



Comptroller of the Currency  
Administrator of National Banks

US Department of the Treasury

# Community Developments

Fall 2008

The OCC's Community Affairs Newsletter

## Gulf Coast Redevelopment **Pathways to Recovery**



# A Look Inside ...

Barry Wides, Deputy Comptroller for Community Affairs, Office of the Comptroller of the Currency (OCC)

The recovery effort in the Gulf Coast from the 2005 hurricanes is now entering its fourth year. Hurricanes Katrina, Rita, and Wilma created the greatest physical and economic destruction the United States has ever experienced from a natural disaster. The response at the local, state, and national levels, by necessity, involved a great deal of experimentation, as there had previously been no similar experience from which to draw lessons.

The past three years have included a broad array of initiatives, investments, policies, and programs from public, private, and philanthropic sector actors. This issue of *Community Developments* examines some of these initiatives through the vantage point of some of the primary organizations involved in the recovery effort—specifically, national banks, government agencies, and their development partners.

Working at their best, national and regional actors channel resources to local organizations that understand how to distribute resources to support local recovery. We see this strategy at work in the federal government’s special allocation of Community Development Block Grant (CDBG) funds to the state government and then down to local communities to help renovate and rebuild the housing stock and public infrastructure. We see it in the small business loan funds established by state governments, national and local nonprofit organizations, and foundations to support small business recovery.

The recently passed Housing and Economic Recovery Act of 2008 (HERA) includes several provisions that will have a special impact in the Gulf Coast, increasing the resources available at the local level.

For businesses, the Gulf Opportunity (GO) Zone Act of 2005 allows a bonus depreciation tax deduction for property placed in service before December 31, 2010. HERA eliminates a requirement that construction of these properties start by December 31, 2007. The date change ensures that more Gulf Coast properties will qualify for this bonus depreciation.

Though not specifically targeting the Gulf Coast, the increased allocation of low-income housing tax credits (LIHTC) to states will boost the amount of affordable housing created for lower-income households in the Gulf Coast. Additionally, HERA creates a new type of “high-cost area” for the LIHTC program, wherein a state credit allocating agency can designate specific projects to receive extra tax credits due to their high development costs. Projects so designated would then qualify for tax credits of 130 percent of their qualifying basis instead of the usual 100 percent. This provision will improve the financial feasibility for LIHTC projects receiving this designation in the Gulf Coast.

HERA restores the authority for banks to make affordable housing and community development investments under the public welfare investment authority in 12 USC 24 (Eleventh) (Part 24) in a mix of low-, moderate-, and middle-income communities. This enables banks to make Part 24 investments in distressed middle-income areas of the GO Zone without needing to demonstrate that the benefits will flow primarily to low- and moderate-income people.



Holy Cross School

**Rendering of the new campus of the Holy Cross School in New Orleans, which lost its historic campus to Hurricane Katrina. Banks have invested in support of its rebuilding.** (See articles on *Capital One* (page 13) and *Whitney National Bank* (page 16) for more details.)

As a result of HERA’s enactment, the federal government will put additional resources in the hands of the families and individuals who live and work in the Gulf Coast and in the hands of businesses that help Gulf Coast communities thrive. We look forward to seeing these resources at work.

As you read the articles in this newsletter, we hope you will find the experiences of banks, nonprofit organizations, state agencies, and businesses useful as your bank considers its own support for the Gulf Coast recovery.

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**Community Developments**

**Deputy Comptroller**  
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# Community Redevelopment in the Gulf Coast: How Banks Are Supporting Recovery

John C. Dugan, Comptroller of the Currency

Three years after Hurricane Katrina devastated New Orleans and the Gulf Coast – and while assessments of the damage from hurricanes Gustav, Ike, and this year’s hurricane season are still under way – three words strike me as the essential keys to long-term regional recovery: patience, perseverance, and partnering.

Inevitably, disasters of such magnitude create challenges that are more complex and difficult to address than anyone could anticipate. Thus the compelling need for patience – even though, as time goes on, patience can wear thin and is never inexhaustible.

As for perseverance, it’s obvious to anyone who has been on the scene, whether as a long-term resident or short-term visitor, that the recovery process will continue for many years – during which those committed to recovery will have to overcome countless obstacles, from uncertain housing market conditions to rising insurance costs.

And that brings me to the compelling need for partnering. A vast natural disaster demonstrates, beyond dispute, that no one can go it alone. No individual or group of citizens, no government entity, no financial institution has all the resources needed to restore a great city and revitalize an entire region. Everyone has to find ways to work together – pooling resources, sharing expertise, cutting red tape, finding creative ways to remove barriers to progress.

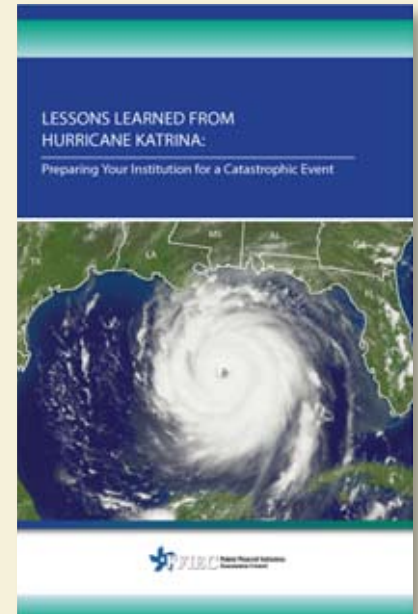
There has been ample media coverage of the obstacles encountered by Gulf Coast residents and institutions trying to rebuild livelihoods and

neighborhoods in the wake of Katrina and Rita. Inevitably, less attention has been paid to the success stories – the many instances in which banks, community development organizations, entrepreneurs, and government entities have worked together to get recovery projects funded and to move them from the drawing boards to fruition. But if we want to create a climate that supports sustainable long-term recovery, it’s vitally important to hear these stories and learn how such partnerships are working. That’s what this issue of *Community Developments* is all about.

## Disaster and Response

When Katrina struck the Gulf Coast in August 2005, it became the costliest natural disaster in U.S. history, destroying or damaging millions of homes and businesses and leaving in its wake the greatest displacement of people since dust storms covered the Great Plains in the 1930s. And Katrina was followed by Rita. Then Wilma struck Florida.

Ultimately, these storms displaced more than 750,000 people, disrupted at least 125,000 businesses, and damaged over 1.2 million housing units, with more than 300,000 totally destroyed or severely damaged (*see table on page 12 for housing damage estimates*). To a great extent, the storms were equal-opportunity calamities, afflicting affluent as well as low- and moderate-income communities and destroying large as well as small businesses. Together they created the most urgent and extensive need for community development investment in the modern banking era.



## Lessons Learned from Hurricane Katrina

In 2006, the OCC and other member agencies of the Federal Financial Institutions Examination Council and the Conference of State Bank Supervisors published *Lessons Learned From Hurricane Katrina: Preparing Your Institution for a Catastrophic Event*. The publication describes financial institutions’ experiences and lessons learned in the aftermath of Hurricane Katrina that other institutions may find helpful in considering their readiness for a catastrophic event.

This report is at [www.fdic.gov/regulations/resources/lessons/index.html](http://www.fdic.gov/regulations/resources/lessons/index.html).

I visited with area families and business owners and saw first-hand the appalling damage to their homes, businesses, and communities. It was clear that the recovery effort would require massive resources and many years of work, and that banks would play a key role.

## Section 1: A View of the Landscape

Three years later we can see considerable evidence of progress – while harboring no illusions about the challenges that still lie ahead. Those challenges have been magnified by this year’s hurricane season, even though the damage has not been on the same scale.

In the immediate aftermath of the 2005 storms, banks helped to avert additional disasters, both personal and regional, by working with borrowers needing to postpone mortgage and other credit payments. They also worked with

lawmakers and regulators to channel more funding resources to the region by having it designated as the Gulf Opportunity (GO) Zone. Areas in the GO Zone include those directly affected by storm and flooding damage from the hurricanes as well as those affected by the movement of residents from the directly impacted areas to surrounding areas.

High on the critical list was the need to replace structures that had been destroyed and to renovate damaged housing, businesses, and community

facilities. Areas experiencing substantial in-migration also faced a severe need to develop new housing and community facilities. East Baton Rouge Parish, for example, suddenly gained some 19,000 storm-displaced residents, and other communities found themselves similarly stressed.

National banks are addressing these needs. For example:

- Banks are partnering with local nonprofit organizations to support the rehabilitation and reconstruction of single-family homes. Banks provide financing; the nonprofits provide construction management and financial counseling for homeowners.
- Banks are supporting small business recovery and efforts to establish new businesses. In one partnership with local government and a nonprofit community development financial institution (CDFI), several banks are supporting the Baton Rouge Small Business Loan Fund, providing flexible financing for start-up or operating capital and targeting women and minority entrepreneurs.
- Congress provided supplemental New Markets Tax Credit (NMTC) allocations for the GO Zone, with a major share going to banks. Banks are using their NMTC investments to support businesses, schools, and other community facilities.
- Housing developers – including for-profit and nonprofit entities, established national entities, and local start-ups – have used the expanded Low-Income Housing Tax Credit (LIHTC) program in the GO Zone to rehabilitate, replace, and create affordable multifamily housing, creating opportunities for bank investments in the process.

### **\$1 Billion Gulf Coast Rebuilding Challenge Channels Capital into Gulf Region**

**T**he \$1 Billion Gulf Coast Rebuilding Challenge (the Challenge) channels capital in the form of deposits from America’s large corporations to local community banks participating in the Certificate of Deposit Account Registry Service, or CDARS.

By simply depositing funds in Federal Deposit Insurance Corporation (FDIC)-insured, interest-bearing certificates of deposit (CD), corporations and other depositors are helping to rebuild the region. These corporations include Bank of America, Fannie Mae, First American, General Motors, the Home Depot, and Microsoft.

The Challenge was announced in November 2006. Thirty-five community banks in the storm-damaged region are currently eligible to receive deposits. Corporate participants pledge to deposit \$1 million to \$5 million for five years through an eligible Gulf area community bank, though some participants have deposited much more than \$5 million.

The funds are placed in CDs using the CDARS service, which makes the full amount of the deposit eligible for FDIC insurance.

With CDARS, a bank that belongs to the Promontory Network can offer a depositor access to up to \$50 million in FDIC coverage. Through CDARS, the community bank places the funds in FDIC-insured CDs issued by multiple banks, making the deposits eligible for FDIC insurance for up to \$50 million. The community bank receives matching deposits from other banks, making the full amount available for Gulf Coast area lending.

To receive deposits through the Challenge, a bank must have less than \$500 million in assets, be located in areas affected by the storms as designated by the Gulf Opportunity Zone Act, and be a member of the Promontory Network.

Alden J. McDonald Jr., President and Chief Executive Officer of the New Orleans-based Liberty Bank & Trust, a participating community bank, summed up the purpose of the Challenge: “Get us the money to do our jobs and we’ll help get people back on their feet.”

For more information, contact Phil Battey at (703) 292-3357 or [pbattey@promnetwork.com](mailto:pbattey@promnetwork.com). You may also contact Brian Christie at (703) 292-3456 or [bchristie@promnetwork.com](mailto:bchristie@promnetwork.com).

- Banks are investing in regional funds supporting the reconstruction and creation of new, affordable housing. Several banks have invested in the Louisiana Loan Fund, a public/private partnership managed by the Local Initiatives Support Corporation and Enterprise Community Partners. The fund provides much-needed acquisition and predevelopment financing for affordable housing developers in Louisiana’s GO Zone.

***The OCC’s Support***

In 2005, we created a new position to serve as our Gulf Coast liaison – a District Community Affairs Officer (DCAO) based in the region helping to organize working groups of banks, local government officials, and leaders from business and nonprofit sectors.

Federal regulators, including the OCC, reinforced the importance of banks’ roles in supporting recovery. The Compliance Corner article on page 29 describes how the definition of community development in the rules implementing the Community Reinvestment Act (CRA) was amended to include support for recovery efforts in a federally declared disaster. Other regulatory changes have increased the level of CRA consideration that banks may receive for supporting recovery.

For example:

- The 2006 CRA Q&As explain that activities will be considered to revitalize or stabilize a designated disaster area if they are recovery-related and help attract or retain businesses or residents.
- OCC Bulletin 2006-6 explains how national banks located outside designated disaster areas may receive positive CRA consideration for activities supporting recovery.
- The time period for which banks may receive positive

CRA consideration for activities supporting recovery has recently been extended from 2008 to 2011 (*see OCC Bulletin 2008-24*).

- Additional bank support will be needed to help communities impacted by this year’s hurricanes Gustav and Ike, and potentially by other storms. CRA credit is available for bank activities in support of recovery efforts to revitalize and stabilize federally designated disaster areas for three years after the designation has been made. To determine which counties have been designated and when, banks should review the Federal Emergency Management Agency Designated Disaster Areas listing at [www.fema.gov/news/disasters.fema](http://www.fema.gov/news/disasters.fema).

**It was clear that the recovery effort would require massive resources and many years of work, and that banks would play a key role.**

To help maximize the impact of bank investments in affected areas, the OCC worked with congressional leaders to restore banks’ public welfare investment authority to include distressed middle-income census tracts, and this was included

in the 2008 Housing and Economic Recovery Act (HERA). This change facilitates national bank direct public welfare investments, such as affordable housing, in areas of the GO Zone that were not defined as low- and moderate-income in the 2000 Census. (*See “A Look Inside ... ” on page 2 for more details on other HERA changes*).

