Is the Housing Crisis Over?

and how did it impact rural America?
Dear Friends,

Our nation is emerging from one of the most extensive and painful economic crises in memory. It is well established that housing markets were at the heart of this crisis, and millions of American households were unable to meet their mortgage payments or rent and faced foreclosure or eviction. Rural America was not unscathed. But nearly six years after the housing crisis, it is still difficult to determine the extent of housing foreclosures and related distress in rural areas. Assessing the level of damage in rural areas resulting from this crisis is complicated by geography and legal issues and procedures. Perhaps the most significant constraint is the lack of available and reliable data on rural mortgage performance.

At a minimum, we know that hundreds of thousands of rural residents lost their homes to foreclosure. Furthermore, too many rural residents have struggled with housing problems and inadequacies for years, if not decades, before the national housing crisis hit. With this backdrop we ask two basic questions; “Is the housing crisis over?” and, “How did it impact rural America?” These questions are not easily answered. But we have assembled some of the most knowledgeable experts in the affordable housing world who share their expertise, insights, and strategies to improve housing conditions in the wake of the housing crisis.

In this issue, we also hear from the Comptroller of the Currency on how financial institutions covered by the Community Reinvestment Act (CRA) can more effectively serve the credit needs of rural America. We learn how some nonprofit entities helped local communities to preserve affordable housing by repurposing foreclosed properties and through homeowner counseling. Last, but not least, newly appointed Administrator Tony Hernandez shares his thoughts and priorities for the United States Department of Agriculture’s Rural Housing Service.

We hope you find the Rural Voices heard here to be both interesting and informative.

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Discussing Community Reinvestment in Rural America*

by Thomas J. Curry, Comptroller of the Currency

How banks and federal savings associations can more effectively serve the credit needs of rural communities

Although the United States became primarily an urban nation in the 1920s, today rural areas cover nearly 75 percent of our land area and are still vitally important. Small towns and rural areas are integral parts of the American fabric. They have contributed immeasurably to our national history and culture and to a vibrant national economy. Rural America is a diverse composite, comprised of booming exurbs on the urban fringe to deeply impoverished Colonias in the Southwest, the Mississippi Delta, and on tribal lands. Yet, although the challenges have been daunting, there remains in rural America a pride in what’s there and a relentless spirit to overcome the challenges they face.

The financial services that banks and thrifts provide in rural areas include traditional offerings such as savings and checking accounts, as well as financing for homes, small businesses and farms, and municipal governments. Complex or innovative financial transactions designed to meet wide ranging needs, such as start-up businesses, natural resource development, renewable energy, and community health and educational facilities are also essential to the vibrancy of rural communities. Many of these transactions involve public-private partnerships, and they can occur on government-owned or native trust lands.

Rural America has financial needs that in some ways mirror, but in other ways differ from, those of their urban counterparts. Our financial system needs to work for all parts of the country, and it is my firm belief that the Community Reinvestment Act (CRA) should play just as important a role in addressing the credit needs of rural areas as it does in metropolitan areas. Over the years since CRA was enacted, the Office of the Comptroller of the Currency (OCC) and the other bank regulatory agencies have amended the regulations and accompanying guidance to encourage community development activities in rural areas. These changes provide CRA consideration for activities that benefit low- or moderate-income individuals or areas in the broader statewide or regional area that includes a bank’s assessment area, as well as activities in rural, distressed and underserved middle-income areas.

When the agencies began the current effort to update and modernize CRA, one of the key questions we asked was how well the adjustments to encourage CRA activities in rural areas were working to improve access to credit for community and economic development activities. The four public CRA hearings in 2010 raised a number of concerns about the lack of financing in rural areas. Some commenters observed that banking consolidation has led to an increasing number of larger institutions based in metropolitan markets, and that those institutions may engage in a heavier concentration of CRA-related community development activities in metropolitan markets. Many commenters said that CRA guidance addressing consideration of community development activities in broader statewide or regional areas created too much uncertainty because examiners had the discretion to decide whether the benefits to the bank’s assessment areas were too diffuse. Bankers also noted the difficulty of determining whether the needs of their urban-centered assessment

* This article was excerpted from a speech made by the Comptroller of the Currency before the National Community Reinvestment Coalition on March 12, 2014 in Washington, D.C. To read the full text of the speech please visit: http://www.occ.gov/news-issuances/speeches/2014/pub-speech-2014-38.pdf
areas had adequately been met so that they could then receive consideration for community development activities outside their assessment areas. In light of these uncertainties, some observers noted that banks tended to take the safe route and concentrate their community development activities where CRA consideration would be assured. In many cases that will leave CRA activities concentrated in metropolitan areas where banks’ assessment areas are located, creating or perpetuating an imbalance in community development activities between metropolitan and rural non-metropolitan areas.

After listening to these concerns, last March the agencies proposed several changes to the Interagency CRA Questions and Answers. Those changes were finalized in November. The final guidance clarified that an institution can receive CRA consideration for community development activities in a broader statewide or regional area that includes an institution’s assessment area, provided that the bank or thrift has been responsive to needs and opportunities in its assessment area. We believe this approach provides a more flexible standard for evaluating CRA consideration for community development activities in rural areas, and we hope these changes will lead banks to look outside their assessment areas to consider more opportunities to lend and invest in rural communities.

After these changes were finalized, the OCC took steps to publicize the new guidance. We published a newsletter featuring examples of how banks are financing business development and expansion in rural America. We recently published another newsletter highlighting best practices for extending credit to Native American communities, which are mostly in rural areas.

