009 and 2014, four of the seven states in the St. Louis Fed's District experienced statistically significant increases in cost burden among renter households in nonmetro counties (Arkansas, Kentucky, Missouri and Tennessee). Over this same period, six of the seven states in the Eighth District had statistically significant increases in metro counties (all states except Arkansas). By 2016, just two states continued to have statistically significant increases in renter housing cost burden in their metro counties, while fully three of the four states that originally experienced statistically significant increases in their nonmetro areas continued to have elevated levels. (See Table 4.)

Table 4

Percent of Renter Households with Any Housing Cost Burden

	Nonmetro Areas				Metro Areas			
State	2009	2016	Change	Statistical Significance	2009	2016	Change	Statistical Significance
Arkansas	39.5%	39.8%	0.3%		42.9%	42.2%	-0.7%	
Illinois	40.4%	39.2%	-1.2%		47.2%	46.8%	-0.4%	
Indiana	38.2%	37.9%	-0.2%		45.4%	45.7%	0.4%	
Kentucky	38.0%	39.7%	1.8%	**	42.0%	42.6%	0.7%	
Mississippi	42.4%	41.3%	-1.1%		43.7%	45.9%	2.3%	**
Missouri	37.9%	40.3%	2.4%	***	43.7%	44.3%	0.6%	
Tennessee	37.7%	40.3%	2.6%	***	44.1%	45.3%	1.2%	**
U.S. Total	**39.3%**	**40.5%**	**1.2%**	***	**47.4%**	**48.3%**	**0.9%**	***

** Statistically significant at the 95% confidence level

*** Statistically significant at the 99% confidence level

While renters continue to struggle with affordability challenges, homeowners are experiencing a period of relative affordability. Indeed, the rate of housing cost burden experienced among homeowners has decreased dramatically since the height of the crisis in both metro and nonmetro counties, nationwide and in the Eighth District. (See Table 5.)

Table 5

Percent of Owner-Occupied Households with Any Housing Cost Burden

	Nonmetro Areas				Metro Areas			
State	**2009**	**2016**	**Change**	**Statistical Significance**	**2009**	**2016**	**Change**	**Statistical Significance**
Arkansas	20.2%	17.8%	-2.4%	***	20.7%	17.7%	-3.0%	***
Illinois	20.1%	16.8%	-3.3%	***	33.6%	27.6%	-6.0%	***
Indiana	22.2%	17.2%	-5.0%	***	22.9%	18.2%	-4.7%	***
Kentucky	20.9%	19.6%	-1.3%	***	22.1%	18.8%	-3.3%	***
Mississippi	25.3%	22.0%	-3.3%	***	24.4%	21.3%	-3.1%	***
Missouri	20.9%	19.4%	-1.5%	***	23.6%	20.3%	-3.4%	***
Tennessee	22.5%	19.9%	-2.6%	***	24.7%	21.3%	-3.4%	***
U.S. Total	**23.8%**	**20.8%**	**-2.9%**	***	**31.4%**	**25.6%**	**-5.8%**	***

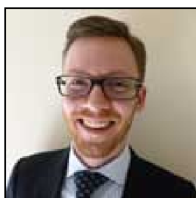
*** Statistically significant at the 99% confidence level

Households struggling to pay their housing expenses are forced to make difficult choices and often forgo important investments that can pay off over the long term, including investing in their education, health and well-being.

To learn about how Fannie Mae and Freddie Mac's Duty to Serve program may help to alleviate housing cost burden by increasing liquidity and investment in three traditionally underserved markets—rural housing, manufactured housing and affordable housing preservation—please read the recent St. Louis Fed *Policy Insight*, "Expanding Affordable Housing Options: An Overview of Duty to Serve."

Andrew Dumont is a senior community development analyst at the Federal Reserve Board of Governors in Washington, D.C.

ABOUT THE AUTHOR



Andrew Dumont

Andrew Dumont is a senior community development analyst with the Federal Reserve Board of Governors.