***Looking Forward***

Three years after the storms of 2005, national banks and their partners are providing much of the financial fuel and technical support needed to help bring back Gulf Coast communities. As you’ll learn from the articles in this issue, those three key words – patience, perseverance, and partnering – are hard at work in a striking variety of ways. But there’s much more to be done. For years to come, innovative and resourceful bank lending and investments can help shore up infrastructure, rebuild businesses, and provide affordable homes for people impacted by the Gulf Coast storms. These are not just good works: it can be good business for banks. The challenges and economic opportunities presented by the Gulf Coast offer a variety of ways for bankers to spur development and economic revitalization and grow their business in ways that are both sound and constructive.

<b>Contacts for Key Organizations Mentioned in This Newsletter</b>		
<b>Organization</b>	<b>Contact</b>	<b>Phone Number</b>
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Office of the Comptroller of the Currency	Scarlett Duplechain	(504) 828-6555
Office of Thrift Supervision	Aaron Satterthwaite	(972) 277-9569
Fannie Mae	Tim Carpenter	(985) 249-7392
Freddie Mac	Nancy Gresham-Jones	(770) 857-8860
Enterprise Community Partners	Michelle Whetten	(504) 821-7242
Local Initiatives Support Corporation	Evelyn Brown	(212) 455-9800
NeighborWorks America	Tom Deyo	(202) 220-2301
Federal Emergency Management Agency	Cindy Taylor	(202) 646-4600
U.S. Department of Housing and Urban Development	Brian Sullivan	(202) 402-7527

# Louisiana Recovery Authority Looks to Match Investments to the Right Recovery Opportunities

Paul Rainwater, Executive Director, Louisiana Recovery Authority

The Louisiana Recovery Authority (LRA) is the state's planning and coordinating body established in the aftermath of hurricanes Katrina and Rita to lead Louisiana's recovery efforts. Our board of directors includes business, civic, and political leaders, including representatives from the many industries that form the backbone of Louisiana's economy.

Our mission is to ensure that Louisiana rebuilds safer, stronger, and smarter than before. In pursuing this mission, the LRA initially focused on policy development and planning activities and now has power and oversight over the implementation of the programs it helped create.

We oversee and distribute billions of dollars in federal and state investments in the recovery effort and ensure that these public investments leverage additional ones from financial institutions, businesses, and individuals.

Currently, we are focused on streamlining our processes, eliminating any barriers preventing homeowners, businesses, and governments from rebuilding, and helping them access the resources they need. While our organizational goals are changing as Louisiana's recovery progresses, our objectives and strategies through 2009 are formally laid out in our strategic plan, which can be found at <http://lra.louisiana.gov/assets/docs/searchable/StrategicPlan0809.pdf>.

Louisiana is now three years into a rebuilding process that will likely last for years, because public investments in the initial stages lay the foundation for the private investment and

entrepreneurship that are ultimately key to our recovery.

We have dedicated more than \$11.5 billion to support homeowners in their rebuilding efforts and to increase the supply of affordable rental housing, approximately \$300 million to support small business recovery and \$700 million for our local governments to jump-start long-term recovery projects identified in the early days after the storms.

Much of these funds has already been put to work in communities, where they are invested alongside more than \$3.5 billion in federal funds dedicated through the Federal Emergency Management Agency (FEMA) for important infrastructure repairs, including repairing schools, health care facilities, and governmental structures. We expect to invest billions more in the coming years.

2008 has been an important year for us. We have focused our efforts on removing hurdles from rebuilding, even as we have continued to gather resources to support the recovery effort. As we see it, the LRA works not only to enhance Louisiana's recovery but also the state's image as a place to live, to work, and to invest—three essential components of a healthy state.

## *Small Business Investments*

Immediately following the storms, the state put \$10 million in state funds into a Small Business Bridge Loan



Marvin Nauman/FEMA

**New Orleans youth share their ideas for how they would like to see their community rebuilt during the LRA's "Collecting the Voices" effort part of Louisiana Recovery Planning Day in January, 2006.**

program that provided gap financing for more than 370 affected small businesses as it waited for Small Business Administration (SBA) loans or insurance proceeds. Shortly after receiving federal recovery funds, the state added another \$45 million into this program. This first phase of the bridge loan program provided short-term (up to 180 days) lump sum loans between \$5,000 and \$25,000 with zero or four percent interest rates, depending on the situation of the borrower.

The state invested \$35 million into phase two, which offered short-term (up to 180 days) lump sum loans that either carried a 6.5 percent interest rate or were interest free. The minimum loan amount for this phase was \$5,000, and the maximum was \$100,000.

Loan proceeds could be used only to maintain or restart a business in a designated area or in a temporary location in one of the qualifying parishes that sustained damage or interruption of operations from hurricanes Katrina or Rita. Banks were essential partners with the

Small Business Bridge Loan program as they contributed staff time to help develop the program and then originated and serviced the loans on the state's behalf. (*See Capital One article on page 13 and Whitney National Bank article on page 16.*)

As it became clear in fall 2006 that SBA loans and insurance proceeds were arriving more slowly than anticipated, the state set aside more than \$200 million for a grant and loan program for small businesses. The first phase of the Business Recovery Grant and Loan program, developed by the LRA and administered by Louisiana Economic Development (LED), was launched in January 2007 and enabled nearly 3,500 grants of up to \$20,000 to small businesses and loans of up to \$250,000 to more than 350 businesses. A second phase of this program was launched in April 2008. It aimed to help an additional 1,500 small businesses.

These funds are not only being used as emergency funding. They are being invested in innovative, hard-working businesses, which use the funds to pay critical operating expenses, diversify business offerings, and provide critical services to communities.

The funds support the rebuilding of the fishing industries in Plaquemines and Cameron Parishes and serve as operating capital for cultural businesses that retain the spirit and soul of our state. Additionally, these funds will repair retail and service companies, like CHL Linen in New Orleans, which uses its funds to buy fabrics that will help it replenish its stock and serve its customers.

Another company, Beary Cherry Tree Daycare, uses its grant award to pay for increased insurance costs so it can provide a critical community service. Businesses apply for these grants and loans at designated local community development financial institutions (CDFIs). These CDFIs

and other community-based lenders originate and service these loans.

The LRA and LED will apply approximately \$90 million of the repayment stream from the Business Recovery Grant and Loan program to establish a revolving loan fund for small businesses in communities in South Louisiana. This fund will help ensure a continued supply of capital for small businesses in the affected communities.

### *Housing Investments*

The LRA administers the \$13.4 billion in federal disaster recovery funds delivered, using the Community Development Block Grant (CDBG) program. Early in the recovery, the LRA prioritized the bulk of this funding to be used for replacing lost housing stock and infrastructure repairs, with a smaller allocation carved out for economic development. We channeled most of this funding into assistance for homeowner-occupants through the Road Home program, which soon became the largest home rebuilding program in American history.

The Road Home program offers grants to homeowners for their losses up to \$150,000, less money received from their insurance companies. So far, we have disbursed more than \$6.7 billion directly to more than 115,000 homeowners, so they can repair their storm-damaged homes through the Road Home.

Participating homeowners must agree to covenants on their property or enter into contracts ensuring that any new or rehabilitated structure will meet new building code requirements and FEMA elevation requirements, if applicable. In addition to rebuilding funds, Louisiana has launched a large home elevation program, devoting a combination of \$1 billion in CDBG funds with \$750 million in Hazard Mitigation Grant program dollars

## **The Louisiana Recovery Authority's Core Programs**

The LRA has focused its efforts in three areas, with multiple programs supporting each.

### **Small Business**

- Small Business Bridge Loan Program
- Business Recovery Grant and Loan Program
- Small Business Revolving Loan Program in South Louisiana

### **Housing**

- Road Home program supporting homeowners
- Piggyback program combining CDBG and LIHTC programs for mixed-income developments
- Small Rental Property Repair Program supporting small-scale landlords

### **Municipal Infrastructure**

- Long Term Community Recovery program
- FEMA reimbursement for infrastructure repairs by local governments

through FEMA. This will ensure that rebuilt properties will be safe from future hurricanes and floods.

We have also allocated approximately \$1.5 billion in CDBG funding for workforce and affordable rental housing, through our Piggyback program. This program couples CDBG funds with low-income housing tax credits to create unique, mixed-income, and affordable housing units. We have approved more than 30 such projects, and 13 have closed and are under construction.

In addition, we created a Small Rental Property Repair program to aid small "mom and pop" landlords, who provided most of the rental housing for the New Orleans workforce prior to Katrina. So far, the state has awarded grants to approximately



Charlie Simokaitis Photography/LISC

**Ashley Place, a LIHTC development in Denham Springs, Louisiana.**

6,800 owners of rental properties to restore about 12,800 units.

The grants are payable at the completion of construction and renovation. Of these, approximately 1,500 owners have received firm commitments from the state and are proceeding to complete their units. Nine projects totaling 13 units have been completed.

Skyrocketing insurance costs, coupled with the housing credit crunch, are slowing the repair and replacement process for many owners, but we know that more than 1,000 units are currently under construction. We are working with financial institutions to use our “conditional award letters” to back financing for these landlords, many of whom have had difficulty securing loans for their repairs.

Our partner agency, the Louisiana Housing Finance Agency (LHFA), is also working to produce about 7,500 units across the state through its tax-exempt bond and HOME Investment Partnerships programs. Additionally, GO Zone tax credits have already produced about 2,200 rehabilitated or newly constructed rental units.

### *Infrastructure Investments*

The LRA designated \$700 million of its federal disaster recovery funds for the Long Term Community Recovery program, which provides funds to support implementation of local long-term recovery plans in the most heavily affected communities in the state.

The program is generally used to repair municipal infrastructure damaged by the storms and otherwise to help enhance communities as places to live and places to invest for residents, business owners, and the financial institutions that support them. These funds supplement an almost \$7 billion set aside for infrastructure repairs by FEMA, of which the state has disbursed more than \$3 billion to reimburse local governments for their repairs.

The LRA has directed its focus to the implementation of longer-term strategies and the coordination of resources and partners to carry out that goal. As such, the LRA should be a useful partner for banks seeking to invest in the future of Louisiana. Our planning efforts, many of which are

outlined at [www.louisianaspeaks.org](http://www.louisianaspeaks.org), provide a blueprint for the region’s future to help guide assessments of different investment opportunities.

We continue to channel significant state and federal resources into recovery efforts, which should leverage private investments and increase confidence that our communities are open for business. And, together with our partner state and local agencies, we have our fingers on the pulse of the growing Louisiana economy and are eager to share ideas and opportunities with investors seeking to support our state’s growth.

Along with our neighbors in Mississippi, Texas, Alabama, and Florida, we recognize that Louisiana needs banks and other investors to support our continued recovery from the hurricanes of 2005. Without the continued commitment by banks to invest in our businesses and people, we will not be able to continue to move forward.

We also recognize that we have a strong economic foundation in place; together with the public sector funding initiatives, entrepreneurial spirit among our business owners, and pride and dedication among our homeowners and other property owners, we offer countless opportunities for a strong financial return.

At the LRA, we are eager to help match your investment appetite with the right business opportunity. We know Louisiana cannot thrive based on government investments alone. It is through banks believing in our state and investing in our small businesses, our property owners, and our future that we will meet our goal of rebuilding a better Louisiana.

For more information, contact the LRA at [info@louisianarecoveryauthority.org](mailto:info@louisianarecoveryauthority.org).



# Public and Private Programs Support Homeownership

Kristopher Rengert, Community Development Expert, OCC

Despite significant obstacles, public and private institutions—including banks—have offered a wide range of resources to support homeownership in the Gulf Coast. Some programs took effect immediately after the 2005 devastation had occurred. Many forbearance programs, for example, automatically suspended mortgage payments without penalty for several months. Longer-term programs helped homeowners weigh their options: repair damaged homes, dispose of them, and find new housing.

Easy answers were hard to come by, given the landscape at the time. More than 300,000 housing units suffered major damage or were destroyed in the 2005 storms. Over 190,000 of these units were owner-occupied. (See charts on page 12 for details on damage to housing units.) Although the majority of these homes carried hazard and/or flood insurance, the coverage was insufficient to compensate most owners for their losses.

If the magnitude of loss was great, so were the obstacles for moving forward. Gulf Coast homeowners faced these types of challenges:

- Repaying mortgages on damaged properties, while operating often with reduced income from job loss or disruption.
- Dealing with insecurity as planning organizations decide which severely damaged neighborhoods will have their infrastructure repaired and services provided and when this will happen.
- Negotiating insurance claims.
- Locating and paying for skilled labor to renovate their homes.

- Raising some existing homes onto a required raised foundation above the flood plain.
- Paying for the increased cost of insurance.
- Covering the increased cost of building supplies.
- Obtaining mortgage loan products in the face of tightened underwriting.

How public and private institutions responded during these trying times has certainly been debated over the years. But this much is true: these institutions developed an array of programs to support homeownership immediately after the storms, and many programs continue to provide much-needed support for those already owning homes as well as new home buyers.

## ***Immediate Support for Mortgage Borrowers***

Realizing that many homeowners were unable to return to severely damaged homes and could be without access to their home mail or telephone services, banks and other financial institutions holding or servicing mortgage loans reacted quickly by implementing automatic forbearance programs.

These gestures of goodwill typically allowed borrowers to suspend mortgage payments for several months. Sometimes, extensions were granted and payment plans were reduced. Fannie Mae and Freddie Mac implemented these policies for loans they guaranteed or owned in the hurricane-affected area.

The Federal Housing Administration (FHA) has a standard set of protections for Presidentially Declared Disaster Areas. The FHA extended



Michelle Miller-Freeck/FEMA

## **New elevated housing in Bay St. Louis, Mississippi.**

its protections for borrowers with FHA-insured loans, including requiring its servicers to extend forbearance provisions for 90 days.