In fact, a primary mission of our Community Affairs department is to help identify community and economic development opportunities and to work closely with bankers to build awareness of these opportunities, particularly when they coincide with changes in CRA policy or guidance. We do this in a variety of ways. We maintain a comprehensive array of web-based resource guides on a variety of community and economic development topics, including Native American banking and rural economic development. We publish Community Developments Investments newsletters with detailed case studies, including the recent rural-focused editions I just mentioned. And our library of Insights reports provides “step-by-step” guides to using a variety of community development programs.

Our outreach activities are also quite extensive. We regularly hold banker roundtables and conduct webinars to build awareness of CRA-related opportunities. We also try to foster collaboration on community development projects by working closely with community organizations to identify local needs and communicate those concerns and opportunities back to bankers who serve those areas.

Cooperative and collaborative development efforts are always more successful than trying to go it alone. The community development initiatives taking place in Appalachia today are excellent examples of what can be accomplished through teamwork. That region has many of the characteristics that make rural community development challenging. It is large and geographically remote, making transportation difficult and services hard to deliver. Many of its residents are under-skilled or under-educated. Poverty is rampant. In recognition of these problems, Congress in 1965 established the Appalachian Regional Commission, or ARC, to work across political boundaries with various stakeholders. Despite success in cutting high levels of poverty by more than half, nearly 50 years later, ARC’s efforts to boost investment and economic development in Appalachia continue to be critical to the area.

ARC’s work remains just as crucial today—the Commission’s Appalachian Capital Policy Initiative is a multi-pronged set of efforts designed to address the entrenched deficit in economic development investment throughout the region. A necessary first step was assessing the magnitude of the problems, so ARC commissioned a study from its partner, NCRC, to perform a thorough evaluation of access to capital and investment in the region.

The Appalachian Capital Policy Initiative involves multiple facets and brings together public, private, and nonprofit partners. As part of this initiative, ARC has attracted private investment into five angel funds that are providing capital to companies

See “Reinvestment” on page 17
In 2008 the U.S. economy fell off a cliff. Depending on your perspective it either slipped or was pushed from that precipice by the housing markets. But after six years where are we? How were rural Americans impacted, and are there lingering effects from the crisis? Rural Voices assembled four of the most knowledgeable experts in the affordable housing world to help answer these complex questions and provide insights on how to improve rural housing conditions in the wake of the housing crisis.
Do you believe the housing crisis is over?

Eric Belsky: I think we have turned a corner in many places. Housing prices have started to move up again. Housing starts for both single family and multi-family are picking up. Home sales are also increasing. From a broad perspective, many markets are starting to head higher.

Some places continue to struggle to recover from such a significant downturn. Employment levels in these areas have not returned to the previous peak. There are still places with abandoned and vacant units as a result of foreclosure problems. For these areas, it is harder to get capital flowing again.

Chuck Wehrwein: While it is true that there are a lot of signs of recovery for the nation as a whole, the housing crisis is not over in many communities around the country. Many of the communities that we work in are still dealing with a backlog of vacant and abandoned properties.

Particularly feeling the brunt are families who are still under water on their mortgages and younger people who are unable to buy their first home because they can’t qualify for a loan or can’t find an affordable house – often due to crushing student debt.

And let’s not forget the families who can’t even afford to think about buying, yet are paying more than 50 percent of their incomes for rent or are homeless.

All of that points to a housing crisis that is not over yet.

Chuck Wehrwein is the Acting President & CEO of NeighborWorks America

What factors defined the “housing crisis”?

Sheila Crowley: What caused the home foreclosure crisis that came to a head in the fall of 2008 and precipitated the “Great Recession” is hotly debated. Explanations fall along predictably partisan lines. One side cites too much government interference in the marketplace, while the other side sees an unfettered marketplace allowed to run amok.

The undisputed result was that too many people took out home mortgages that they could not afford and too many lenders
made loans that they knew the borrowers could not afford. It did not matter to lenders, because they could sell off the loans to the secondary market, take the cash, and move on to the next borrower who confused home buying with a get-rich-quick scheme.

Gail Burks  
President & CEO  
Nevada Fair Housing Center, Inc.

Depending on which day and commentator you listen to it is the fault of the homeowner, bank, or society in general. They all got it wrong. Nothing in society rises or falls based on one thing. In our sworn testimony for the Federal Financial Crisis Inquiry Commission, we highlighted how various factors converged simultaneously to create the current market in our state or on a broader scale.

Nevada consumers initially complained about predatory lending practices in 1999. By 2001, the Nevada Fair Housing Center, Inc. began to see an average of over four hundred clients per month with predatory lending issues. Clients presented cases that included such loan practices as appraisal fraud, flipping, high interest rate loan products, excessive prepayment penalties and violations of federal law in the servicing of these loans. No one can debate the need for legitimate non-prime (subprime) lending products. The subprime market served individuals with little or no credit, along with those recovering from a financial setback.

This crisis was further fueled by the joining of strange bedfellows. Providers of services—brokers, correspondent lenders, title companies, appraisers, real estate agents—formed alliances to make money. Sadly, some consumers sought to grab the brass ring and become ‘investors’ and share in the new get-rich craze.

Eric Belsky: Housing markets had enormous amounts of stress placed on them. This is partly due to the lending crisis that resulted in many people buying homes that they could not afford. The bigger issue was the larger financial crisis and how that affected the broader economy. Many people became unemployed because of job losses that occurred in 2007 and 2008. They could not pay their mortgages or rents. Not everyone lost their job, many people found their hours curtailed. Some people replaced lost full time work with a part-time job. So, you had reductions in people’s incomes. All of those things created enormous stress on the housing market after a period of time where low interest rates and the availability of credit were driving up property values.

Chuck Wehrwein: Five or six years ago, the “housing crisis” that was in the news every day was defined by foreclosures. People were losing their homes to foreclosure at a truly alarming pace. Today, the housing crisis is defined by different factors. One is the lack of affordable rental housing, another is housing affordability, a third is tight lending standards, and a fourth is home values that leave many borrowers underwater.