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A Social Enterprise Alternative to Payday Lenders

Paul Woodruff

Everyone seems to have an opinion on payday lending. Politicians decry the industry as usurious. Consumer advocates demand that "predatory lenders" be shut down. Middle- and higher-income people may not understand why the loans cost so much, or why anyone would take one out. Meanwhile, the consumers who use these services just want access to a short-term loan so they can pay rent, repair their car, keep the lights on and more. Currently, payday lenders fill that need and are accessible.

People everywhere are struggling to get by. According to the 2018 Prosperity Now Scorecard, despite nationwide low unemployment rates, a quarter of all jobs in America are low-wage. Add to that the fact that, according to the Scorecard, 45.7 percent of white renters and 54.3 percent of renters of color are cost-burdened (meaning they spend more than 30 percent of their income on housing). For those living on a fixed income—primarily seniors and the disabled—the picture is increasingly bleak as their benefits remain flat and the underpinnings of state and federal safety nets continue to fray.

Throwing stones at the payday lending industry is easy. Building something with those stones requires thought leadership, investment and awareness. Thankfully, St. Louis has an opportunity to turn the tide against payday lenders through a new, market-based solution.

In 2016, Prosperity Connection, a 501(c)3 nonprofit and emerging community development financial institution (CDFI), launched a social enterprise loan fund known as RedDough Money Center in North St. Louis County to compete directly against payday lenders by offering small-dollar loans ($100-$1,000), check cashing services and more, all at below-market prices. In May of 2017, Prosperity Connection opened its second RedDough store in South St. Louis City.

Since inception, RedDough has produced the following results:

- 1,992 loans opened
- $1,122,227 in loan dollars disbursed
- 490 checks cashed
- More than 50 distinct ZIP codes served within the St. Louis region

At an all-in rate of 35.8 percent annual percentage rate, or APR, RedDough's loans cost approximately 12.5 times less than the average payday loan rate in the state of Missouri, which is currently 450 percent APR. Additionally, RedDough's repayment terms (4-6 months for loans less than $500, and 9-12 months for loans $501-$1,000) are longer than the typical 14- to 30-day repayment term from payday lenders.

While RedDough is a much better deal for the consumer, attaining sustainability for the operation is very difficult. Loan loss for the portfolio has been kept under 15 percent (national payday loan defaults are 30+ percent). Currently, there are close to 700 active loans on RedDough's books. The loan fund needs four to five times that to get its finances in the black. Thankfully, philanthropy covers much of the funding gap for operational costs (rent, staffing, loan loss, etc.) as RedDough slowly covers more of its expenses through an expanded customer base.

By meeting underserved people where they live and work, as well as aligning with policies and interventions derived from the community (i.e., Ferguson Commission Report, Opportunity to Thrive section), payday lenders and other predatory organizations can be diminished over time. Families need access to affordable loans, pathways to better-paying jobs and the support of their community to get ahead. Given enough time, continued support from funders and wider awareness from the community, RedDough—owned and operated by Prosperity Connection—has a fighting chance to give more families throughout St. Louis the chance they need to steady their finances.

Paul Woodruff is the executive director of Prosperity Connection and vice president of community development for St. Louis Community Credit Union.

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Neighbors First: The Transformative Role of Community Development Corporations in Developing Neighborhoods of Choice

Faith Weekly

Cities are the place to be today, which may mean significant changes for the historic communities that have populated urban cores. Community development corporations (CDCs) play a critical role in transforming these communities that suffered disinvestment as a result of urban renewal, loss of manufacturing jobs and outmigration into communities of choice. Revitalizing these communities to make them healthy, vibrant and thriving again presents many challenges. Through their grassroots efforts, CDCs have played a critical role in advancing positive transformation and ensuring that they are responsive to the needs of lower-income communities and residents. CDCs contribute a significant amount to their local economies through housing and commercial development and a range of community services, while also increasing household wealth, building the local tax base, revitalizing neighborhoods and creating jobs.