Subsequently, FHA provided several extensions of this forbearance program through June 2006, for borrowers that committed to working with their servicers to repay outstanding payments. The U.S. Department of Agriculture and the U.S. Department of Veterans Affairs instituted similar forbearance policies (see page 15 of the spring 2006 issue of *Community Developments*). Many banks also provided similar forbearance provisions to their borrowers. (See *Capital One* article on page 13 and *Whitney National Bank* article on page 16.)

## ***Longer-Term Support to Preserve Homeownership***

### ***Programs Supporting Existing Homeowners***

The federal government provided special allocations totaling \$16.7 billion to Alabama, Florida, Louisiana, Mississippi, and Texas through the U.S. Department of Housing and Urban Development's (HUD) Community Development Block Grant (CDBG) program.



NeighborWorks

### **A new home being constructed in McComb, Mississippi.**

The bulk of this funding went to Louisiana, which received more than \$10.4 billion, and Mississippi, which received \$5.5 billion.

As described in greater detail below, both states dedicated substantial portions of these resources to help existing homeowners rehabilitate their homes. The legislation providing the special allocations lowered the normal CDBG income-targeting requirement for activities to benefit low- and moderate-income persons from 70 percent to 50 percent of the special allocations.

In addition to providing this CDBG funding through the states, the federal government, through the FHA and private mortgage lenders, assists families whose homes were damaged or destroyed through mortgage programs. As described below, the FHA administers two mortgage programs that support homeowners' efforts to rehabilitate their properties or, in cases where their housing units were rendered uninhabitable, that help homeowners and renters to purchase new homes

### ***Louisiana's Road Home Homeowner Assistance Program***

The Road Home program helps homeowners repair or rebuild their homes, buy or build replacement homes, or sell unwanted

properties for redevelopment or conversion to open space.

To qualify, an owner would have had to prove that he or she owned and occupied the property as a primary residence before August 29, 2005, and the home must have been in a single- or double-unit structure. The owner must have registered for Federal Emergency Management Agency (FEMA) Individual Assistance, and the home must be categorized by FEMA as having been destroyed, having suffered major damage, or be verified as meeting the FEMA damage classification at the destroyed or major damage levels.

The maximum funding under the program is \$150,000 per homeowner. Actual maximum funding may be less and is the gap between the required resources for repair, rebuilding, or resettlement and the resources available from insurance, FEMA, or other sources. Individual homeowners often may not receive this maximum funding under the Road Home program because the assistance available to the program is capped.

The Louisiana Recovery Authority (LRA) runs this program (*see article on page 6*), and applications were due July 31, 2007. The program has assisted 105,000 homeowners through April 2008.

For more information, visit the LRA's Web site at [www.lra.louisiana.gov](http://www.lra.louisiana.gov).

### ***Mississippi's Homeowner Grant Assistance Program***

The Mississippi Homeowner Grant Assistance Program includes two phases to help rebuild homes destroyed by the 2005 storms. Some homeowners will receive grants under phases one and two.

Phase one provided up to \$150,000 in compensation grants for damages to a primary residence that were

not compensated by FEMA, private insurance, or other sources. This phase served more than 20,000 homeowners through April 2008 with grants amounts averaging \$71,000. By the time all grants have been made, phase one will have used approximately \$1.28 billion out of the \$3.24 billion that the state allocated for its Homeowner Grant Assistance Program.

Phase two is still in operation and is expected to have made 5,100 grants after it finishes processing approved applications. This part of the program provides compensation grants of up to \$100,000 to homeowners whose primary residences were damaged.

In addition, phase two provides grants of up to \$30,000 to eligible applicants to help them elevate their homes above the flood zone. Applicants must have a household income at or below 120 percent of the area median income (AMI) and agree to a covenant on their property that establishes building code, homeowner insurance, and elevation requirements for them and any future owner of the land. This program is intended to ensure that grant recipients protect their properties from flooding from future storms.

### ***FHA's Rehabilitation Mortgage Insurance Programs***

HUD's FHA 203(k) program provides refinance loans covering both the existing mortgage and the cost of needed rehabilitation. For owners of homes affected by the hurricanes, HUD increased the amount of rehabilitation that could be financed under the program and extended the time for completing financed rehabilitation activity. (*See Capital One article on page 13 for more details.*)

Another HUD program, FHA 203(h), provides mortgage financing for families whose homes are destroyed or severely damaged in a Presidentially

Declared Disaster Area. This financing is available to families who had been homeowners or renters and if their homes were destroyed or damaged to such an extent that reconstruction or replacement is necessary.

Insured mortgages may be used to finance the purchase or reconstruction of a one-family home that will be the principal residence of the homeowner. The mortgage amount is limited to the standard FHA insurance limit for the area where the home is purchased or reconstructed. Participants may buy homes anywhere in the United States. For more information, visit [www.hud.gov/offices/hsg/sfh/ins/203h-dft.cfm](http://www.hud.gov/offices/hsg/sfh/ins/203h-dft.cfm).

Banks have partnered with nonprofit organizations to finance the rehabilitation of owner-occupied units. In these partnerships, the banks provide construction financing, and nonprofits offer financial counseling

and construction management to the owners. (See the *NeighborWorks America* article on page 22 for an example of how the *Neighborhood Housing Services of New Orleans* has partnered with banks.)

### ***Mortgage Revenue Bond Programs for First-Time Home Buyers***

The Louisiana Housing Finance Agency (LHFA) operates several mortgage revenue bond (MRB) programs and one program that combines HOME Investment Partnership and MRB funds (HOME/MRB program) to support first-time homeownership for low- and moderate-income families.

The first-time home buyer requirement is waived for the MRB-financed programs (not for the HOME/MRB program) for those buying in

targeted economically distressed census tracts or in targeted parishes impacted by hurricanes Katrina or Rita. The requirement is also waived for buyers who had owned a home as of August 28, 2005, that was rendered uninhabitable by hurricane Katrina. Since the hurricanes, the LHFA has issued more than \$200 million in MRBs, helping over 1,700 families buy homes in 2006.

The Mississippi Home Corporation used \$157 million in tax-exempt bond authority to issue MRBs to support Mississippi home buyers, many of whom were affected by hurricane Katrina. Qualifying home buyers are eligible for below-market interest rates, and the program helps pay for a portion of closing costs. More than 2,700 low- to moderate-income families, including 400 in the coastal counties, have purchased their first homes

## **Gulf Opportunity Zone Act Extends Reach of Tax Credit Programs**

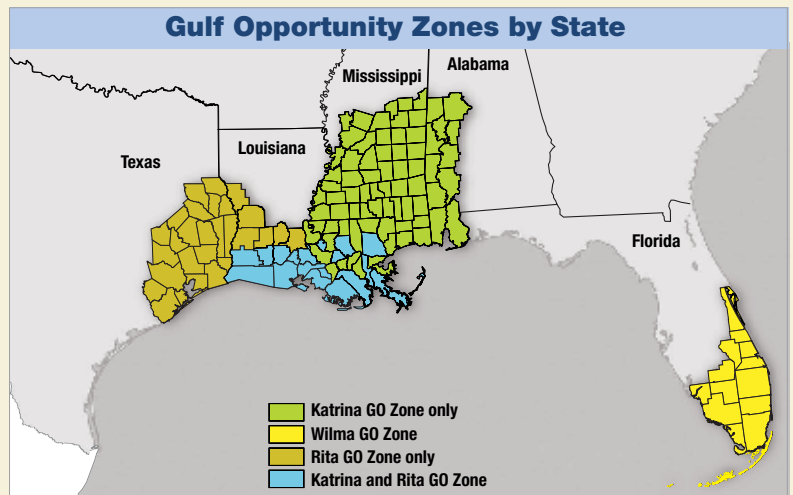
The Gulf Opportunity Zone Act (the Act), passed by Congress in 2005, increases the resources available under three federal tax credit programs to support the rebuilding effort in the Gulf Coast region. These programs are the:

- Low-Income Housing Tax Credit (LIHTC), which allows developers of low-income housing to sell federal tax credits equal to a large percentage of the cost that is incurred when building the low-income units in a rental housing project.
- Historic Tax Credit (HTC), which provides a tax credit applied to the rehabilitation costs of historic buildings.
- New Markets Tax Credit (NMTC), which permits tax credits for investments in Community Development Entities serving low-income communities.

The Act increases the tax credit available under LIHTC in those 2005 hurricane disaster areas, also known as “GO Zones,” designated by the President to require individual and public assistance under the Stafford Disaster Relief and Emergency Assistance Act (the Stafford Act).

The Gulf Opportunity Zone Act also provides that properties placed in service during 2006-2008 in any of the hurricane disaster areas be considered to exist in a difficult development area, which increases the amount on which tax credits are calculated. The designation of any community as a difficult development area under the Act will extend through 2010.

The Act authorizes the issuance of bonds to finance the construction and rehabilitation of residential and nonresidential property located in those hurricane disaster areas deemed to require assistance under the Stafford Act.



Source: U.S. Government Accountability Office (GAO) presentation of Internal Revenue Service information. Map originally published in a July 2008 GAO report to the Committee on Finance, U.S. Senate, and the Committee on Ways and Means, U.S. House of Representatives. Report is titled *Gulf Opportunity Zone: States Are Allocating Federal Tax Incentives to Finance Low-Income Housing and a Wide Range of Private Facilities*. Original map appears on page 8 of the GAO report, which can be downloaded from [www.gao.gov/new.items/d08913.pdf](http://www.gao.gov/new.items/d08913.pdf)

## Section 1: A View of the Landscape

through this program. Mortgages are originated by participating lenders.

### *Additional Funding for Increased Insurance Premiums*

The “wind pool”—officially known as the Mississippi Windstorm Underwriting Association—is a wind and hail insurer of last resort for homes and businesses in Mississippi’s coastal areas, including Harrison, Hancock, Jackson, Stone, George, and Pearl River counties.

The wind pool is funded through customer premiums and assessments from every insurance company in Mississippi. In 2006, the 16,000 policyholders insured for wind and hail damage, almost all of whom had already incurred devastating personal losses, faced the prospects of huge increases in their annual wind pool premiums.

To offset the increased cost of reinsurance associated with the wind pool, Mississippi set aside \$50 million in CDBG funding. This action enabled the Mississippi

Insurance Commissioner to reduce the increase in wind and hail insurance rates, from a requested 400 percent increase to a 90 percent increase, saving the affected homeowners an average of more than \$2,000 a year.

By 2007, the wind pool had doubled to include 32,000 policyholders. That year, Mississippi passed the Mississippi Growth and Redevelopment Act of 2007, which created the Mississippi Windstorm Underwriting Association Reinsurance Assistance Fund. This fund created long-term resources to help the state keep wind pool premium increases at a manageable level. The fund is set up to operate through 2010.

In 2006, LHFA created an innovative addition to its HOME/MRB program by creating an insurance assistance program that provides for two percentage points of the interest paid by borrowers to be placed in an escrow account to be used to prepay the homeowner’s insurance premiums. This subsidy is covered by the HOME/MRB program in the form of a lowered interest rate charged to the borrower. For instance, as of August 2008, the

nominal interest rate charged by the HOME/MRB program is 4.85 percent. As the borrower makes mortgage payments, the loan servicer deposits two percentage points of the interest into the borrower’s escrow accounts for insurance and sends the remaining 2.85 percent to LHFA. According to LHFA, 35 buyers participated in the first five months of this program.

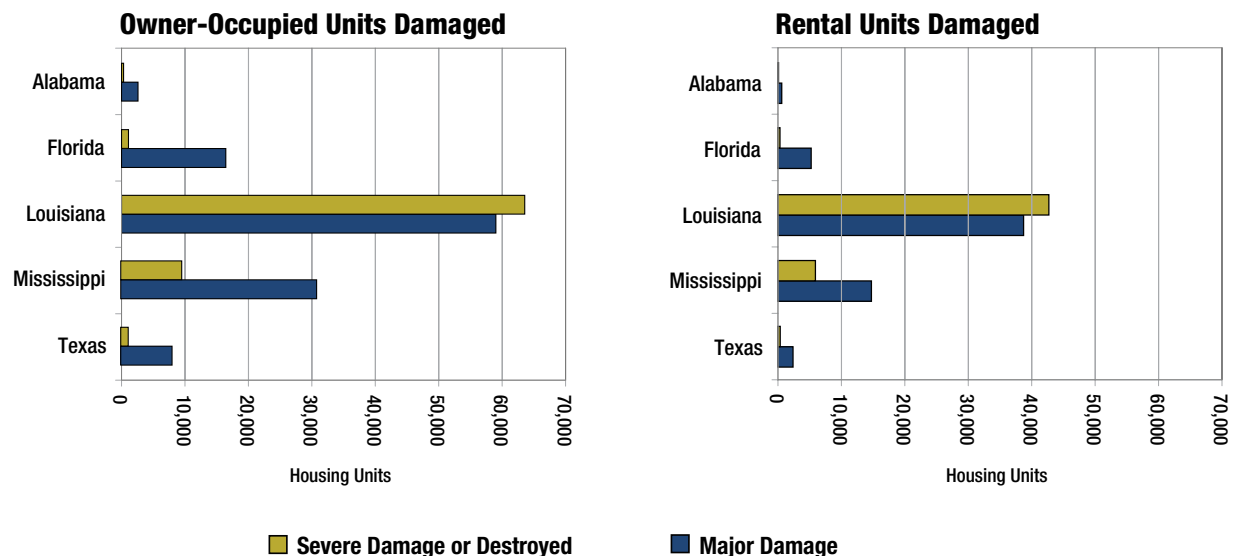
### *Looking Forward*

Many homeowners and prospective home buyers are reticent to invest in Gulf Coast real estate. Indeed, many still have not addressed storm damage to their properties.