Of course, there are other severe housing challenges that are much more long-standing, particularly in rural areas. These include a general lack of affordable housing and historically widespread poor housing conditions.

In the name of “wealth-building,” the home buying push that led to the Great Recession will be remembered as a massive transfer of wealth out of low- and moderate-income African-American and Hispanic communities into the hands of major financial institutions and their investors.

- Sheila Crowley

How was the housing crisis different for rural areas than the nation as a whole?

Chuck Wehrwein: Most rural areas didn’t see the wild price fluctuations that we saw in urban and suburban areas during the boom and bust years. So, while families lost value in their homes, they probably didn’t lose as much equity as urban and suburban residents.
But that is not to say that the housing crisis—and the foreclosure crisis—didn’t impact rural areas. There certainly was—and is—a housing crisis in rural areas—although it hasn’t been as well covered by the media. NeighborWorks has seen firsthand through our administration of the National Foreclosure Mitigation Counseling (NFMC) program the impact of foreclosures in rural areas and the need for education and counseling. Through July 2013, almost 180,000 families in rural areas had received foreclosure counseling through NFMC.

Gail Burks: Rural America experienced a crisis. In part, the financial meltdown contributed to a decrease in the ability to develop and leverage housing. Not only did consumers in rural America experience foreclosures but the development side was also impacted.

Eric Belsky: Rural home prices did not rise as much as they did in the suburbs or in urban areas. The drop in rural home prices was also less severe but it was still significant. Even so, rural areas did experience a strong house price cycle and prices remain well below the previous peak.

Parts of rural America have been struggling with chronic employment issues for a really long time. Add on to that a fall-off in construction, which is a very local activity, and the result is more damage in places that are already struggling. The hole created by all of this fall-out tends to be cumulative. Consumer spending fell. Savings rates went up. People were feeling that they had better spend less and borrow less. Those things translated into job losses across the country.

Five or six years ago, the “housing crisis” that was in the news every day was defined by foreclosures. People were losing their homes to foreclosure at a truly alarming pace. Today, the housing crisis is defined by different factors.

- Chuck Wehrwein

New construction jobs are starting to appear in some rural areas located on the edges of metropolitan areas. Although these jobs are not actually in rural areas, they are close enough for commuting. For example, rural areas with fracking are seeing strong growth.

What are some of the indirect or secondary impacts of the housing crisis?

Sheila Crowley

Executive Director

National Low Income Housing Coalition

In the name of “wealth-building,” the home buying push that led to the Great Recession will be remembered as a massive transfer of wealth out of low- and moderate-income African-American and Hispanic communities into the hands of major financial institutions and their investors. Not only has no one in a position of responsibility at these institutions been punished for the devastation of individual lives and whole neighborhoods, but the federal taxpayers bailed out most of these institutions, while providing too little, too late to the people who lost their homes and their assets.

Meanwhile, through the housing boom and bust and tepid recovery, the rental housing crisis only has gotten worse. The Joint Center on Housing Studies at Harvard University issues its “State of the Nation’s Housing” report each year. The 2014 report shows that two-thirds of renter households with incomes less than $15,000 a year spend more than half of their income for housing, as do 34% of renters with household income between $15,000 and $29,999.

The rental housing shortage has been exacerbated by the foreclosure crisis, as former homeowners moved into the rental market and potential homebuyers stayed in the rental market. An already inadequate affordable rental housing market has had to absorb the growing renter demand. In 2013, rental vacancy rates declined again to their lowest level since 2000 and rent increases continued to rise well above inflation.

Eric Belsky: Well established literature shows that people’s spending behaviors are influenced by their perceived wealth. When people think the values in their homes are higher, they are more likely to spend more freely than if the value of their home has gone down. When they do not have the cash to spend, they will borrow in order to do it. Many people refinanced their mortgages during the 2004-2006 period and they took cash out of their home equity in record amounts.

Today, it is very hard to get a loan against the equity in your home and a lot of people do not have equity in their home. This is starting to improve but it certainly is not completely in the rear view mirror. Job losses and employment continue to be a drag on many local economies.

There are both direct and indirect effects of the falloff in construction activity. Construction workers spend their wages in the local economies; they support the local stores and their local movie theater.
Join the Conversation

Please visit www.ruralhome.org/ruralhousingcrisis and add your story, perspective, or comments

Chuck Wehrwein
Acting President & CEO
NeighborWorks America

We definitely see some of the impacts of the housing crisis on NeighborWorks organizations and the residents they serve, including those in rural areas. The decrease in government funding for housing—both from USDA and HUD—has meant they are able to develop fewer new rental housing units, and that they are concerned about finding the resources to preserve existing units.

Homeownership has also been impacted. NeighborWorks organizations tell us anecdotally that it is harder for their customers to get mortgage loans due to tightened lending standards.

The Center for American Progress reported recently that nearly half of all mortgages made today go to borrowers with credit scores of more than 750, compared to 2001, when more than two-thirds of mortgages went to borrowers with scores lower than 750. That means more customers are looking to FHA and USDA loans for help. In addition, some of our organizations say the consolidation of USDA offices is leading to longer processing times for mortgage loans issued by the agency—a mainstay in rural communities.

Were the various federal responses to the housing crisis effective?

Eric Belsky: Certainly one of the most important aspects of the federal response is the very strenuous effort by the Federal Reserve to drive down long term interest rates.

When you look at some of the more specific tailored programs intended to address the housing crisis, I would say that both the Housing Affordable Refinance Program (HARP) and the Housing Affordable Modification Program (HAMP) helped. Millions of borrowers were reached by these programs. Some people, who otherwise might not have been able to, were able to reduce their mortgage payments because of HARP. The HAMP program has not affected as many homeowners. The NSP was undersized relative to the extent of the need.