Benjamin Pearson tends lettuce at Farm 360

CDCs are nonprofit, community-based organizations focused on revitalizing the areas in which they are located, typically low-income, underserved neighborhoods that have experienced significant disinvestment. CDCs are involved in a variety of activities, including but not limited to development of affordable housing, economic development, child care, youth development, health care and community organizing.

CDCs play a critical role in building community wealth for several key reasons:

- They anchor capital in communities by developing residential and commercial property, ranging from affordable housing to grocery stores and businesses.
- Typically, at least one-third of a CDC's board is composed of community residents, providing for direct grassroots participation in decision-making.
- CDCs' work to enhance community conditions often involves neighborhood organizing, a process critical for empowering residents and gaining political power.

It is often said that the best defense is a strong offense. This old cliché captures the essence of how CDCs have the power to transform disinvested communities into communities of choice. A CDC can serve as a barrier to those who may be willing to invest in their communities, but are offering products and services that are often exploitative and not in the best interest of residents. On the other hand, a good CDC can serve as a

buffer, commanding the trust of residents because they have been engaged and given the opportunity to express their desires and hopes for their community.

The East Washington Street Partnership (Partnership) and the Englewood Community Development Corporation (Englewood CDC) in Indianapolis, Ind., are exemplars of a neighborhood seeking to create a strong offense. The Partnership is a collaborative effort to foster sustainable economic development and revitalization along one of Indianapolis' most important urban corridors; it is one of three areas designated by Local Initiatives Support Corp. (LISC) Indianapolis as FOCUS (Fostering Commercial Urban Strategies) corridors. Partnership efforts seek to encourage residential and employment growth, improve property values and the local tax base, improve ecological quality, and promote the transformation of a long-neglected corridor into a vibrant, mixed-use urban address. Englewood CDC is also the lead organization for the comprehensive development of Englewood Village, an initiative of LISC Indianapolis through Great Places 2020.

In Indianapolis, the Near Eastside community is comprised of 20 smaller neighborhoods, including Englewood. The rise of neighborhood groups working together to foster a vibrant, healthy future for the community can be traced back as far as 1970, with the formation of the Near Eastside Community Organization, which served as an umbrella group that sought to support the area's neighborhood organizations. Like so many other urban core neighborhoods in the 1970s, the rise of the interstate infrastructure triggered population and job loss for Englewood. By the late 1990s, the neighborhood had dramatically declined. As is often the case in community development, the faith-based community recognized the neighborhood's decline and came to grips with it. In 1997, Englewood Christian Church formed the Englewood CDC; the Englewood Neighborhood Association formed in the early 2000s.

"We knew that we were a neighborhood in decline and that there were lots of neighborhood-based organizations doing things, but we weren't doing things together through anything like a collective impact approach or collaborative approach. So, we knew we needed to organize ourselves first. In 2005-06, we did just that," explained Joe Bowling, who serves as the director of the Partnership and as co-director of the Englewood CDC. As part of the Indy Promise Zone effort, Bowling also serves as the co-chair of the Work IndyEast Committee, maintaining a focus on job-creation activities.

"When we decided to move to Englewood, we also decided that our CDC needed to be a reflection of this neighborhood. So, everyone who works on our Englewood CDC staff, with the exception of maybe one or two folks, lives right here in the neighborhood. We're shopping at the same grocery stores. We're attending the same basketball and football games together. We see each other when we go for a walk. It really prevents that pro-dynamic of the nonprofit that wants to do projects 'to' a neighborhood as opposed to doing projects 'with' a neighborhood, because we are neighbors first," Bowling said.