Yet public and private partnerships continue unabated, programs continue to offer important financial assistance, and hope remains. As the planning processes in Gulf Coast municipalities are completed and their plans executed—and as economic conditions strengthen regionally and nationally—homeownership in the Gulf Coast should reach a new equilibrium.

For more information, contact Kristopher Rengert at (202) 874-4798 or [kristopher.rengert@occ.treas.gov](mailto:kristopher.rengert@occ.treas.gov).

## Hurricane Damage to Housing



Source: FEMA

Note: Major damage refers to units that sustained between \$5,200 and \$30,000 in damages. Severe damage indicates units with over \$30,000 in damages.

**How Banks Contribute to the Recovery Effort**

Section 2 includes two articles examining how Whitney National Bank and Capital One responded to the hurricanes of 2005. The articles describe how the banks reacted to support their local employees and their customers in the immediate aftermath of the storms, as well as how they have adapted their business lines to support the medium and longer-term recovery of the region. Section 2 also presents the experiences of Wisznia Associates, a New Orleans architectural and development firm, working with its lending partners, in adapting various federal funding programs to support mixed-use developments in New Orleans. We also present a sidebar on the Gulf Coast Opportunity Challenge program organized by Promontory Interfinancial Network to channel large-scale investments into FDIC-insured deposits in community banks in the Gulf Coast area.

**Capital One Bank: Meeting the Needs of Customers, Employees, and the Gulf Coast Region**

*Dorothy Broadman, Head of Community Development Banking, Capital One Financial Corporation*

In 2005, Capital One acquired Hibernia Bank, the largest financial institution in Louisiana. Headquartered in New Orleans, Capital One Bank associates soon found themselves literally and figuratively in the eye of Hurricane Katrina when it hit landfall that year. Critical issues of survival and restoration immediately confronted us, our customers, and the communities we serve.

The unparalleled dimension of the crisis wreaked by Katrina required a comprehensive and proactive response. Building on Hibernia’s 140-year history of serving New Orleans, Capital One Bank mobilized resources across the company, including retail banking, all of our lending areas including small business, commercial, commercial real



Capital One

**The Park at Lemoyne in D’Iberville, Mississippi, a LIHTC housing development by the Park Companies, created with construction funding by Capital One.**

estate, mortgage, consumer, community development banking, and community relations.

Each of these units played a role in the immediate aftermath of the disaster, and they continue to assist with the region’s recovery today.

**An Affordable Development in D’Iberville, Mississippi**

The Park at Lemoyne is a development of The Park Companies, the third-largest affordable-housing developer in the nation, according to Affordable Housing Finance. The Park at Lemoyne will have 160 new rental units, all designated as affordable. Construction began in October 2007 and should be completed by July 2009.

The Park at Lemoyne is located in D’Iberville, Mississippi, just north of Biloxi and about halfway between New Orleans and Mobile. Thirty-two units will be affordable to 50 percent of area median income (AMI) at rents from \$360 to \$488 per month, and 128 units will be affordable to 60 percent of AMI at rents from \$450 to \$610 per month. These affordable rents compare favorably with market rents of \$800 to \$1,016 for older properties that are generally fully occupied.

The financing for The Park at Lemoyne consists of a construction loan and low-income housing tax credits (LIHTCs). When the property is built and leased, the construction financing will be replaced by a permanent loan from Charter Mac/Fannie Mae. Centerline Capital syndicated the tax credits. Capital One is providing the construction loan and a standby letter of credit (LC) to secure the permanent loan rate lock.

Capital One studied many competing affordable complexes in the Biloxi/Gulfport area when it underwrote The Park at Lemoyne development plan, and it found no vacant units. Almost all of the comparable properties have a substantial list of prospective tenants—some at as high a level as 20 percent of total units. Based on these findings, Capital One believes that The Park at Lemoyne, like Riverchase, may be one of the most needed developments it has financed to date.

<b>The Park at Lemoyne Sources of Funds</b>	
<b>Capital Sources - Construction</b>	<b>Amounts</b>
Construction Loan (Capital One N.A.)	\$ 8,922,000
Standby LC (Capital One N.A.)	106,000
LIHTC Equity	14,930,000
<b>Total</b>	<b>\$23,852,000</b>
Source: Capital One	



Capital One

**Riverchase in Gulfport, Mississippi, a LIHTC housing development created with construction funding by Capital One.**

### *Supporting Associates Immediately Before and After Katrina*

As the likelihood of a hurricane became apparent, the bank's first priority was assisting our employees. The bank expedited payroll to assist with evacuation costs. Immediately after the hurricane, we located and assisted 3,100 displaced employees by establishing emergency hotlines to provide answers to individual questions.

Additionally, the bank broadcast radio and television advertisements with information updates, and it made \$30 million available for bank employees' housing and emergency shelter needs. The bank spent an additional \$2.7 million on other emergency expenses, such as food, child care, and car rentals.

Helping employees address basic life needs and cope with personal trauma enabled the bank to reopen branches quickly and ensure that staff members were available to provide much-needed banking services.

### *Supporting Borrowers through Forbearance*

Forbearance was a key principle in meeting customer needs in the wake of the hurricane. Capital One deferred payments on all consumer and most small business loans and lines of credit. Consumer loans were deferred until January 2006, and mortgage loans were suspended for up to three months with

no reporting to the credit bureaus. In addition, the bank provided mortgagors with 18-month forbearance, established a skip-pay in September for credit cardholders, and lowered interest rates and minimum payments for six months.

### *Access to Branch Service*

Recognizing that all bank customers in the affected areas, not just Capital One customers, needed access to banking services, the bank, in an unprecedented collaboration, provided space to competitor banks that were unable to open their own offices. We arranged bus service to Capital One branches and to our competitors' branches so local residents could cash Federal Emergency Management Agency (FEMA) checks, and we waived foreign automated teller machine (ATM) fees. Additionally, the bank:

- Established an emergency hotline to provide the latest update on the status of efforts to restore customer service.
- Created and distributed disaster recovery fact sheets in branches.
- Distributed stored-value cards for Red Cross disaster relief assistance.
- Provided spare checks and ATM/debit cards.

Capital One was the first bank to restore banking in New Orleans East, one of the city's largest neighborhoods and one of the areas hardest hit. The bank was also one of the first to open a temporary branch in the heavily impacted St. Bernard parish.

### *Public Policy Advocacy Enhancing Home Mortgage Lending*

Following the hurricane, Capital One joined other banks and regulators in meeting the needs of bank customers recovering from the disaster. One of the priorities was supporting the housing market in the wake of storms that severely damaged hundreds of

thousands of housing units. The extent of damage to housing required that banks and regulators rethink mortgage rehabilitation products.

Along with the Finance Authority of New Orleans, Capital One employees took the lead in advocating for changes to the Federal Housing Administration (FHA) 203(k) rehabilitation product and the FHA Streamline product, specifically for hurricane-affected areas. The resulting modifications extended the permitted rehabilitation period and expanded the types of construction allowed for the 203(k) product and increased the dollar limit for the Streamline product.

Approved in October 2006, more than 550 families have benefited from these modifications through May 2008. As homeowners become increasingly able to address a myriad of challenges presented by the hurricane, including access to federal recovery funds, the availability of qualified contractors, weakened credit scores, and increased insurance and construction costs, we anticipate a significant increase in the number of families who will benefit from the modified products.

Capital One also led the advocacy to increase first-time home buyer subsidies from the city of New Orleans for low- and moderate-income families still struggling to find housing post-Katrina. The additional subsidies, increased from \$25,000 to \$50,000, were needed because of significant increases in housing and insurance costs following the hurricane.

### *Small Business Lending and Economic Development*

Small business needed as much attention as homeowners did in the recovery period, and Capital One pursued a number of small business initiatives. These included participating in two rounds of the Louisiana Emergency Bridge Loan Program by

providing nearly \$8 million to 183 small businesses. The bank accounted for 30 percent of loans extended in the first round of the program and 10 percent of the loans in the second round. The bank also participated in the Louisiana Society of CPAs' Disaster Recovery Seminar series, which disseminated information about governmental assistance programs to business owners.

The bank provided payment deferrals to all small businesses located in hurricane-affected areas for 90 to 120 days following the hurricane. Finally, Capital One issued updated disaster-planning guidelines to help businesses prepare for future hurricane seasons. This information was disseminated through press releases; the guidelines are available at [www.capitalonebank.com/disasterplanning](http://www.capitalonebank.com/disasterplanning).

Capital One also supported a number of strategies to assist small businesses needing loans that did not meet standard banking credit requirements. Among these strategies was the establishment of the Baton Rouge Micro and Small Business Fund created in partnership with the mayor of Baton Rouge and other financial institutions. The fund promotes economic development by providing technical assistance and financing to non-bankable, small businesses that create jobs. The Baton Rouge fund is an important part of the recovery effort because many New Orleans small business owners seeking to start anew relocated in Baton Rouge after Katrina. Capital One also invested in the fund and provided an operating grant. This fund is just beginning and already has a substantial pipeline of projects and a few loan closings. Seedco Financial Services, a national community development financial institution (CDFI), has been retained as the fund operator.

In Baton Rouge and New Orleans, the bank also implemented a program

to refer declined small business applicants to select nonprofit partners. Our partners have technical assistance programs and provide access to capital through micro-business loan funds.

### *New Markets Tax Credit Financing*

Providing capital to commercial businesses continues to be an essential element of recovery efforts. In June 2006, the bank received an allocation of \$100 million in new markets tax credits (NMTC). This program provides loans to businesses investing in low-income communities across the country. Capital One's allocation was targeted to communities located in the Louisiana GO Zone. The bank used this program to provide financing to various commercial borrowers that offer health, educational, and other services.

Many of the bank's NMTC projects have involved redevelopment of vacant or abandoned buildings in inner-city areas. Capital One has implemented an innovative program that couples NMTCs with funds from FEMA and other public agencies.

Because the public monies are not available until completion of the projects, the bank added a bridge loan component to its NMTC product, thereby making these important rebuilding projects feasible. As one example, the bank used this combination of products to support the development of the Holy Cross School originally located in the Lower Ninth Ward of New Orleans. Capital One made a \$42.1 million investment to help finance the rebuilding of the school in the Gentilly neighborhood and created 375 construction jobs and 27 permanent jobs.

In addition to the bank's own tax credit allocation, Capital One has invested an additional \$200 million in other NMTC projects in the Gulf Coast, including areas designated as a GO Zone.



Holy Cross School

**Rendering of new Holy Cross School campus in New Orleans.**

### *Community Development Finance*

The bank continues to work with developers throughout the Gulf Coast region to provide capital for developing new housing and rebuilding homes that were lost.

We have coupled the knowledge of our local bankers with the expertise of the bank's national community development division to fund investments in low-income housing tax credits (LIHTC). In 2007, Capital One invested \$66 million in LIHTCs in Louisiana, and we expect to invest as much as \$150 million in the Gulf Coast region in 2008.

Examples of recovery lending and investing activities include:

- \$14 million LIHTC investment in New Orleans East, an area that suffered substantial damage, to replace a National Housing Partnership Foundation housing development. (*See article on NHP Foundation on page 26.*)
- \$9 million loan to D'Iberville Partners, LLC, in D'Iberville, Mississippi, to construct 160 affordable rental units. These units will be affordable to low- and moderate-income families in a market where virtually no available rental units exist today (*see sidebar on page 13*). A second \$7.3 million loan was provided to a related entity to construct an additional

216 units of affordable housing in the Riverchase development in Gulfport, Mississippi.

- \$5 million participation in the Louisiana Loan Fund, LLC, a product of the Local Initiative Support Corporation (LISC); and in the Enterprise Louisiana Loan Fund LLC, providing predevelopment funding for local developers to build affordable housing. (See articles on LISC on page 25 and on Enterprise Community Partners on page 28.)

Through 2009, Capital One will have supported the rehabilitation and construction of over 939 housing units throughout the Gulf Coast region. Most of these units are in the form of affordable housing.

### *Philanthropic Support*

Soon after the hurricane, the bank provided philanthropic support for educational needs and social services. In May 2006, we announced grants totaling \$3 million to help support Orleans Parish and communities across Louisiana. The grants included \$125,000 to restore the libraries at two charter schools in New Orleans that were heavily damaged by Katrina

### *Committed for the Long Term*

By employing a comprehensive and proactive approach to rebuilding the Gulf Coast region, Capital One is having a substantive impact on the lives of residents today, as well as in the future successes of these communities. For us, rebuilding New Orleans and other affected areas is an imperative, not a choice. With our 140-year legacy in New Orleans, we are committed to being a catalyst for recovery and an integral part of the future of this historic market.

For further information, contact Dorothy Broadman, Capital One Community Development Banking, at (703) 720-2368.

## Whitney Bank: Helping Our Communities on the Road to Recovery

*Liza Copping, Assistant Vice President, Whitney Bank*

Whitney National Bank's business footprint extends along the Gulf Coast from Houston, Texas, to Tampa, Florida, with more than 150 branches and 2,500 employees. In 2005, hurricanes Katrina and Rita inflicted massive devastation and dislocation throughout South Louisiana and the coastal areas of Texas, Mississippi, and Alabama, including dozens of Whitney branch locations.

These two storms caused widespread property damage, required the relocation of an unprecedented number of residents and business operations, and severely disrupted normal economic activity in the affected areas. Many Whitney customers and more than 800 Whitney employees suffered staggering losses. Through it all, Whitney and its bankers relied upon their fundamental strengths while continuing to serve customers.