Gail Burks: No. The design of programs such as NSP did not contemplate the additional due diligence required for rural properties. The guidelines for HARP failed to take into account the local real estate markets (all real estate is local) and the refinance rules that were in place with Fannie and Freddie due to receivership. In other words, some markets were upside down from an equity standpoint, refinancing was obviously not an option. Public trust is very important. Press announcements about programs that were not practical for the market caused many consumers to lose hope.

The goal of the HAMP program was admirable. However, execution was inconsistent.

Consumers received various degrees of assistance. The common denominator with all the programs, lender participation, was voluntary. The consistent loss of paperwork by lenders, inability to reach lender staff, lack of coordination between lender departments, made the program difficult.

As consumers lost faith in various announced programs, the rise in strategic defaults increased. The attitude of "why pay for something that is worth less?" seemed to overshadow the idea of contract obligations.

In Nevada, the passage of legislation to create a mediation program actually encouraged lenders to work with consumers more than all the federal programs. Similarly, litigation in some areas provided relief.

Sheila Crowley: The most fundamental goal of housing policy should be housing security, which is what the 1949 U.S. Housing Act prescribed: a decent home and a suitable living environment for every American family. Housing security means paying what you can afford to live in a home that is adequate for your needs and from which you move only by your own choice. Housing security means not living in fear of eviction or exploitation or violence or hazards to your health. Housing security means also being able to afford healthy food, appropriate medical care, transportation to get where you need to go, and other necessities, with enough left over to be able to save for emergencies, education, retirement, and maybe even a down payment on a house. Housing security as a renter is a necessary precursor to borrowing to buy a house.

Certainly one of the most important aspects of the Federal response is the very strenuous effort by the Federal Reserve to drive down long-term interest rates.

- Eric Belsky
What is the outlook, and what are some long-term ramifications for affordable housing?

**Eric Belsky**  
*Managing Director*  
*The Joint Center for Housing Studies at Harvard University*

If the economy continues to improve, which it does look like it will, house prices will also recover. This will restore people’s home equity, their ability to borrow, and their ability to spend. Some of the drag from government cuts is starting to abate and the economy seems to have forward momentum.

The housing market is very closely related to the broader economy. If the broader economy is doing better, I would expect housing to get back on the road to recovery. Higher interest rates have the potential to contain the recovery on the homeownership side. In addition, credit standards are still quite tight but they are getting a little less so.

Rental markets have been strong. Because of rental construction coming back and because many of the single family homes previously lost to foreclosures are coming back on the market for rent, you should see some moderation of rent increases.

The hardest thing to project is on the “for sale” side. What we are seeing is very unusual. There is a very low level of inventory of homes on the market. Even though you see softness in sales, house prices are going up. The number of homes for sale is starting to creep back up which suggests moderation in house prices. This could help maintain the recovery but higher prices and rising interest rates will diminish affordability.

**Chuck Wehrwein:** Let me start by saying that it is our experience at NeighborWorks that nonprofit community development organizations serving rural areas are some of the most creative groups out there. I am very confident they will continue to go a long way toward serving the housing needs of their rural communities.

However, there still are many people in rural areas who are in need of decent, affordable housing. Additional resources are needed to expand opportunities on a broader scale, and given the current funding environment, that will be very challenging.

**Sheila Crowley:** So today, there is much consternation about the “softness” of the home-buying market and constraints on access to credit for potential home-buyers. We should ask ourselves why a low-income renter whose neighborhood was blighted, who has not had a raise in years, who has friends and relatives who are still out of work or are underemployed, would believe that buying a house is a good thing to do. Low-income people have every reason not to trust anyone who tells them buying a house is good investment. What happened to their homes is fueling mistrust that will stay with foreclosed families for at least a generation.

The conflation of “house” with “asset” in the policy and political narrative of the 1990s and 2000s led us lose sight of the meaning of “home.” Home came to be idealized as a single family residential structure that the occupants “owned” by virtue of having borrowed money from a bank that is to paid off with interest in 30 years. Home as sanctuary and the center for family life became a secondary meaning and renting was relegated to a second class form of tenure. The federal government subsidizes homeowners through its support of the mortgage market, through the tax code, and through direct expenditures by HUD and USDA in amounts that dwarf support for renters.

**Until we can clearly identify the problem based on reality, solutions will continue to be illusive at best.**  
- Gail Burks

A major contributor to the rental housing crisis for very-low and extremely-low income (ELI) households is the reduction of federal government support with cuts to HUD and USDA programs. The solution to the rental housing crisis is in plain view. Modest adjustments to the mortgage interest deduction will raise enough revenue to fund rental housing programs for ELI households. All it takes is bipartisan political will, which unfortunately is in short supply.

The complete text of all interviews is available at [www.ruralhome.org/ruralhousingcrisis](http://www.ruralhome.org/ruralhousingcrisis).
the housing crisis and its wrath

Housing Affordability

Percent of cost-burdened households (paying more than 30 percent of their monthly income towards housing)

U.S. Mortgages in 2013:
5.6%

90+ days delinquent
2.5%

in foreclosure

Source: Core Logic, The Market Pulse, April 15, 2014

House Price Change, 2000-2014*

Outside Metropolitan Areas

Source: HAC Tabulations of FHFA Home Price Index

- Through 1st Quarter of 2014
Crisis of Affordability
The number of rural households paying too much for housing increased by 6 percentage points between 2000 and 2012.