Murals, art workshops, concerts, films, and more placemaking activities

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In 2005-06, neighbors united to form the Near Eastside Collaborative Task Force, in the spirit of gathering together residents, faith leaders, social service providers and organization volunteers. At the same time, LISC was rolling out the Great Indy Neighborhood Initiative (GINI) to support grassroots quality-of-life planning; they selected the Near Eastside as one of six demonstration neighborhoods. Bowling explained that this selection was a turning point for the community because it connected them to a network of resources and supports that they were not aware of. At that time, Bowling left his job in commercial real estate and assumed

the role of community builder for the GINI. He was responsible for the grassroots design and implementation of resident-driven quality-of-life (QOL) planning delivered to the mayor in 2008. It was comprehensive and included seven action areas: affordable housing and development; business and economic development; education; family strengthening; leadership and neighborhood connections; livability; and public safety. The task force met twice a month for six months to draft this QOL plan, which included the participation of more than 100 organizations and the endorsement of over 600 neighborhood residents.

In the midst of starting to implement the QOL plan initiatives in 2008 and 2009, the project caught the eye of the Super Bowl Bid Committee (later the Super Bowl Host Committee), which was trying to land the 2012 Super Bowl for Indianapolis. The QOL plan was adopted by the Super Bowl Host Committee; from 2010 to 2012, the Committee paid for three staff, including Bowling, at the John H. Boner Community Center, where he worked full-time on implementation of the plan. While the NFL provided $1 million toward the implementation of the QOL plan, the balance of the $152 million investment was secured through traditional community development funding and local philanthropy. The total investment went toward projects chosen through the QOL planning process and included a $12 million state-of-the-art gymnasium and community facility (the Chase Near Eastside Legacy Center); a $49 million housing redevelopment; $20 million for the East 10th Street corridor; and $72 million in other quality-of-life improvements.

“My biggest takeaway from doing neighborhood-based QOL planning is I think that it is less about the specifics of the plan and more about the process and the connections that you make while doing the engagement and planning,” Bowling said. “It’s those connections and relationships that we made during the development of the plan that turned out to be helpful in providing a unified face for the community as we tackle big things. It is less about the particulars of the plan and more about the relationships developed during the process of the planning.

“For a lot of external partners who are not from communities like ours and want to help but don’t know how and don’t want to step on anyone’s toes, the QOL plan has been a wonderful way to get engagement in ways that they are more comfortable with. If they can say that the community has decided on these things together, that the community is saying with one voice that they want to see this happen, and that there is a blueprint in place, they can move with a little more confidence to help us implement the QOL plan objectives,” Bowling explained.

Today, Bowling’s primary focus is on the Partnership, whose efforts are guided by the East Washington Street Vision Plan. While the Englewood CDC serves in the lead role, they also partner with the Boner Community Center, other neighborhood-based organizations and other businesses to help work on revitalization strategies for East Washington Street. Bowling’s day-to-day focus is on working to support that real estate development project and existing or prospective small businesses along the corridor.

The vision plan seeks to partner economic and neighborhood revitalization in a manner that brings residents and jobs back, improves property values and the tax base, improves ecological quality and promotes the transformation of a struggling, degraded corridor into a vibrant, mixed-use urban address. Bowling said that Englewood CDC recognized that you can only go so far if your strategy is limited to affordable housing and homeownership. They are trying to be more comprehensive with the projects that they are undertaking on East Washington Street.

Bowling is also focused on Great Places 2020, a visionary community development project to transform strategic places in Marion County neighborhoods into dynamic centers of culture, commerce and community. As philanthropic, civic and private partners look toward Indianapolis’ bicentennial in 2020, they are engaging neighborhoods to make significant social and capital investments to enhance their quality of life and spur private investment. Great Places 2020 is a collective impact approach led by six implementation partners (http://greatplaces2020.org/what-is-great-places-2020).

CDCs across the nation are declining in number, especially since the Great Recession, due to dwindling federal funding. In larger cities such as Indianapolis, St. Louis, Memphis, Baltimore and Cleveland, major foundations have stepped up to give millions of dollars to CDCs to supplement federal funding.

While the number of CDCs is declining, the need for place-based work in disinvested communities continues to grow. Many communities that were once disinvested and distressed have been turned into communities of choice as a result of the transformative role of CDCs.