### *Meeting Customer Needs*

Immediately following the storms, Whitney offered loan assistance and payment deferral programs, including a

90-day deferral period on all consumer loans in certain areas of Alabama, Louisiana, and Mississippi. Payments were automatically suspended and no credit reporting was required.

Consumers with first mortgage loans serviced by Whitney were offered a deferral of loan payments for up to three months. In addition, Whitney bankers worked with individual business clients to craft deferral arrangements designed for each unique situation. These programs provided a much-needed lifeline for the many customers in the affected markets displaced and incurring unexpected expenses.

Later that year, Whitney participated in a U.S. Small Business Administration-backed Gulf Opportunity Loan program that was designed to help expedite financing for recovery and rebuilding efforts in areas affected by hurricanes Katrina and Rita.

Whitney originated loans totaling \$370,000 in the Houston area, \$227,500 in the New Orleans assessment area, and \$100,000 in Mississippi. Whitney



Barry Bahler/FEMA

**A new elementary school - public library combination in the lower 9th Ward, St. Bernard Parish of New Orleans.**





Charlie Simokaitis Photography/LISC

**LIHTC development by M&T Development in South Rayne, Louisiana.**

also originated 61 loans totaling \$2.9 million through the Louisiana Department of Economic Development, which established a bridge loan program for small businesses affected by the hurricanes. Loan proceeds could be used only for maintaining or restarting a business in a designated area or in a temporary location in one of the qualifying parishes that sustained damage or interruption of operations as a result of the storms.

Whitney is also among several other financial institutions participating in the Baton Rouge Small Business Loan Fund, a \$2.5 million fund through Seedco Financial Services, a certified community development financial institution (CDFI). As described in this newsletter's "This Just In ..." article on page 31, this fund is designed to serve small businesses that previously have been unable to obtain start-up or operational financing through traditional sources. It provides below-market-rate loans ranging from \$5,000 to \$150,000 with flexible repayment terms to eligible Baton Rouge entrepreneurs who employ fewer than 50 employees. Since its inception in the fourth quarter of 2007, the fund has closed seven loans totaling \$441,000 and is currently processing over 50 loan applications. Whitney also participates in the loan

fund administered by Community Development Capital (CDCapital), a certified CDFI. This fund provides predevelopment financing to developers of affordable housing to cover acquisition, environmental, demolition, and other predevelopment costs.

This predevelopment financing supports these developers' ability to access more conventional financing for construction and permanent financing, thereby increasing the supply of affordable housing in New Orleans and southeast Louisiana. Since the hurricanes, CDCapital has made six loans totaling \$1.85 million, resulting in 225 completed units and 147 additional planned units.

### ***Whitney Community Development Corporation***

Another part of Whitney's GO Zone strategy is to use Whitney Community Development Corporation (WCDC) to fund the interim construction of affordable housing. WCDC extended \$2.9 million in lines of credit to the local NeighborWorks America nonprofit partner "DASH for the Gulf Coast" to construct homes in Mobile, Alabama, and Pascagoula, Mississippi, in participation with Neighborhood Housing Services of America—CDFI (*see NeighborWorks*

*America article on page 22).*

"DASH" stands for "Dependable, Affordable, Sustainable Housing."

WCDC extended other lines of credit in excess of \$1 million to enable nonprofit developers to renovate houses in New Orleans' Ninth Ward and the Central City area. Since the storms, WCDC has also financed several nonprofit developers to build single-family homes in Lake Charles, Lafayette, and Boutte, Louisiana.

### ***Federal Home Loan Bank***

In early October 2005, the Federal Home Loan Bank (FHLB) of Dallas offered disaster-relief grants designed to address housing and community investment needs of areas in Louisiana, Mississippi, and Texas affected by hurricanes Katrina and Rita. As an FHLB member, Whitney obtained grants totaling over \$284,000 through the three components of the program: the Economic Development Disaster Relief Grant (\$20,000), the Disaster Relief Partnership Grant (\$18,000), and the Housing Disaster Relief Grant (\$246,000). For families that were uninsured or underinsured, the Housing Disaster Relief Grant quite literally put a roof over their heads.

Whitney also participates in the FHLB of Dallas Affordable Housing Program. Since the storms, the bank has sponsored and been awarded five grants in the GO Zones, totaling \$654,000, to provide homeownership opportunities for 59 low- and moderate-income families and assistance with home repair for another 15 families.

### ***GO Zone Investments***

Whitney Bank invested \$40 million in Mississippi General Obligation Gulf Tax Credit Bonds, otherwise known as GO Zone bonds, and another \$25 million invested in similar bonds issued by the state of



Whitney National Bank

**Whitney National Bank volunteers participating in park cleanup with “Katrina Krewe.”**

Louisiana. These GO Zone bonds were unique in that they did not pay a traditional semiannual cash coupon.

The federal government paid the interest on these bonds via a quarterly tax credit in an amount equal to what a fair market rate on the bonds would equal. This federal-state partnership provided funds to local municipal entities to service their outstanding debt.

Ensuring that the affected jurisdictions could continue to make timely payments of principal and/or interest on their debt enabled them to focus their limited resources on immediate problems, such as the repair, renewal, and rebuilding of municipal infrastructure and meeting operating expenses. In essence, these tax-credit bonds helped municipal agencies to get and keep essential services operating.

### ***New Markets Tax Credits***

In 2007, the bank created the Whitney New Markets Fund (WNMF) and successfully applied for a \$50 million new markets tax credit (NMTC) to more holistically meet the needs of its most vulnerable and economically distressed communities. Applications for this funding from developers have surpassed the available capital.

WNMF investments focus on lending to nonprofit community facilities to support the most vulnerable and

economically disenfranchised citizens. WNMF has committed the majority of the 2007 NMTC allocation to funding these organizations, including schools, nursing homes for the indigent, nonprofit developers, and others. The effect of funding these nonprofit programs will be to strengthen these community stakeholders and enable them to continue indefinitely to serve the low-income communities and populations they benefit.

To date, WNMF has funded two projects. The first project was the redevelopment in downtown Jackson, Mississippi, of a blighted property, which had been vacant for more than 40 years. Named the King Edward Revitalization Project, it will include a 186-room Hilton Garden Inn, 3,000 square feet of retail space, 64 market-rate apartments, and a parking garage. This project was the result of a request for proposals issued by the Jackson Redevelopment Authority.

The second project is the rebuilding of the Holy Cross School, which, after 125 years in New Orleans’ Ninth Ward District, was decimated by Hurricane Katrina. The school serves grades 5 through 12. WNMF financed the acquisition and construction of a new school campus in conjunction with several other NMTC allocatees. In addition to the acquisition and construction financing, each NMTC

allocatee also decided to fund a 100 percent scholarship for a low-income minority student. This will allow up to five students to attend all eight years of school at no cost.

WNMF has many more projects in its pipeline, of which it hopes to finance at least seven—four of which would involve nonprofit borrowers. From these, WNMF estimates that its NMTC allocation will create approximately 1,933 permanent jobs and 400 affordable for-sale units of housing in low-income areas throughout the GO Zones.

WNMF seeks projects that would not be viable without the subsidy provided by the NMTCs, of which the King Edward Revitalization Project is a prime example. Despite a total project cost of more than \$80 million, the property appraised at only \$40 million, creating a gap of \$40 million. Conventional financing would not cover such a situation when the project costs were so high relative to the appraised value.

This was part of the reason the property sat vacant for so long. But with many different subsidies cobbled together from various local, state, and federal sources (including NMTCs), the project achieved financial feasibility and moved ahead. Ultimately, community development finance added to the community jobs, services, and an economically productive facility in place of a blighted, long-vacant property.

### ***Community Lenders and Philanthropy***

Whitney has designated specific mortgage originators as “community lenders” who work with first-time home buyers in the GO Zones. These lenders conduct home-buyer training programs and use bond programs, as well as the bank’s in-house,

affordable mortgage product.

Whitney participates in the United Way Individual Development Account program, along with other partners, promoting homeownership and encouraging financial independence by enabling participants to start or expand child-care facilities or purchase an automobile. The program was rolled out in the fall of 2007 with more than 60 accounts opened so far. The program expects to support 619 participants at full capacity. Displaced residents can take advantage of these programs to help them rebuild and return to hard-hit neighborhoods.

Whitney bankers throughout the Gulf Coast have devoted many hours volunteering for numerous organizations. Volunteers have constructed homes with Habitat for Humanity, built playgrounds with KaBOOM!, cleaned neighborhoods alongside the Katrina Krewe (*see photo on opposite page*), bought and distributed school supplies (*see photo*), participated in regional recovery boards, volunteered at the local chamber, and so much more.

Whitney allocates a portion of its revenue each year for cash contributions to the community.



Whitney National Bank

**Children receiving school supplies from Whitney National Bank volunteers.**

These contributions take the form of grants that support critical services; housing initiatives; and innovative programs delivered by not-for-profit organizations, schools, universities, and community organizations located in our markets. Since the storm, a substantial portion of these grants have been allocated to recovery efforts, housing initiatives, and charter-school support.

### *Future Investments for Whitney Bank*

While it will take a long time for the Gulf Coast to fully recover, partnerships between banks; local, state, and federal organizations; private corporations; and neighborhood associations can accelerate the revitalization. Whitney's strategy throughout the Gulf Coast is to create sustainable growth for long-term community recovery. Whitney is committed to continuing efforts to keep investment capital flowing, while nurturing partnerships with local leaders and community organizations.

Over the next few years, prospects for business and consumer growth are significant, relying not only on restoring what was but also creating new opportunities throughout the Gulf Coast. For Whitney Bank, investing in the future of the Gulf Coast is not only a priority—it's a responsibility.

For more information, contact Richard Ainsworth, CRA Officer, at rainsworth@whitneybank.com or at (504) 586-3473.

## **Helping Employees While Serving Customers in Need**

Once it became clear that Hurricane Katrina's path would affect bank branches along the Gulf Coast, Whitney implemented its comprehensive disaster recovery plan, and key personnel started evacuation to safe areas, principally Whitney's backup facilities in Houston.

As evidence mounted that the relocation could be lengthy, operations were expanded at backup sites in Houston, Chicago, Atlanta, Baton Rouge, and Mobile. Many Whitney relationship officers were deployed to safe locations throughout the company's business footprint, staying as close to their customers as possible.

As a result of this experience, Whitney has relocated its principal computer systems to a specialized, secure center in Dallas. In addition, it has established backup computer systems in Atlanta and Chicago.

Whitney's main focus was on serving customers during these unprecedented dislocations. As soon as communications could be established, Whitney bankers began contacting their clients. Branch damage was quickly assessed, and, as electricity was restored, damages repaired, and offices staffed, they were quickly reopened. Whitney bankers, many who had lost everything themselves, worked extra hours to assist customers

with their needs.

Hundreds of Whitney bankers had damage to their homes, many with severe damage or total destruction. In response to this unprecedented devastation, the bank established the Whitney Employee Lifeline Loan Program to provide no-interest loans to employees pending receipt of insurance proceeds or other sources of recovery funds.

To date, the program has originated over \$13.1 million of such Lifeline loans for Whitney bankers who wanted to purchase new homes or who suffered uninsured residential and/or personal property losses.

In addition, Whitney established the Whitney Employees Disaster Assistance Fund through the Baton Rouge Area Foundation with an initial contribution of \$500,000. The purpose of this fund, which can accept contributions from anyone, is to provide assistance in the form of grants to Whitney employees who have suffered significant economic loss that will not be reimbursed by insurance or other sources. This fund will remain active to serve employees should disasters strike in any Whitney markets in future years.

# Wisznia Associates: Deploying Creative Financial Solutions for Redevelopment

Marcel Wisznia, President, Wisznia Associates

To help New Orleans recover from the devastation caused by Hurricane Katrina, Wisznia Associates, an architectural design and real estate development firm headquartered in New Orleans, decided to use its design capabilities and business experiences to help shape a smarter redevelopment strategy for the city. In doing so, the firm developed and applied a creative technique for combining different federal funding programs that previously were rarely combined due to conflicting programmatic requirements. Wisznia combined federal historic tax credits (HTC), federal new markets tax credits (NMTC), and Federal Housing Administration (FHA) financing— together with state programs—to support the adaptive reuse of multistory commercial buildings into mixed-use structures with the residential units safely above the flood zone.

As a cornerstone to implementing this strategy and as a first application of its creative financing, Wisznia decided to transform the historic Maritime Building—a vacant, storm-damaged, 10-story commercial structure—into offices for the firm, plus additional offices available for lease, ground-floor commercial space, and 105 market-rate apartments.

Restoring the Maritime Building is the first of several adaptive reuse, mixed-use projects on Wisznia’s agenda. Its strategy is simple—focus development opportunities in areas that remained high and dry in Katrina’s aftermath and adapt and reuse existing historic multistory structures by providing new housing units on upper floors and commercial space on lower floors.

Downtown New Orleans clearly fits the strategy Wisznia had in mind because this is where the multistory and historic structures are located. It also presents a chance to maximize tax credits as a source of equity.

## *Creatively Combining Funding Sources*

Nearly the entire Downtown Development District falls within two historic districts, and, as a result, development projects in this area may apply for federal HTCs and Louisiana HTCs. Because of the devastation caused by the hurricane, most of this same area falls within census tracts that qualify for federal NMTCs (*see sidebar on page 11 to read how recent changes to the federal NMTC program expanded the number of eligible tracts inside the GO Zone*). Louisiana has implemented its own NMTC program, which is also available in this area.

Using multiple federal and state tax credits to raise equity is an essential element in Wisznia’s development projects, as is FHA financing (specifically Section 220 and 221(d) (4) insured loans, which are based on a 40-year non-recourse, fixed interest rate that is assumable), because construction costs increased after Hurricane Katrina by roughly 40 percent. The prime reason for these higher construction costs was the increased cost of supplies and labor. Additionally, insurance rates climbed as much as 500 percent.