Rural Housing Cost Burden by Tenure, 2000-2012

Cost Burdened
5.1 - 19.9
20.0 - 29.9
30.0 - 34.9
35.0 - 39.9
40.0 - 55.7

The number of rural foreclosures during the crisis is unknown due to a lack of quality data and reporting. But at a minimum, hundreds of thousands of rural residents lost their homes to foreclosure or eviction over the past several years.

Rural Homeownership Rate Decline by Race & Ethnicity, 2000-2012

The number of banks based in rural communities declined by 21% between 2000 and 2012.

Access an interactive version of this rural data graphic at bit.ly/rhc-map
Repurposing Foreclosed Properties in Rural America

A consortium of nonprofits works at the local level to reverse the devastating effects of the foreclosure crisis.

NALCAB, the National Association for Latino Community Asset Builders, represents and serves a geographically and ethnically diverse group of more than 100 non-profit community development and asset-building organizations that are anchor institutions in our nation’s Latino communities. NALCAB members are experts in implementing responsible, market-based strategies for developing neighborhood assets, investing in small businesses and building family wealth.

More than 35 percent of NALCAB’s members serve rural communities. The dramatic dispersion of Latinos outside of traditional urban centers into small towns has been among the most striking population shifts in the U.S. over the past 50 years. This demographic trend has brought much needed labor and entrepreneurial vigor to many rural communities, just as it has presented new social and economic challenges. Among the strongest impulses of the NALCAB founders was to provide access to capital and culturally relevant asset building services for Latinos living and working in rural and colonia communities.

The foreclosure crisis that sparked the Great Recession was particularly brutal in many rural counties. Adam Wodka’s 2009 study (Landscapes of Foreclosure: The Foreclosure Crisis in Rural America) estimated that 15 of the 20 counties with the highest rates of foreclosure were rural or mixed rural. While the sheer number of foreclosures was certainly higher and more concentrated in urban areas, NALCAB members immediately observed the market-depressing effects of foreclosures in small towns. Once impacted, however, rural communities were at a disadvantage when competing with large cities for resources. NALCAB connected urban and rural-serving non-profit organizations in a consortium strategy that leveraged substantial federal funding to address the impacts of foreclosure. The strategic assembly of select NALCAB member organizations into a national collaborative effort enabled the consortium to tackle important economic issues to reverse the devastating effects brought forth by the foreclosure crisis.

In February 2010, a consortium of 13 nonprofits organized by NALCAB received $137 million from the U.S. Department of Housing and Urban Development (HUD) to stabilize communities impacted by home foreclosures and abandonment in 8 states and the District of Columbia. This HUD Neighborhood Stabilization Program 2 (NSP2) grant is the single largest federal award ever targeted to predominantly Latino communities.

The consortium included markets in California, Arizona, Colorado, New Mexico, Texas, Illinois, Pennsylvania and Maryland and our nation’s capital, Washington D.C. Many of the consortium partners were already doing housing development in rural communities. They had an existing housing delivery infrastructure, but they lacked resources to stabilize these rural communities. It was understood that a balanced approach of urban and rural strategy was essential. While a strategy targeting only rural communities may not have been competitive, mixing urban and rural target areas made it possible for rural communities to access funding. Combining urban and rural strategy into our NSP2 application made us a stronger applicant and paved the way for the NSP2 award of $137 Million.

"NALCAB members immediately observed the market-depressing effects of foreclosures in small towns."
Foreclosures
Before & After

01 Home in Monte Vista, CO prior to rehabilitation
02 Rehabilitated home in Monte Vista, CO
03 Erica Cantu and her daughter in their newly rehabilitated home
04 The Bolanos family opening the door to their new home
05 CRHDC had a significant impact in rural Colorado, rehabilitating this home in Alamosa, CO
06 Home in Alamosa, CO after rehabilitation efforts from CRHDC
The CPLC/NALCAB NSP2 Consortium has now deployed the entire grant, and has used the proceeds from the sales of rehabilitated properties, to surpass $200 million in direct investment. In other words, the consortium partners not only deployed the entire NSP2 award, but it was done in an economically prudent manner that allowed the consortium to generate over $70 Million in program income to date. This amount of program income will continue to increase as existing housing inventory is rehabilitated and sold. The following impacts have been accomplished to date:

- 968 affordable single family units created
- 986 affordable rental units created
- 42 blighted properties demolished
- 54 properties land banked for future development
- 1,614 jobs created or retained

The following CPLC/NALCAB NSP2 Consortium Partners made a conscious decision to carve out funding to serve rural and colonia communities in their respective markets. Chicanos Por La Causa, Inc. (CPLC) of Arizona; Community Resources and Housing Development Corporation (CRHDC) of Colorado; Community Housing Improvement Systems and Planning Association, Inc. (CHISPA) of Salinas, California; and Tierra Del Sol Housing Development Corporation (TDS) of Southern New Mexico and West Texas were committed to serving the needs of their most vulnerable rural neighbors. The following are short summaries of the rural neighborhood investment strategies that the CPLC/NALCAB NSP2 Consortium implemented:

**CHICANOS POR LA CAUSA, INC. (CPLC) ARIZONA**

CPLC invested over $3.2 million of its NSP2 funds in the rural markets of Rio Rico & Nogales, AZ. Both communities are located in Santa Cruz County, adjacent to the border with Mexico. CPLC has produced over 50 housing opportunities for rural families. Most of the activity has been focused on acquisition and rehabilitation; however, they also acquired a five acre tract of land that they will land bank. The tract of land is in close proximity to an existing CPLC multi-family apartment complex. The newly acquired land will allow CPLC to construct much needed affordable rentals in Santa Cruz County. The NSP2 award has allowed CPLC to expand and complement efforts that it had already begun in the area. CPLC’s NSP2 program has created an undeniable economic boost to the real estate market in Santa Cruz County.