Faith Weekly is a community development advisor focusing on neighborhoods and housing at the Louisville branch of the Federal Reserve Bank of St. Louis.

Bridges | Summer 2018
https://www.stlouisfed.org/publications/bridges/summer-2018/cra-updates-to-economic-development

CRA: An Examiner's Perspective
Updates to Economic Development

Douglas Yarwood

This article is part of a series on CRA best practices from an examiner's perspective. Although this column focuses on CRA best practices for financial institutions, the content may provide insights to community development organizations working with financial institutions to meet credit and community development needs. As a disclaimer, this series is only meant to represent best practices; financial institutions should consider the information presented in context of the requirements or guidance of their primary regulator and the business needs of their financial institution.

In 2016, the Community Reinvestment Act (CRA) Questions and Answers were revised to help clarify what activities (investments, loans and services) examiners may consider as activities that promote economic development. For those activities to qualify, they must meet both the size and purpose test. Bank activities meet the size test if they benefit businesses or farms that meet the size eligibility standards of the Small Business Administration's Development Company or Small Business Investment Company programs (13 CFR 121.301) or have gross annual revenues of $1 million or less. The activities meet the purpose test if they also promote economic development consistent with the CRA regulation. When evaluating these activities, examiners may only accept those that meet both tests.

The majority of the 2016 revisions impacted the economic development purpose test and were made to address the growing importance of workforce development in communities, as communicated to the agencies during the commenting process. In current competitive economies, the ability of a community to develop and retain a workforce-ready population is essential to attracting and retaining jobs. As such, workforce development programs are key in enabling communities to thrive. In light of these considerations, the requirements for activities to meet the purpose test were expanded to include new federal, state, local or tribal economic development initiatives. These initiatives include provisions for creating or improving access by low- and moderate-income (LMI) persons to jobs, job training or workforce development programs. To qualify activities falling under this current purpose definition, examiners will need evidence of documentation detailing how activities align with the federal, state, local or tribal economic initiative.

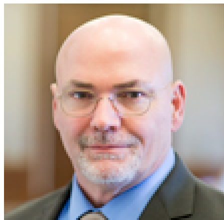
The second noticeable change in support of workforce development was the removal of the word "currently" from the original definition of activities that promote economic development. While this definition continues to focus on permanent job creation, retention and improvement for LMI persons and geographies, the removal of the word "currently" allows examiners to consider activities that support the advancement of LMI individuals into higher-wage jobs.

Additionally, the 2016 revisions included changes to the definition of financing that is discussed in the size test; it now includes technical assistance to small businesses and small farms. The resulting new examples highlight financing of intermediaries that lend to, invest in, and provide technical assistance to recently formed small businesses and farms, as well as technical assistance and supportive services the bank may supply directly.

While the 2016 guidance provides a higher degree of flexibility to examiners when reviewing activities that promote economic development, examiners' acceptance of activities will remain highly dependent on the documentation provided by financial institutions to demonstrate that the activity's purpose, mandate or function aligns with CRA's economic development purpose tests. Additionally, an institution will need to continue providing documentation to attest to the number/percentage of LMI individuals, families, jobs or small businesses and small farms that benefit from these activities in order for examiners to assess level of responsiveness.

Douglas Yarwood is a senior examiner at the Federal Reserve Bank of St. Louis.

ABOUT THE AUTHOR



Douglas Yarwood

Douglas Yarwood is a senior consumer affairs examiner at the Federal Reserve Bank of St. Louis.

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Rural Community Reinvestment: How One Community Is Tackling Blight

Caleb Bobo

A few years ago, a group of concerned residents from the South Side of Hannibal, Mo., approached local leaders regarding a concentration of blighted homes in their neighborhood that were disrupting their community and attracting criminal activity. City Manager Jeff LaGarce and his team studied the issue, seeking to find a practical solution that would make a tangible difference.