The technical requirements of the FHA loans and the NMTCs and HTCs, which conflict in some respects with each other, compounded the complexity of this financing package. Federal HTC projects typically incorporate

a master lease structure. This means that the real estate owner borrows the project debt and undertakes the rehabilitation activities, and the master tenant operates the project and enters into subleases with end users/occupants of the individual units. A “pass-through” provision of the Internal Revenue Code (Section 50(d)) permits the owner and the master tenant to share the federal HTCs. Maximizing the benefit of the HTC requires that investors have a primary interest in profits associated with the project.

The structure of the NMTC differs considerably from that of the federal HTC. Under the NMTC program, a community development entity (CDE) receiving the NMTCs lends to, or invests in, qualified low-income community businesses (QALICB) that are “unrelated” to the CDE. The NMTC system prohibits investors from owning more than half of the profits or capital interest in the business receiving the investment.

The pass-through lease structure allows the CDE to make NMTC qualified loans or investments directly to the real estate owner/QALICB. At the same time, the CDE owns all or most of the profits or interest in the master tenant entity and thus avails itself of the HTCs passed through by the real estate owner (*see April 2008 issue of the Novogradac New Markets Tax Credit Report*). In this way, the benefits of the NMTC and HTC programs are combined.

Previously, the Department of Housing and Urban Development (HUD) did not allow properties with master leasing structures to use FHA-insured loans because HUD required a mortgagor to own and operate the property,

subject to the HUD Regulatory Agreement. Wiznia successfully petitioned HUD to allow the company to use a master lease ownership structure so that it could combine HTC, NMTCs, and FHA financing.

**Maritime Building Project**

Restoring the Maritime Building supports the revitalization of New Orleans’ downtown area by helping to replace the dwindling supply of rental housing in this area as well as by replenishing the supply of market-rate housing units in the New Orleans metropolitan area.

The number of downtown rental residential dwelling units has declined over the past six to eight years, as many historic buildings have been converted from rentals to condominiums. This conversion process, combined with the destruction of tens of thousands of single and multifamily units throughout greater New Orleans by Hurricane Katrina, has created a tremendous need for affordable rental housing.

Since the hurricanes of 2005, most developers have focused on mixed- or low-income developments but few 100 percent market-rate projects have begun construction. Maritime will be only the fourth downtown market-rate residential development announced since the storm (two have been completed and construction on the third has just begun); all four projects total only 400 units.

The residential density in downtown New Orleans must increase dramatically because it is one of only a few areas in the city on higher ground. Additionally, the existing urban condominiums and rentals need more downtown amenities, such as restaurants, grocery stores, and bookstores. The Maritime Building’s ground floor will include a regional bank, a coffee shop/ bakery, and a pizza restaurant—all



**Maritime Building in 1956.**

**Maritime Building in 2008, being redeveloped by Wiznia Associates.**

of which will add to the fabric of the neighborhood and vibrancy of the historic downtown district.

The Maritime Building project uses an acquisition bridge loan from Wachovia Bank, which assisted in maintaining site control as the additional financing was arranged. Project financing consists of equity from the state and federal NMTCs and HTCs described above and permanent/construction financing in the form of FHA 221(d)(4) and 200 loans. Wachovia also will be the FHA lender. A local community bank partner, Omni Bank, is providing tax credit bridge financing. (See chart at right for financial details.)

This financing effort has taken a year longer to accomplish than the traditional 6 to 12 months required for the preliminary and final applications that are typical in the FHA lending process. Wachovia’s patience as the acquisition bridge lender has been essential. The relationship with Wachovia began with the bridge loan to purchase the building and will ultimately culminate in a HUD closing, through Wachovia. The project is on pace to close in fall 2008 and construction will be completed in 2009.

<b>Maritime Building Project</b>	
<b>Uses of Funds</b>	<b>Amounts</b>
Land	\$6,800,000
Hard Costs	16,639,999
Soft Costs	4,796,249
Other Costs	8,298,212
<b>Total</b>	<b>\$36,534,460</b>
<b>Sources of Funds</b>	<b>Amounts</b>
FHA Mortgage	\$16,422,100
Federal HTC Equity	6,811,980
Louisiana HTC Equity	3,500,000
Federal NMTC	1,800,000
Deferred Architect and Developer Fees	1,050,000
Builder’s Profit	1,919,464
Owners’ Equity Contribution	5,030,916
<b>Total</b>	<b>\$36,534,460</b>
<small>Source: Wiznia Associates</small>	

Wiznia has two other projects planned, totaling another \$65 million in downtown New Orleans development—part of the continuing recovery of a great American city.

For more information, contact Marcel Wiznia at mwiznia@wiznia.com.

**How Nonprofits Contribute to the Recovery Effort**

Section 3 examines how nonprofit organizations throughout the Gulf Coast have supported the recovery effort. Here we include feature articles about NeighborWorks America and the NHP Foundation. NeighborWorks America brings together financial resources from banks and other sources to support local partner organizations in repairing and replacing affordable rental housing and owner-occupied housing. NHP Foundation is engaged in replacing its affordable rental housing stock in New Orleans and in expanding its inventory of affordable rental housing in the Gulf Coast region. We also present sidebar articles summarizing the recovery activities of the Southern Mutual Help Association, Local Initiatives Support Corporation, and Enterprise Community Partners.

# NeighborWorks® Leverages Partnerships to Rebuild from the ‘Neighborhoods Up’

*Tom Deyo, Senior Advisor for Gulf Rebuilding and Green Strategies, NeighborWorks America*

Rebuilding the nation’s Gulf Coast region represents perhaps one of the greatest challenges to the community development industry in recent years. Nearly 900,000 owner-occupied homes and 1.2 million housing units across Louisiana, Mississippi, Alabama, Texas, and Florida sustained damage or were destroyed by hurricanes Katrina and Rita in 2005. Low- and moderate-income families occupied a substantial portion of these, a major segment of the workforce that cannot return without safe and healthy affordable housing options.

NeighborWorks America, a congressionally chartered nonprofit organization that focuses on community revitalization, has been working since the storms to restore affordable housing for homeowners and renters in the region. NeighborWorks’ efforts have been grounded on the principal of rebuilding “from neighborhoods up,” working with local organizations and financial institutions to restore the bedrock of thriving communities—safe neighborhoods that families would be proud to call home.

NeighborWorks America is well positioned for implementing a long-term Gulf rebuilding strategy. A



NeighborWorks

**Single-family modular homes under construction by NeighborWorks America’s partner, DASH for the Gulf Coast, in Mobile, Alabama.**

national leader in the development, preservation, and management of affordable housing, NeighborWorks has a 30-year track record of strengthening the performance and capacity of affordable housing and community development organizations to respond most effectively and efficiently to local community needs.

NeighborWorks has built its capacity in the Gulf region by opening field offices in Jackson, Mississippi, and New Orleans. Don Phoenix directs the organization’s Gulf rebuilding initiative from the Southern District region. He says that the organization is committed to supporting organizations with grants and investments to provide 100,000 families with financial counseling and to support the building or rehabilitating of 10,000 affordable homes in the region by 2010.

## *A Partnership Approach*

Although the challenges have been great and the needs enormous, NeighborWorks America has made significant progress in the



NeighborWorks

**Completed modular housing by DASH for the Gulf Coast, in Mobile, Alabama.**

### NeighborWorks America Organizations in Alabama, Louisiana, and Mississippi

Organization	Contact Person	Phone Number
Community Service Programs of West Alabama - Tuscaloosa, AL	Cynthia Burton	(205) 752-5429 x231
Neighborhood Housing Services of Birmingham - Birmingham, AL	John Colón	(205) 328-4292
Neighborhood Housing Services of New Orleans - New Orleans, LA	Lauren Anderson	(504) 899-5900
Southern Mutual Help Association - New Iberia, LA	Lorna Bourg	(337) 367-3277
Voice of Calvary Ministries - Jackson, MS	Erma Driver	(601) 857-1256

region working with local partners. Over the past three years, it has developed more than 30 strategic partnerships with local organizations throughout Alabama, Louisiana, and Mississippi. NeighborWorks' grants of more than \$10 million since the storm to its partners are helping to build the capacity of these organizations as well as advance the development of more than \$150 million in new and rehabilitated single and multifamily units.

A linchpin of NeighborWorks' success in the region is its work with Neighborhood Housing Services of America-Community Development Financial Institution (NHSA-CDFI). NHSA-CDFI has committed to raising \$30 million for an interim development financing fund for land and property acquisition, predevelopment financing, site and infrastructure development, and construction financing for development of affordable housing in the region.

To date, NHSA-CDFI has secured \$7 million in investments toward the fund from banks, insurance companies, and a regional health care system. The organization is soliciting additional investments from banks, insurance companies, foundations, and corporations. NHSA-CDFI has used these investments to make more than \$7 million in interim development loans to locally based Gulf Coast nonprofit developers, with \$3 million more pending. Loans include predevelopment financing, property acquisition, and construction financing for affordable housing development in Alabama, Louisiana, Mississippi, and Texas.

"We are working with really strong nonprofits that are getting the work done," said Jack Gilbert, President and Chief Executive Officer (CEO) of NHSA-CDFI. "We have a proven

track record of doing these types of transactions and doing them well." NHSA-CDFI's success in these transactions stems from its expert role as a financial intermediary, managing financial investments in local nonprofit developer partners using capital provided by its investors, including banks.

### *A Desire to Have People Come Back*

Whitney Community Development Corporation, a subsidiary of the Whitney Holding Corporation, is providing key investments to capitalize NHSA-CDFI funds for Gulf Coast rebuilding. With headquarters in New Orleans, and branches throughout Alabama, Florida, Louisiana, Mississippi, and Texas, Whitney is highly motivated to be involved in recovery efforts (*see Whitney article on page 16*). The storms damaged many of its branches, but more than that, the storm destroyed their communities.

"There is a tremendous desire on the part of most of those displaced by Katrina, and who have been separated from their family and friends, to return home and rebuild," said Richard Ainsworth, Vice President of Community Affairs for Whitney National Bank and President of Whitney Community Development Corporation. "The lack of housing opportunities has also prevented a number of employers from hiring more workers."

With Whitney's support, NHSA-CDFI has made three interim loans totaling nearly \$2 million to NeighborWorks partner Dependable, Affordable, Sustainable Housing (DASH) for the Gulf Coast, a nonprofit developer of affordable housing based in Mobile, Alabama. The loans will help fund the development of a



NeighborWorks

### **Building neighborhood playgrounds with "KaBOOM!"**

planned 300-unit, single-family housing development in the Hillsdale neighborhood in Mobile, Alabama, and the Chipley neighborhood in Pascagoula, Mississippi.

The new modular homes are 1,400–1,700 square feet and built to withstand a Category 5 hurricane (*see photos on opposite page*). Grants and subsidies from the city, county, and state governments, as well as from the Federal Emergency Management Agency and NeighborWorks America, will ensure that the new homes are affordable, with prices ranging from about \$90,000 to \$150,000. The total project value will exceed \$28 million.

### *Reducing the Risk in Rehabilitation Lending*

Several banks, including Whitney National Bank, Fidelity Homestead, and Standard Mortgage, are working with another NeighborWorks organization, Neighborhood Services (NHS) of New Orleans, on rehabilitation and construction management projects for homeowners.

"We make it easier for banks to do rehab lending," said Lauren Anderson, CEO of NHS of New Orleans. "It is sometimes difficult for banks to invest in renovation financing because there is greater risk. Jobs can take longer than expected and

there can be cost overruns. But we've never had a situation where we have been unable to deliver a project on time and on budget."

NHS of New Orleans has been supporting homeowner rehabilitation projects, including their bank financing, since it began operations in 1976. NHS' construction management services include the development of an initial feasibility study with the homeowner to determine the approximate scope and cost of the construction work. Once NHS and the lender have determined that the project is feasible,

NHS develops a detailed scope of work. NHS helps the homeowner select general contractors (who have been qualified by NHS) to invite to a pre-bid conference at the house.

The homeowner selects the contractor based upon this competitive bid process. NHS develops a contract between the homeowner and the contractor. NHS monitors the work and issues progress payments to the contractor. Since 2006, NHS has completed the renovation of 54 homes, 20 of which were projects in partnership with banks or mortgage companies.

NHS of New Orleans is also working with Freddie Mac on a special loan product that is being piloted in the Broadmoor, Gentilly, and Pontchartrain Park neighborhoods in New Orleans. Named "Rebuild New Orleans," this is a conventional loan product that allows a lender to make one loan for acquisition/rehabilitation or refinance/rehabilitation. It is similar to a product Freddie Mac created to support the recovery effort following the 1994 Northridge earthquake in Los Angeles.

Through this product, NHS of New Orleans will provide counseling, home-buyer training, and construction management services. This product enables the lenders—Chase, Countrywide Bank, and Standard Mortgage Corporation—to be more secure in making what might otherwise be considered very risky loans through pre-purchase counseling that ensures borrowers are better prepared and construction management that helps ensure construction goes according to plan and budget. This pilot, still in its early stage, is an example of how banks are using the expertise of nonprofit developers to facilitate lending, particularly in low-income communities.

### *Financial Counseling Plus 'BestFIT' Equals Success*

In another innovative partnership, NeighborWorks America worked with Mississippi-based Enterprise Corporation of the Delta, one of the nation's leading CDFIs, to provide direct financial counseling and ongoing support to families. As part of this effort, an innovative tool was developed that allows counselors to identify which of several loan products a family might qualify for, if they have a financial gap and need additional funds. Just Price Solutions, a nonprofit subsidiary of NNSA, developed the "BestFIT" tool.