**COMMUNITY RESOURCES AND HOUSING DEVELOPMENT CORPORATION (CRHDC) COLORADO**

CRHDC had a broader program design that covered many rural markets. It acquired and rehabilitated 15 homes in rural Colorado; Alamosa, Del Norte, Walsenberg, and Monte Vista. These efforts led to increased home values, helped boost homebuyer confidence, recharged the local construction industry and revitalized homes that had become an eyesore in these neighborhoods.

CRHDC also produced 14 new units of site built and modular housing in Monte Vista and San Luis. Local residents welcomed this new development and it enhanced the appearance and vitality of these communities.

CRHDC engaged in multi-family housing; it acquired a 48 unit property in Sterling, CO with their NSP2 funds. It successfully leveraged additional funds from the State Division of Housing to cover the rehabilitation costs, plus it received a low cost loan from the State, to complete the project.

Additionally, CRHDC acquired land in Fort Morgan, CO, which will be the future site of a 50 unit farmworker housing community, to be named Sol Naciente.

**COMMUNITY HOUSING IMPROVEMENT SYSTEMS AND PLANNING ASSOCIATION, INC. (CHISPA) CALIFORNIA**

CHISPA demonstrated how a highly targeted approach could renew a specific neighborhood. CHISPA has made a significant impact in Greenfield, CA, a rural community in Southern Monterey County. CHISPA used NSP 2 funds to acquire four homes in a single cul-de-sac, which is located adjacent to an existing CHISPA rental property. The homes were rehabilitated and either sold or rented. CHISPA’s total real estate portfolio was an anchor for this neighborhood. CHISPA also acquired a single family home and a duplex in Greenfield that are being rented to households with incomes at or below 50 percent of area median income.

CHISPA continues its revitalization efforts in Greenfield. CHISPA is now building three brand new homes using HUD NSP funding. The homes will be sold in order to generate additional program income and create more new homes in the City of Greenfield. The city leaders have been vested partners and have expressed particular excitement that new construction has started again in Greenfield.

**TIERRA DEL SOL HOUSING CORPORATION (TDS) SOUTHERN NEW MEXICO & WEST TEXAS**

TDS launched its NSP2 program by acquiring four U.S. Department of Agriculture (USDA) foreclosures in Horizon City, TX. These units were in rough shape. Because of the isolation of this rural community, vacant properties were prime targets for theft and vandalism. TDS stepped in and ultimately acquired 16 homes in this rural market, revitalizing the homes and filling them with responsible and proud homeowners. The investment in this market definitely improved market conditions and helped put contractors and small business owners back in business.

In each case, these organizations were able to deploy funds rapidly and effectively because they had an existing track record of development in their target markets and well established relationships with local government and other partners. Furthermore, these organizations had already earned the trust of the community because of their past commitment to these rural communities. The NSP2 funds simply allowed them to complement their existing programs and services and allowed organizations of shared vision and mission to improve Latino communities – both urban and rural.

**Noel Poyo** is the Executive Director and **Christopher W. Sanchez** is the Program Director at the National Association for Latino Community Asset Builders – NALCAB. For more information please call the NALCAB Office at (210) 227-1010 or go to their websites: http://www.nalcab.org or http://www.nsp2nationalconsortium.org.
in five states in Appalachia. Also, the OCC, Federal Deposit Insurance Corporation (FDIC), and the Federal Reserve, in partnership with ARC and several state banking associations, have held educational sessions with banks to identify commercial lending opportunities. A particularly promising effort involves a group of high-performing Community Development Financial Institutions (CDFI) that formed an intermediary, Appalachian Community Capital, which is raising capital from banks to be used to lend in rural communities. Also, the Appalachian Funders Network, which is comprised of 35 philanthropic groups and government entities, is developing local programs for startup entrepreneurs. These collaborative efforts are necessary to address difficult problems.

Regional- or community-based CDFIs are particularly important partners for banks in remote rural areas and in tribal communities. A bank that has no local presence in these areas can work with a CDFI that may be able to help identify relevant federal and state small business and economic development programs. Also, bank support through grants or loans, including patient capital, such as equity equivalent investments, can allow CDFIs to establish loan funds that finance needed community development.

We hope to see more successful initiatives, similar to those taking place in Appalachia, as a result of our most recent efforts to clarify CRA consideration for activities in rural areas. To spread the word, the OCC will continue to educate bankers and community development specialists about successful rural financing opportunities. We also will continue efforts to explain in more detail how these new CRA Questions and Answers will be administered. To accomplish this we are working closely with our agency partners to issue examination guidance and to develop webinars and additional training for examiners, bankers, and community practitioners.

In closing, I want to emphasize that the changes that we made last fall to our CRA guidance were only a first step. The agencies are continuing to evaluate other CRA-related concerns and we are considering additional improvements.

For more information about the Office of the Comptroller of the Currency, visit www.occ.gov.

Save the Date!!

The Housing Assistance Council Presents:

2014 NATIONAL RURAL HOUSING CONFERENCE

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Check back with www.ruralhome.org
Frequently for conference updates
Housing Counseling Services Offer More than Just Counseling

by Keith L. Morris

While housing counselors are instrumental in helping people avoid foreclosure, they also provide invaluable resources to help families improve their lives.
When someone is facing foreclosure, there is usually a credit card collector calling constantly, a family member struggling with an illness, or a heavy stress over where the next meal might be coming from. The problem that the client comes to us about is often caused by another bigger issue that they may be dealing with. This is why a housing counselor does so much more than just housing counseling.

While we have always provided assistance with housing issues through our Legal Hotline for Michigan Seniors, Elder Law of Michigan has been a HUD-approved housing counseling agency since 2011.

We decided to expand our programs to become a housing counseling agency so that we could do a better job of helping clients deal with the issues that may be preventing them from owning or renting a home or apartment.