The team found that when mapped geographically, the areas with the most criminal activity overlapped almost perfectly with the neighborhoods that had a higher number of rental and vacant properties. This trend is not atypical; research has found a link between higher levels of homeownership and lower levels of crime. Therefore, LaGarce knew that any solution would need to focus on single-family property investment and, ultimately, homeownership. Their research and planning resulted in the creation of Hannibal's Community P.R.I.D.E. (Planned Renovation, Investment, Development, Endeavor) Project, which takes lessons from major cities like Chicago and Philadelphia and puts them to work in a rural community.

The goal of Hannibal's program is straightforward: create a system that expedites the preparation and transformation of dilapidated properties and vacant lots into single-family housing investments. P.R.I.D.E. does just that. For one dollar, developers may acquire city-owned properties located within specifically targeted areas if they start construction of a single-family housing unit on the property within six months of the transaction and complete construction within 18 months of the acquisition

date. To further motivate developers, the city waives the permit, inspection and utility connection fees for the unit. The same incentive package is available to those who renovate existing, salvageable homes as long as the construction value exceeds $17,500.

P.R.I.D.E. rewards the homebuyer as well. Because the buyer is viewed as providing a community service through their investment in an underserved neighborhood, the city is able to reimburse them for municipal property taxes for three years. Ultimately, communities reap the benefits of this initiative; the new development outpaces the traditional tax forfeiture process, thereby lessening the amount of time that homes sit in a blighted condition.

In its first year, developers built and renovated 14 homes. The goal is to increase that number to 18 to 24 in 2018. LaGarce remains cautiously optimistic. He has yet to receive anything but very positive feedback. This is in part because P.R.I.D.E. benefits so many people. Neighborhood residents are seeing their communities slowly transform as new families move in to homes that replace unappealing dilapidated properties. Real estate agents now have a new market for home sales at prices that are attractive to young adults and first-time homebuyers. And local financial institutions have more demand for housing-related loan products, which spurs new business.

Banks may also find that participating in P.R.I.D.E. could help them accomplish some of their Community Reinvestment Act (CRA) goals, given the fact that the program incorporates both neighborhood stabilization and affordable housing development.

LaGarce credits two things to the program's success thus far. First, P.R.I.D.E. has always been outcome-driven. Throughout the planning and implementation process, he and his team maintained a laser focus on one goal: creating single-family housing units within neighborhoods in need of investment. That is what the residents wanted and what the city's research suggested would help alleviate this particular problem.

Secondly and equally as important, the city kept P.R.I.D.E. simple. They did not set out to become landlords, lenders or construction mangers. Instead, they focused on the things they could control, and built relationships with area professionals who could provide the resources and services the city could not. That mentality has led to a great relationship between the 26 investors who participate in P.R.I.D.E. and local banks, realtors and other area stakeholders.

Neighborhood blight is often thought of as an urban issue, plaguing only the largest cities in the United States. As a city of about 17,600 people,[1] Hannibal may be the last place one would expect to find a major community redevelopment initiative. However, the problems facing contemporary urban and rural neighborhoods are not all that different. As Hannibal's Community P.R.I.D.E. Project moves into its second year, the region may be witnessing the development of a new way for local government leaders and community stakeholders to revitalize rural underserved communities.

Caleb Bobo is an assistant consumer affairs examiner at the Federal Reserve Bank of St. Louis.

Endnotes

1. United States Census Bureau. (2016). U.S. Census Bureau, 2012-2016 American Community Survey 5-Year Estimates [Table View]. Retrieved from https://www.census.gov/quickfacts/fact/table/hannibalcitymissouri/PST045216.

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CDAC Spotlight
USDA Rural Development: Rural Prosperity in Tennessee

Arlisa Springfield Armstrong

USDA Rural Development is the lead federal agency for rural development needs. Our focus is to help rural communities grow and prosper. Rural America comprises 72 percent of the nation's land and 46 million people. Our locations in Tennessee, consisting of the state office and eight area offices, mirror the state's rural regions. Through the U.S. Department of Agriculture's development programs, rural Tennesseans are helped in many ways.