## Southern Mutual Help Association Aids Neglected Rural Communities

Out of the public eye, rural Louisiana suffered tremendous hurricane-related damage to homes and businesses. Aiding in the state's recovery is the financial assistance provided by the Southern Mutual Help Association and its lending arm and wholly owned subsidiary, Southern Mutual Financial Services (SMFS).

Through its Rural Recovery Program, the association worked to restore more than 800 homes and businesses across the 11 rural parishes most affected by the hurricanes.

Established in 1969, the association collaborates with Louisiana banks through SMFS, a community development financial institution (CDFI), to encourage investment opportunities and strengthen poor families and communities throughout the southwest portion of the state known as Acadiana.

SMFS concentrates on affordable mortgage financing. Banks can help their communities by investing in CDFIs like SMFS; at the same time, they earn consideration with regulators under the Community Reinvestment Act investment and lending tests.

MidSouth Bank, headquartered in Lafayette, Louisiana, did just this with a \$75,000 investment in SMFS through

an equity equivalent product (EQ2), a long-term deeply subordinated loan with features that make it function like equity. It was the first time this financial tool had been employed in Louisiana.

The EQ2 was invested with no interest obligation, increasing SMFS's ability to provide affordable mortgage financing to low- and moderate-income families and individuals. Making this commitment won MidSouth Bank the coveted Spotlight Award from the Federal Home Loan Bank of Dallas.

Recently, the Southern Mutual Help Association returned to its founding objective—providing affordable rural housing. Teche Ridge, its latest venture, will be a mixed-use, mixed-income development providing 184 housing units in phase one and 370 housing units in phase two, of which 138 units will be earmarked for low- and moderate-income families.

The \$150 million Teche Ridge project will help to counter developing patterns in rural Acadiana that segregate housing by income, geography, and design. The association is seeking partnerships with banks and other financial institutions to secure funds for the new initiative's infrastructure development.

For more information, visit [www.southernmutualhelp.org](http://www.southernmutualhelp.org).



This Web-based technology allows homeownership counselors and lenders to streamline and centralize the process of finding the right loan product for borrowers. Born out of the counseling efforts in Mississippi, this solution is now being used nationally, including by actor Brad Pitts' "Make It Right Project" in New Orleans.

"Nonprofits play a unique role in facilitating lending, particularly to low-income communities, and we are always looking for new ways to partner with banks to expand the

depth and breadth of our work," said Anderson, of NHS of New Orleans. "Working in tandem with qualified nonprofits, banks can meet the needs of communities and reach the underserved market while lowering risk."

For more information, visit [www.nw.org/gulfrecovery](http://www.nw.org/gulfrecovery) or contact Tom Deyo at [tdeyo@nw.org](mailto:tdeyo@nw.org).



SAS Photo/LISC

The Swainer family in Pass Christian, Mississippi celebrates moving into its new home.

## Local Initiatives Support Corporation Stays Focused on 'Local'

The business of rebuilding devastated communities has made significant progress in the last three years, but the work is far from complete. Local Initiatives Support Corporation (LISC) was among the first agencies in 2005 to assess needs in the storm's aftermath, support local groups best able to affect recovery, and channel funds to the organizations and projects that could have the greatest impact. That work continues today, though difficulties in the credit and investment markets are creating new challenges.

Since 2005, LISC has infused \$180 million in grants, loans, and equity into devastated Gulf Coast communities, while providing extensive technical assistance and pressing the region's needs with prominent national funders.

High among LISC's accomplishments is cooperating with other groups to create the \$47 million Louisiana Loan Fund, a public/private partnership focused on affordable and mixed-income housing. The partnership is working with developers helping to rebuild 4,500 homes with low-interest loans.

LISC has supported dozens of projects throughout the affected

states, such as Teche Ridge, a 100-acre mixed-use, mixed-income, traditional neighborhood development on the outskirts of New Iberia, Louisiana, and Frenchmen's Hope, a homeownership project for low-income families in New Orleans. LISC, together with its tax credit affiliate, National Equity Fund Inc., has supported many low-income housing tax credit (LIHTC) developments.

In Mississippi, LISC is supporting a new health clinic in D'Iberville, collaborating with the Biloxi Housing Authority to support a major mixed-use development that revitalizes Main Street, and working with the state to create a predevelopment and acquisition loan program supporting the state's Long Term Work Force housing strategy.

A critical source of funds supporting LISC's efforts have been banks like JPMorgan Chase, Capital One, and Deutsche Bank, along with some of the country's leading foundations and public entities.

Current market conditions are complicating ongoing redevelopment work, however, most notably the new pressures on the LIHTC market, where

economic conditions and a significant market shift have significantly reduced the available investment dollars. Other adverse market factors have been dramatic increases in property and flood insurance and tightened credit markets affecting commercial developments and single-family mortgage finance.

LISC is eager to expand its existing partnerships with banks and other investors as it continues to support the recovery effort in the Gulf Coast and to connect these resources with the local organizations engaged in the bricks-and-mortar work of recovery.

LISC can facilitate bank investments through its Gulf Region Rebuilding Initiative, which delivers funds and technical assistance to local development partners; through participation in the Louisiana Loan Fund; and through LIHTC deals syndicated via the National Equity Fund Inc. (NEF).

For more information, contact Evelyn Brown, LISC Senior Vice President, at [ebrown@lisc.org](mailto:ebrown@lisc.org) or Darrell Hubbard, NEF Senior Vice President, at [dhubbard@nefinc.org](mailto:dhubbard@nefinc.org).

# NHP Foundation Contributes to Affordable Housing

*Ghebre Selassie Mehreteab, Co-Chairman and Chief Executive Officer, The NHP Foundation*

America's affordable housing crisis has been most visible in the aftermath of hurricanes Katrina and Rita. The storms drastically affected the housing stock in the Gulf Coast region, resulting in the displacement of hundreds of thousands of people without adequate and secure housing.

With so many homes ruined by the storms, the demand for affordable housing has increased exponentially. In the New Orleans metropolitan area alone, 89,444 affordable homes and apartments suffered major or severe damage from Katrina and Rita. Of that number, only 22,806 homes and apartments are in the rebuilding pipeline.

The NHP Foundation (NHPF) became immediately involved in the recovery because Hurricane Katrina destroyed or severely damaged nearly 900 units of the organization's housing stock in New Orleans. As the demand for affordable housing in the Gulf Coast region became apparent, NHPF decided to add to its affordable housing inventory in the region in keeping with its mission, which is to provide quality, affordable, rental housing and resident services for low- and moderate-income families.

## *Who We Are*

In 1989, the National Housing Partnership—a congressionally chartered corporation—created the foundation. NHPF is a national nonprofit with the rigorous financial discipline of a real estate company and the mission of a charitable organization. NHPF leveraged \$6 million in initial contributions from 24 major corporations, including six banks, into more than 9,000 affordable rental

housing units primarily throughout the East and the Gulf Coast states.

Integral to the provision of housing is NHPF's Operation Pathways, which offers programs to empower residents and surrounding communities by providing skills necessary to break the cycle of poverty through community building, child enrichment, and adult education.

Since 1994, NHPF has acquired and preserved 46 properties in 14 states. Today, NHPF spans 23 communities in 11 states with 28 properties, serving more than 25,000 residents in nearly 6,000 units. Prior to hurricanes Katrina and Rita, this inventory included nearly 900 units of affordable rental housing in four developments in New Orleans. Over the next three years, NHPF plans to acquire, rehabilitate, and develop an additional 9,000 housing units, of which one-third will be in the Gulf Coast region.

## *NHPF's Response to a Changing Environment Post-Katrina*

The storms severely damaged all three properties NHPF owned prior to Katrina. Walnut Square (209 units) needed reconstruction. Forest Park (284 units) and Tanglewood I and II (384 units) needed significant renovation. Organizing the financing to cover these large-scale construction projects was complicated.

In a cruel coincidence, the period since the hurricanes saw a dramatic decline in the prices offered for low-income housing tax credits (LIHTC), a principal source of funding for affordable housing development.



NHP Foundation

**The community center under construction at NHP Foundation's Walnut Square development.**

While LIHTC developers might have raised 95 cents to one dollar per credit in early 2007, by early 2008 they were typically able to raise only 80 to 85 cents per credit.

Declining equity from tax credits would require developers to either find some way to cut project costs or to raise additional financing. Both of these remedies are difficult in the current economic climate for affordable housing developments, which are typically already on very tight budgets.

Material changes to a project, such as reducing the number of housing units produced to reduce costs, would generally require the developer to submit an amended application to the credit-allocating agency. Thus, the developer would run the risk that its project would no longer be competitive and could lose its credits. This conundrum has led to some projects being shelved, as developers were unable to cover the gap left by the weakened LIHTC market.

NHPF has been able to adapt to this challenging market environment through its strong reputation as a national affordable housing developer and manager and its deep network of financial partners in the public, private, and philanthropic sector.

NHPF bridged the financing gap to replace its existing New Orleans affordable housing stock through philanthropic grants from The Ford Foundation, The John D. and Catherine T. MacArthur Foundation, Bush-Clinton Katrina Fund, Louisiana Disaster Recovery Foundation, Qatar Katrina Fund, and others. And residents have begun to move back into the Gulf Coast properties. In the future, NHPF plans to create 3,000 affordable units in the Gulf Coast area at a total cost of \$300 million.

The 2005 Gulf Opportunity Zone Act defines the entire three GO Zones for Katrina, Rita, and Wilma as difficult development areas (DDA) for the purposes of the LIHTC program (*see sidebar on page 11*). This definition increases the amount on which tax credits are calculated to 130 percent of new construction or rehabilitation expenditures. Outside of DDAs, tax credits are calculated on 100 percent of these expenditures.

This tax-credit provision temporarily adds to the value of LIHTC used to create or replace affordable rental housing throughout these GO Zones. Before 2006, Louisiana and the affected areas of Mississippi did not contain DDAs. The expiration of this provision at the end of 2010 may reduce the areas in the Gulf Coast likely to receive LIHTC investments because, at best, only some small subset of the GO Zones will likely remain defined as DDAs.

### ***Rebuilding After the Storm: Walnut Square***

One of NHPF's most ambitious post-hurricane projects is the redevelopment of the 11-acre Walnut Square in New Orleans East (*see photos above*). NHPF is working to revitalize Walnut Square and convert it to a mixed-use

development that will serve as a social hub for the surrounding community. In addition to constructing 209 mixed-income housing units and an acre of commercial space, the \$37.8 million rebuilding project will provide this neighborhood with a playground, surface parking, laundry facilities, a community center, and more.

The total development cost was obtained from a combination of public and private sources, as well as grants from philanthropic entities. These financial partners include Louisiana, Bank of America, Capital One, The Ford Foundation, NeighborWorks America, and the Bush-Clinton Katrina Fund. The property is scheduled to be completed in December 2008.

NHPF's post-hurricane rebuilding extends beyond properties in New Orleans. NHPF also plans to purchase 1,115 affordable units in Baton Rouge and Lake Charles to prevent those units from being converted to market rate. These rental units will be used to help meet the demand created by the thousands of relocated families.

The acquisition and rehabilitation will be financed using 501(c)(3) bonds, which will require these units to remain affordable in the long term. Seventy-five percent of the units must be rented to families earning below 80 percent of the area median income, and 20 percent of the units must be rented to families earning below 50 percent of the area median income.

In addition to 501(c)(3) bonds, NHPF will employ LIHTC, traditional loans, philanthropic support from corporations and foundations, as well as program-related investments. NHPF plans to increase its portfolio significantly over the next few years and has several projects in progress.



NHP Foundation

**New residences under construction in the Walnut Square redevelopment.**

### ***Making Progress***

NHPF's work in the Gulf Coast region has allowed residents not only to obtain affordable and safe housing but to begin to rebuild their lives and their communities. These efforts required the support of banks and other financial partners. NHPF sees appropriately priced equity and below-market rate predevelopment loans for projects in the Gulf Coast region as major areas that banks can best contribute to the needs for affordable multifamily housing.

It is important for banks and other investors to be patient partners, because arranging the financing for affordable housing projects is a complicated and time-intensive process in the best of conditions.

In return, NHPF, through its strong construction and property management history, offers its investors financial return and enhanced community relations by participating in projects that may also receive positive Community Reinvestment Act consideration and the satisfaction of assisting in the recovery of the Gulf Coast.

For more information, contact Ghebre Selassie Mehreteab at [GMehreteab@nhpfoundation.org](mailto:GMehreteab@nhpfoundation.org).

## Enterprise Community Partners Provides Immediate and Long-Term Assistance

**E**nterprise Community Partners arrived in the Gulf Coast following the hurricanes of 2005 prepared to provide disaster relief to dislocated families and technical assistance to local leaders.

Enterprise has committed to working with local partners to invest \$200 million in the Gulf Coast to build 10,000 affordable homes. To date, Enterprise's efforts have led to \$63 million invested through low-income housing tax credit (LIHTC) equity and more than \$14.5 million in loans and grants. These investments include nine developments for families and seniors in Louisiana and Alabama that will provide homes for nearly 750 households.

One of Enterprise's major commitments in New Orleans is to the Lafitte public housing redevelopment in the historic Tremé neighborhood. With local partner Providence Community Housing, Enterprise has promised one-to-one replacement of all affordable units lost to storm damage.

The project is expecting to require \$100 million in LIHTC equity and is designed to ensure that the homes will be affordable, safe, and environmentally and economically sustainable. The mixed-income development will include market-rate and subsidized rental housing and for-sale units.