The goal of the housing counseling program is to help clients achieve their goals. In regards to helping with homeownership, these goals could be to downsize to a smaller, more accessible home; own a home for the first time; or become a homeowner again after going through challenges that resulted in a foreclosure of a previous home.

A housing counselor works with the client to figure out the alternatives and then allows the client to make an educated decision on how to proceed. This process is customized to each client but includes budget discussions, information on what resources are available, credit repair counseling, education on fair housing rights, and assistance with finding other housing if that is necessary. Housing counselors provide these services in an understanding, non-judgmental way.

These services are invaluable to someone struggling with the constant phone calls from the creditor, the overwhelming amount of incorrect information on the internet, and the fear of what to do if the family loses their home.

As a nonprofit that serves clients in suburban cities and rural counties, we recognize that there are additional challenges faced by our rural clients: limited access to services and fewer housing alternatives.

Many rural residents are perfectly fine with the fact that there aren’t many businesses nearby. In fact, that may be one of the reasons why they choose to live in the rural area. With the tight economy, nonprofits have to strategically locate where they can serve the most clients in a cost-effective manner. A large, mostly rural county in our service area has only one housing counseling agency actually located in the county. For residents on the other side of the county, that means almost an hour of travel each way to get assistance with their housing problems.

Another barrier is access to high-speed internet. Out of efficiency, many of the programs that help with foreclosure issues use a website or an online portal. While this works for those who are computer savvy and have a reliable computer with a good internet connection, several of our clients could only access these services with our help.

Making our services available by telephone means that we can try to provide as much assistance as possible without having the client drive a long distance to meet with us. There are still some issues using this method because there is not a nearby place to make copies or fax documents.

For those clients who commute into the larger cities for work, these issues can be addressed with the services available there. However, for our older, retired clients, that is not always so easy. We also discovered that some clients were not able to contact us because our office hours were the same hours that they worked. We had to make evening appointments available.
There are fewer housing options for some rural clients. In an ideal situation, our housing counselors would be able to work with the client and resolve the mortgage issue, allowing the client and their family to remain in the home. However, that is not always the case. In some cases, we have to work with the client to find alternate, affordable housing. Purchasing another home to live in is not an option at that moment due to credit issues. For many clients in this situation, we help them find an apartment that they can afford. For rural clients, rentals are not very plentiful, so relocating to another community is a reality that they must face on top of dealing with the foreclosure.

Because it is hard enough dealing with the housing issue, rural clients should definitely seek out a housing counseling agency to help. Recently, we had a client from a rural county who lost his job and was faced with foreclosure. Our housing counselor worked with him to go over his budget and determined that if he could get caught up, he would be able to afford to make future payments. They worked together by phone and through the mail to get all of his paperwork together. The client came to our office and worked with the counselor to complete an application for assistance through the Hardest Hit Fund program. After waiting several weeks, the client received notice that he was going to receive assistance and could save his home. Now, several months later, he just emailed us to say how thankful he is for the help.

Unfortunately, this is not always the outcome for our clients. Another client, a widow from a very small town in another rural county, contacted one of our other programs because she needed help buying food. After speaking with her, our benefits counselor realized that the client was also facing foreclosure. She gladly agreed to be helped by our housing counseling program. She was the victim of a fraudulent refinance scheme that took her money but never worked with her mortgage lender. Because she was not going to be able to afford the home any longer, our housing counselor worked with the client to find another place to live. After five months, the client was able to move into a subsidized housing complex in a nearby city and even recovered some of her money thanks to the legal help she received from the legal hotline.

Even for clients who are not able to stay in their home, the dream of homeownership is still possible. Housing counseling programs will work with the client who wants to own a home again in the future. Participating in a structured program to help with saving money and possibly rebuild credit is a good way to return to homeownership faster.

Housing counseling programs also can provide information on fair housing laws and discrimination. Whether you are looking to buy a home, take out a mortgage, or rent an apartment, you should know your rights.

Our housing counseling program, along with our other programs, does so much more than just answer questions and give
After five months, the client was able to move into a subsidized housing complex in a nearby city and even recovered some of her money thanks to the legal help she received from the legal hotline.

Keith L. Morris, J.D., M.P.A. is the President of Elder Law of Michigan, a private nonprofit that assists clients with legal counseling, pension counseling, benefits counseling, and housing counseling. Its new Housing Rights Center of Michigan assists clients of all ages and incomes in counties surrounding Lansing, Michigan.

New Look, Same Great Website!
The Housing Assistance Council has redesigned its website, www.ruralhome.org. The new HAC website features the same great content, but now includes a more user-friendly browsing experience and design.

Come visit the new www.ruralhome.org.

Upcoming Trainings from HAC
HAC will be offering several trainings in the coming months, including:

**eLearning**
- Nonprofit Board Membership: From Basics to Beyond (July 16, 2014)
- Canal Street Housing: Housing Homeless Veterans (July 23, 2014)
- Nonprofit Strategic Planning (July 30, 2014)

**Place Based**
- Sharpening Your Skills: Financial Management for Rural Nonprofits and Acquisition Rehabilitation for Rural Nonprofit Affordable Housing Development, both beginning on August 12, 2014 in New Orleans, LA.

For more information visit www.ruralhome.org/training.

HAC Releases Veterans Report at Capitol Hill Symposium
As two wars overseas wind down, the US will experience an influx of young veterans, while the demographic changes associated with the overall graying of America will provide new, unique housing challenges for older veterans. HAC’s latest report, From Service to Shelter, provides a national analysis of veteran demographics and examines the housing challenges faced by this population.