USDA Rural Development offers loans, grants and loan guarantees to support essential services, including housing; economic development; health care; first responder services and equipment; and water, electric and communications infrastructure. In addition, we provide loans and grants to help expand economic opportunities and create jobs in rural areas. This assistance supports infrastructure improvements; business development; homeownership; essential community services such as schools, public safety and health care; and high-speed internet access in rural areas. The figure provides a snapshot of the region that each area office serves and contact information for the area directors.

USDA Rural Development in Tennessee

Our programs were designed to improve economic growth and make positive differences in the communities that we serve. As in all areas in Tennessee, there are numerous demanding needs in the southwest area of the state. And there are many ways that the USDA addresses the issues and concerns of rural communities.

Every citizen deserves a decent and affordable place to live. Our Single-Family Housing programs are the No. 1 mortgage product in the nation. Through the Direct Home Loans program, USDA requires no loan down payment and no mortgage insurance fees, and we provide up to 100 percent of the financing. The program is designed for very low- to low-income people. We also have certified lenders who administer home loans, and we provide loan guarantees at 100 percent. Both of these loan programs help low- and moderate-income rural residents by providing affordable terms and conditions. USDA Tennessee has invested nearly $1 billion annually for the last 10 years in the Home Loan Guarantees program. USDA Rural Development can help ensure that decent, safe and affordable housing remains available through home repair loans and grants to remove health and safety hazards, or to make a home accessible for household members.

Workforce development is currently a hot topic in the Southwest Tennessee region. Manufacturers and other industries are not able to find the skilled workforce they need to continue to expand and increase their growth. With funding for infrastructure, business development and technical assistance, the USDA's rural business program is well suited to address this need for a more skilled workforce by working with rural communities to attract and retain skilled workers.

USDA Rural Development also supports economic development in rural areas by helping businesses invest in energy improvements. Rural businesses and agricultural producers are eligible to apply for either energy-efficiency or renewable-energy project funding through the Renewable Energy for America Program (REAP). For projects that generate renewable energy (e.g., a solar array), applicants may apply for a grant of up to $500,000. For projects that increase a business's energy efficiency (e.g., a dairy installing an energy-efficient milk chiller), applicants may apply for a grant of up to $250,000. For both project types, grant money can cover up to 25 percent of the eligible costs. Large-scale projects can apply for USDA financing through a REAP guaranteed loan throughout the year.

Through REAP, Kelcot Warehouses in Covington, Tenn., was able to purchase and install a 90.35-kWp (kilowatt peak) photovoltaic, or solar power, system that was roof mounted by Green Earth Solar.

A major priority of our agency is improvement or replacement of town utilities and improving water, wastewater and solid-waste disposal systems in rural areas. Due to aging water systems, a large number of communities do not meet state standards for water treatments. This issue can prevent our communities' further development within their town or city. These declining water systems are placing fiscal strains on communities, causing them to make more frequent and often costly repairs and upgrades to their water and wastewater systems. USDA's Water and Waste Disposal Loans and Grants program was developed to assist communities with these types of issues and many others. USDA Tennessee received a total of $138 million in 2018 to invest in communities through the Water and Environmental loan/grant program.

In addition to infrastructure projects, the USDA provides community facilities programs that offer direct loans, loan guarantees and grants. Funds can be used to construct, expand or improve facilities that provide health care, education, public safety and public services, including police departments, school districts, fire stations, child care facilities, local food systems, medical clinics, educational services and others. The USDA has reserved $5 million in the program and is giving priority to projects that address the opioid crisis in rural communities.

Some of the USDA's priority projects consist of affordable high-speed internet connectivity, public safety, behavioral and substance abuse centers, STEM education, advancement of innovative farm technologies and agritourism.

The city of Covington, Tenn., was able to purchase a new fire truck but needed USDA Rural Development to provide additional funding to purchase the top-of-the-line equipment needed to better serve its citizens.