Banks and other investors can enhance this and similar efforts by investing in tax credits and construction lending, supporting homeowner assistance programs and financial training, and providing single-family mortgages suitable for residents' incomes.

Enterprise created the Louisiana Loan Fund in conjunction with Louisiana and the Local Initiatives Support Corporation (LISC), drawing from Enterprise's experiences in managing similar funds in other states. The \$47 million fund offers predevelopment and acquisition financing to developers that are rebuilding affordable homes destroyed by the hurricanes.

The fund recently approved its first acquisition loan for \$3 million to the Renaissance Neighborhood Development Corporation to acquire property for a new mixed-income, high-rise development on the banks of the Mississippi River. Banks and other investors can increase the fund's impact by providing take-out financing for projects using the fund. This will help recycle fund resources so more developers can participate.

Mississippi recently awarded Enterprise \$20 million to purchase and rehabilitate 300 bank-owned properties

to sell to people with low to moderate incomes. This is a part of Mississippi's Long Term Workforce Housing program, which is one component of the state's recovery program funded with a special allocation of federal community development block grant funds.

Banks with single-family foreclosure properties in the Gulf Coast can work with such nonprofits as Enterprise to return those homes to productive use by participating in bulk-rate purchasing agreements for the foreclosed homes.

For more information, visit [www.enterprisecommunity.org](http://www.enterprisecommunity.org). To contact Enterprise's office in the Gulf Coast, call Local Office Director Michelle Whetten at (504) 821-7242. For further information on how banks can contribute to Enterprise's investment funds on a regional or national scale, contact Doug Able, Senior Vice President of Capital Markets for Enterprise Community Investment, at (410) 772-6005.



Enterprise

**Redevelopment of St. Martin Manor, a historic 140-unit senior residence damaged by Hurricane Katrina.**

# Compliance Corner: Recent CRA Amendments and Agency Guidance

*Kristopher M. Rengert, Community Development Expert, OCC*

The combination of the expanded definition of community development from the 2005 amendments to the Community Reinvestment Act (CRA) regulations and the geographic flexibility for consideration of CRA-related activities in the hurricanes Katrina and Rita-designated disaster areas enhances the ability of banks to receive positive CRA consideration for support of the Gulf Coast recovery effort. This article discusses the CRA treatment of types of investments banks might make in support of recovery from major disasters.

## *Community Development Redefined*

Effective September 1, 2005, the CRA regulations expanded the definition of community development for the purposes of the CRA. The definition added consideration for activities that revitalize or stabilize designated disaster areas to the list of community development activities qualified for positive CRA consideration. Such disaster areas must be “major disaster areas” as designated by the federal government, typically the Federal Emergency Management Agency.

These qualifying activities will be considered by examiners for 36 months following the date of designation, although this period may be extended when there is a demonstrable community need to assist in long-term recovery efforts. For the Gulf Coast, this period was recently extended until 2011.

In March 10, 2006, the OCC, along with other financial regulators, issued interagency guidance on this additional CRA consideration. The 2006 CRA Q&As explained that an activity will be considered to revitalize or

stabilize a designated disaster area if it helps to attract new, or retain existing, businesses or residents and is related to disaster recovery.

Additionally, an activity will be considered to revitalize or stabilize a designated disaster area if it is consistent with a bona fide government revitalization or stabilization plan or disaster recovery plan. Accordingly, examiners give greater weight to activities that are most responsive to community needs, including the needs of low- or moderate-income individuals or neighborhoods.

Activities that may qualify for consideration as revitalizing or stabilizing a designated disaster area include:

- Financing to help retain businesses in the area that employ local residents, including low- and moderate-income individuals.
- Financing to attract a major, new employer that will create long-term job opportunities, including for low- and moderate-income individuals.
- Financing for essential communitywide infrastructure, community services, and rebuilding needs.
- Activities that provide housing, financial assistance, and services to individuals in designated disaster areas and to individuals who have been displaced from those areas, including low- and moderate-income individuals.

## *Geographic Flexibility*

CRA performance is evaluated primarily in the context of how its CRA-related activities help meet credit and community development needs in a bank’s assessment area. CRA-related

activities that occur in the broader statewide or regional areas surrounding a bank’s assessment area may also receive positive consideration.

However, owing to the unprecedented impacts from hurricanes Katrina and Rita, examiners have been given additional flexibility when evaluating the geographic aspect of CRA-related activities in these particular designated disaster areas.

OCC Bulletin 2006-6, “Community Reinvestment Act: Hurricanes Katrina and Rita,” provides guidance regarding how national banks located outside the designated disaster areas may receive positive CRA consideration for activities that revitalize or stabilize the designated disaster areas related to those hurricanes (provided that the banks have otherwise adequately met the CRA-related needs of their assessment area).

In this regard, national banks may provide CRA-related activities directly or through a third party. A national bank also may receive positive consideration for activities benefiting people who have been displaced by these hurricanes, including evacuees relocated to other states.

CRA consideration for qualified activities benefiting the designated disaster areas related to hurricanes Katrina and Rita should be discussed in the narrative section of a bank’s public performance evaluation if they are outside of the bank’s assessment area.

The OCC’s District Community Affairs Officers (DCAOs) can provide technical assistance to national banks seeking further information about how their support of the recovery effort in the Gulf Coast region might receive positive CRA consideration.

DCAO information can be found at [www.occ.treas.gov/cdd/contacts.htm](http://www.occ.treas.gov/cdd/contacts.htm).

# This Just in ... the OCC's Districts Report on New Opportunities for Banks



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## Affordable Housing Assistance in Rhode Island

Rhode Island Housing is a statewide public housing agency focused on creating and preserving affordable owner-occupied and rental housing in Rhode Island. The agency offers below-market interest rate loans and home-buyer education classes for first-time home buyers. To encourage homeownership, the agency offers special financing options for home buyers purchasing homes in certain targeted communities within the state.

Rhode Island Housing provides a number of loan programs and services to existing homeowners to assist them in maintaining and retaining their homes. The agency also oversees the management of a number of affordable rental apartments for low-income senior citizens and families, and for persons with disabilities.

Rhode Island Housing offers loan products and services that can be used by participating lenders to increase access to affordable housing. The agency also issues single-family and multifamily taxable and tax-exempt bonds and administers the federal Low-Income Housing Tax Credit, HOME, and Section 8 Voucher programs.

For more information, contact Rhode Island Housing at (401) 457-1234, or visit [www.rhodeislandhousing.org](http://www.rhodeislandhousing.org).

## Foreclosure Assistance in New Jersey

HANDS Inc., a local New Jersey community development corporation, is taking a leadership role in reducing the community impact of foreclosures. HANDS (Housing & Neighborhood Development Services) is leading a task force in Essex County that is working to develop a new special-purpose entity, Community Asset Preservation Corporation (CAPC).

CAPC is designed to preserve homes and prevent a decline in communities from foreclosures. It would address the blight caused by foreclosed, vacant properties. CAPC will identify communities affected by subprime mortgage foreclosures and negotiate with the lenders and servicers to purchase, at a discount, pools of the vacant and at-risk properties in the targeted area. The initial target is to acquire title to 1,000 to 1,500 properties. CAPC is expected to develop relationships with realtors, lenders, servicers and property management companies.

HANDS has also developed a pilot program called, "Time is the Enemy." With this program, the organization will partner with one lender at a time, which holds a number of foreclosed properties in a targeted area. HANDS will work with that lender to develop solutions to minimize the impact of the foreclosures on the neighborhoods. The community organization will purchase the mortgages from the lender, service the loans, and manage the properties, ensuring that the properties remain affordable.

For more information, visit [www.handsinc.org](http://www.handsinc.org).



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## Low-Income Housing Tax Credit Investing for Indiana Community Banks

The Indiana Community Investor Fund (ICIF) is a new low-income housing tax credit (LIHTC) pool designed with several features intended to have particular appeal for community banks in Indiana.

ICIF has a \$250,000 minimum investment requirement, which is low compared with other LIHTC funds, and ICIF will invest only in affordable housing developments in Indiana. ICIF was developed by the Great Lakes Capital Fund (GLCF), a 15-year-old regional nonprofit LIHTC syndicator that has placed \$1.2 billion of equity in 325 development projects, creating more than 19,000 units of affordable housing and 100,000 square feet of commercial space in Illinois, Indiana, Michigan, and Wisconsin.

Among the 24 investors in the other funds of GLCF are approximately 20 banks, including some of the largest banks in the country as well as regional and community banks, all of which have invested at various levels, and many of which have invested multiple times.

For more information, visit [www.capfund.net](http://www.capfund.net) or contact Fred Hash at [fhash@capfund.net](mailto:fhash@capfund.net). Also, contact Mark McDaniel at [capmac@capfund.net](mailto:capmac@capfund.net) or (317) 423-8880.

## Wealth+Education+Collaboration+Opportunity=WECO Fund in Ohio

The WECO Fund, a community and economic development agency, was established in 1971 in Cleveland, Ohio. Through a continuum of comprehensive services, participants receive financial education, long-term support, and access to capital. WECO runs the Microenterprise Center that, aside from entrepreneurship training, administers a number of "microloan" funds.

WECO allows banks to provide community development loans by lending to the fund. Typical terms are at four years and interest-free loans. In addition, WECO administers a statewide individual development account (IDA) program. IDAs are matched savings accounts that enable low- and moderate-income families to save and build assets. WECO is seeking \$250,000 in private funds to match its public funds.

For more information, contact Christine Henry, Executive Director, at (216) 458-0250 or [christine@wecofund.com](mailto:christine@wecofund.com).



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**David Lewis (214) 720-7027**

## Small Business Financing Tool Debuts in Baton Rouge

Baton Rouge, Louisiana, announced a new tool to assist small businesses with start-up or operating capital. The Small Business Loan Fund provides a nontraditional source of financing and targets especially women and minority entrepreneurs. The loan fund provides below-market-rate loans ranging from \$5,000 up to \$150,000, with flexible repayment terms.

The fund is intended to aid in stimulating the city's current economic development efforts and create or preserve jobs by providing flexible financing, helping to make East Baton Rouge Parish a stronger market for entrepreneurs. The new fund does not compete with existing funding sources but is designed to enhance the financial services already available to small businesses.

The initial funding pool of \$2.5 million was supplied by seven banks and credit unions, Seedco Financial Services, the city of Baton Rouge, and other corporations. The loan fund is actively seeking additional loan capital. The fund is managed by Seedco Financial Services, a national nonprofit community development financial institution.

For more information, contact Robin Barnes at (504) 520-5727 or [rbarnes@seedco.org](mailto:rbarnes@seedco.org).

## Lone Star CRA Fund in Dallas

This private investment partnership is being formed to make \$5 million to \$15 million equity-oriented investments in middle-market Texas-based companies.

As of June 2008, the Lone Star CRA Fund LP (LS CRA) has total capital commitments of \$57.5 million out of a goal of \$75 million. All of the funds committed to the LS CRA partnership will be invested in companies located in low-income areas of Texas.

The fund intends to bring jobs to low-income areas by investing in companies already located there or by acquiring businesses and moving them to low-income areas. LS CRA expects to complete fundraising during the balance of 2008 and plans to invest in seven to 10 Texas-based companies.

For more information, contact Arthur W. Hollingsworth, Managing Partner, Lone Star New Markets LP, at (972) 702-7390.



**Susan Howard (818) 240-5175**  
**Dave Miller (720) 475-7670**

## A Growing Loan Pool in Washington State

In 1990, a group of 19 Washington state financial institutions joined together to create a revolving, shared-risk loan pool to provide a renewable source of permanent financing for multifamily affordable housing, as well as to reduce the underwriting and administrative costs for this complex financing.

In 1992, this shared-risk loan pool began operation as the Washington Community Reinvestment Association (WCRA). Today, membership has grown to 46 financial institutions, and the original loan pool has been expanded into three lending pools, raising WCRA's lending capacity to \$105 million.

Since 1992, the WCRA has funded and committed to \$199 million in loans representing nearly 8,000 units of affordable housing and nearly 30,000 square feet of economic development projects throughout the state of Washington.

WCRA provides multifamily permanent loans, special needs financing, assisted living financing, and economic development loans. It also makes available tax-exempt bond financing for affordable housing and economic development. Investor banks have also provided construction and bridge financing for WCRA-funded projects.

For more information, contact WCRA's President Susan M. Duren at (800) 788-6508 or visit [www.wcra.net](http://www.wcra.net).

## REACH CDC in Portland, Oregon

REACH CDC Inc. is one of the most successful affordable housing providers in Portland, Oregon. REACH focuses on providing affordable rental housing targeted at low-income residents of Portland, many of whom were previously homeless.

The projects range from single-room-occupancy structures and multifamily properties to single-family housing. REACH develops and manages its projects throughout the city. Since its inception in 1986, REACH has added more than 1,000 units to the city's affordable housing stock. However, the organization is considering expanding its services into the surrounding areas.

In addition to its housing efforts, REACH runs a home-repair program called the Community Builders Program for homeowners who have low income or are disabled. To date, more than 3,500 repairs have been provided for more than 1,000 families. REACH also provides other services for its tenants including job training and an individual development account or IDA program for its teen residents called YouthSave, which provides financial literacy and matched savings accounts.

REACH's program support comes from public and private partnerships including loans, investments, such as equity equivalent investments, and grants from local government, financial institutions, and philanthropic organizations. The organization continues to entertain new partnership opportunities especially in construction and permanent financing for new developments.

For more information, visit [www.reachcdc.org](http://www.reachcdc.org).



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**Visit the OCC's Web site—[www.occ.treas.gov/cdd/resource.htm](http://www.occ.treas.gov/cdd/resource.htm)—for additional information.**