Access this report at www.ruralhome.org/servicetoshelter.
Matching a Difference in Rural America

by Tony Hernandez, Administrator, USDA Rural Housing Service

Newly appointed Rural Housing Service administrator shares his thoughts and priorities for USDA’s housing initiatives

I am honored and pleased to be the new administrator at the U.S. Department of Agriculture’s (USDA) Rural Housing Service (RHS). For more than 60 years, USDA has helped millions of rural residents become part of the American Dream of homeownership. I look forward to the opportunity to continue and expand this agency’s historic accomplishments.

I have now been on the job for some time and have been impressed by the vital work that we do to provide housing and community facilities in Rural America. In my 26 years in community development, I have strongly believed that housing is a conduit to family, neighborhood and community. I see RHS as a community development agency. The multiple roles we play—catalyst, partner, advocate, regulator and investor—improve people’s lives and create better communities.

With its wide open spaces filled with lush, natural beauty, combined with its small-town charms, rural America is a great place to live and raise a family. And, although rural America is changing due to the rise of new technologies like the Internet and the advent of globalism, one thing still holds true: homeownership remains one of the single-most important factors that help our rural communities thrive and prosper economically.

The resources in our community development toolkit include homeownership programs for rural families. USDA has two primary Single-Family Housing Programs that are a major provider of homeownership opportunities in rural communities. The direct homeownership loan program helps very low- to low-income families. It is designed to open the door to homeownership to those who do not qualify for mortgage credit from conventional lenders. These loans are available to families and individuals with a reasonable credit history and dependable income. This is not a government handout. Direct loans are repaid and subsidized to lower the monthly loan payment at a relatively small cost to the government.

For moderate-income families, we offer a guaranteed homeownership loan program and partner with participating private-sector lenders to provide home loans in rural areas at reasonable rates and terms.

For many Americans, especially those in rural areas, a home is the largest asset they will buy in their lifetime. Homeownership provides multiple, long-term benefits. It leads to greater economic security for families, who often can use the equity in their homes to build their credit, finance their children’s educations, improve the value of their property, or finance other necessities such as health care. Homeownership also helps families to plant long-term roots in their community.

Many rural residents who buy homes through USDA programs are first-time homebuyers. We also help current homeowners improve their homes through USDA rehabilitation loans or grants. Very low-income homeowners who are age 62 or older can qualify for grants to make health and safety improvements – such as accessibility accommodations – in addition to repairs. We are proud that USDA helps families start on the path of economic stability and a more secure future through homeownership.

The benefits of our housing programs extend beyond the homeowners themselves. USDA home loans also create economic opportunities for home builders, providers of durable goods such as lumber or appliances, and real estate agents. USDA home loans often represent the majority of the business volume for many real estate
In Fiscal Year (FY) 2008, USDA guarantees loans created approximately 63,000 homebuyers. By FY 2013 (which ended September 30, 2013), annual loan volume had climbed by more than 100,000 loans — an increase of more than 158%.

From the start of FY 2009 through the end of FY 2013, the program financed more than 700,000 homeowners. Rural Development financed about 3.6 times the number of loans the agency had financed during the previous five years.

My major priority is to focus on enhancing customer service through improved business processes.

Loans are only part of the story. The full story is about the people. My major priority is to focus on enhancing customer service through improved business processes. With the reduction of staff that RHS has experienced over the last few years doing more with less requires the team to implement new business processes to better serve our customers, improve the predictability of the process, and enhance productivity of our great staff. Many of the RHS processes have not had dedicated budget dollars to automate. This year’s technology budget has created the opportunity for RHS to implement automation solutions that will improve the quality, standardize processes, improve staff productivity, and provide better customer service.

And to better serve the people, one of my first priorities is to help improve processes and service at our Customer Center in St. Louis. Our success there will enhance customer service, reduce financial and regulatory risks, improve staff productivity, improve staff morale, and create employee development opportunities.

We recently assembled a Single-Family Housing Rapid Improvement Team of experienced staff from St. Louis and Washington, D.C. The team also included lenders, a representative from the Department of Housing and Urban Development, a USDA Rural Development State Director, and a USDA Rural Development Program Director.

I have implemented various business improvement techniques to identify other business processes for improvement. The following are some of the areas of focus:

For our Single Family Housing loan guarantee program, we are working to improve our processes for loan loss mitigation to help borrowers who are in danger of default. We are improving our front-end image processing for loan documents. And we are implementing an automated process for loan closing. We are also working towards implementing delegated loan underwriting to reduce workloads for both lenders and RD staff. In addition, we’re working on a single close, construction to permanent loan to streamline processes and reduce costs.

For the Single Family Housing Direct loan program, we are working to improve our processes for acquired properties (Real Estate Owned) to better manage these properties. We are streamlining our loan origination system and implementing a program to work with loan packagers for outreach and loan application submission.

In our Multi-Family programs, we are working on an electronic loan application, we are streamlining the processes for transfers of properties when an owner wishes to sell. To streamline property inspections, we are investing in hand-held devices. We are also working on an electronic loan/grant application for our Community Facilities program.

One of the critical success factors to better customer service is implementing program processes that are understandable, easy to go through, predictable, transparent, and done in partnership with our customers and stakeholders. As part of RHS’s business process improvement, I welcome the wisdom and input of all our great partners on how we can better serve the needs of rural America. Please do not hesitate to contact RHS with your ideas.

As the Administrator of USDA’s Rural Housing Service, I can assure you that I and everyone on our team are committed to improving the lives of rural Americans and creating ladders of opportunity. Using all of our community development tools and through our strategic partnerships we make a huge difference in the lives of millions of rural Americans every day.

I look forward to working with all our stakeholder groups to make a difference through partnership, collaboration, investment, and advocacy for rural America.

Tony Hernandez is Administrator of USDA’s Rural Housing Service.
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