Partnerships are important to all the programs that we provide. In order to continue to help communities thrive and be successful, we must work closely with our partners, including the state and county, local officials, economic development associations, local chambers, financial associations, and education and health organizations. We appreciate each one of these partners and recognize their hand in this effort to create prosperity and improve the quality of life for all rural Americans.

For more information about the work that we do, please visit www.rd.usda.gov/tn.

CDAC Member Spotlight

Arlisa Springfield Armstrong is a native of Haywood County, Tenn., and the area director of the Jackson Area Office of the USDA, where she has worked in Rural Development for 25 years. She has served in many roles and areas, including in the Jackson, Covington and Union City area offices. Armstrong has worked with local leaders in every West Tennessee county. She started as a county office clerk, was promoted to technician and then loan specialist. She is passionate about serving rural communities in Southwest Tennessee by providing financial assistance through loans, loan guarantees and grants. It is very important that she meets the needs of these communities through affordable housing, essential community facilities for towns and cities, water and waste systems, and creating and sustaining jobs through business programs. Armstrong's goal is to help bring prosperity and opportunity to rural areas. She is a member of the Community Development Advisory Council (CDAC) for the Federal Reserve Bank of St. Louis.

CDAC members are experts in community and economic development and financial education. They complement the information developed through outreach by the District's Community Development staff and suggest ways that the Bank might support local efforts. A list of current members is available at www.stlouisfed.org/community_development.

Calendar

September 2018

24 **Impact Investing in St. Louis**

St. Louis, Mo.

Sponsor: Audubon Associates

Contact: Mike Eggleston at **michael.c.eggleston@stls.frb.org**

27-28 **Banking and the Economy: A Forum for Minorities in Banking**

Charlotte, N.C.

Sponsor: Federal Reserve System

Visit: **www.kansascityfed.org/events/2018/banking-and-the-economy-forum-for-minorities2018**

October 2018

1-3 ***2018 Reinventing Our Communities*** **Investing in Opportunity**

Baltimore, Md.

Sponsors: Federal Reserve banks of Atlanta, Chicago, Cleveland, Minneapolis, New York and St. Louis, Annie E. Casey Foundation, Enterprise, FHLBank Pittsburgh

Visit: **www.philadelphiafed.org/ROC2018**

4 **#MoneyPurposeSuccess Summit**

Itta Bena, Miss.

Sponsors: St. Louis Fed, Higher Purpose Co.

Visit: **www.higherpurposeco.org/mps**

24-26 **2018 Bi-State APA Conference**

Kansas City, Mo.

Sponsor: American Planning Association

Visit: **www.apabistate.com**

30 The Present and Future of Bank On Account Data: Pilot Results and Prospective Data Collection

St. Louis, Mo.

Sponsors: Cities for Financial Empowerment Fund, St. Louis Fed

Contact: Meredith Covington at **meredith.covington@stls.frb.org**

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Have You Heard?

2019 Culture of Health Prize Applications Now Open

The Robert Wood Johnson Foundation Culture of Health Prize recognizes communities that have come together around a commitment to health, opportunity and equity through collaboration and inclusion, especially with historically marginalized populations and those facing the greatest barriers to good health. **The application deadline is Nov. 1, 2018.** For more information, visit https://www.rwjf.org/en/library/funding-opportunities/2018/2019-rwjf-culture-of-health-prize.html.

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https://www.stlouisfed.org/publications/bridges/summer-2018/resources

Resources

New St. Louis Fed *Policy Insight* Explores Duty to Serve Program

The St. Louis Fed has released a new report on Duty to Serve (DTS), a component of the Housing and Economic Recovery Act of 2008. DTS requires Fannie Mae and Freddie Mac to facilitate a secondary mortgage market in three underserved markets—manufactured housing, affordable housing preservation and rural housing. The goal of the program is to provide more homeownership and rental housing options for households with very low, low and moderate incomes. This Policy Insight provides an overview of the program, which began implementation in January 2018. Visit www.stlouisfed.org/community-development/publications/policy-insights/expanding-affordable-housing-options.