



Comptroller of the Currency
Administrator of National Banks

Community Developments

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Financing Housing in Rural America



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A PLACE TO CALL HOME: FINANCING AFFORDABLE HOUSING IN RURAL AMERICA

John D. Hawke, Jr., Comptroller of the Currency

In this second of two issues of *Community Developments* exploring banking needs and opportunities in rural America, we look at the challenges of financing affordable housing at a time when housing costs in many rural areas are rising rapidly. As in our previous issue, which reported on banks and rural economic development, we've identified many success stories in which banks are effectively leveraging their own resources by partnering with public and private programs and agencies. These two issues of *Community Developments* are a how-to primer for banks that want to play a vital financing role in the nation's rural development.

FIRST THINGS FIRST

Anna Alvarez Boyd,
Deputy Comptroller-Community Affairs, OCC

Eleven rural banks were among the insured depository institutions that received \$606 million of allocations of New Markets Tax Credits this spring. OCC will be holding a telephone seminar on September 25th to help bankers learn the CRA aspects of rural economic development banking and how to successfully use government guaranteed rural economic development lending programs.

RURAL HOUSING INITIATIVES AT WORK

Richard White, Chairman, President and CEO,
Community National Bank, Derby, VT

It takes commitment — and patience — to develop rural affordable-housing partnerships and make them successful. But the results are worth it. In Vermont's Northeast Kingdom, the least developed part of a still largely rural state, there are few opportunities to take advantage of economies

of scale. Community National Bank has worked around this problem by putting together multifamily financing packages with a wide range of federal and state programs. Result: a dozen new affordable-housing developments.

WHEN URBAN MEETS RURAL: HOW BANK-CDC PARTNERSHIPS SOLVE HOUSING PROBLEMS

Rick Cauley, Senior Vice President,
South Valley National Bank

What happens when urban sprawl overtakes a rural community? To find out, come to Gilroy, California — and see how a vigorous partnership between a bank and a community development corporation is helping to cope with the kind of housing crisis faced by many communities today. Although the explosive growth of San Jose, California's third-largest city, has driven up housing prices in Gilroy, South Valley National Bank has partnered with South County Housing, a long-established CDC, to create hundreds of new housing units priced within the range of low- to moderate-income rural residents.

BUILDING ASSETS AND HOMEOWNERSHIP ALLIANCES IN RURAL AMERICA

Lee Beaulac, Senior Vice President for Housing Programs,
Rural Opportunities, Inc.

Rural Opportunities, Inc. (ROI), has been helping rural families build assets since 1969. Still governed by a board of directors controlled by farmworkers, ROI works with a broad spectrum of low- and moderate-income rural residents on a wide variety of fronts. ROI has developed, preserved, or helped finance more than 5,500 units of affordable housing valued at over \$255 million. The key: ROI's Affordable Lending Alliance, which connects the entities critical to affordable-homebuying into a seamless process for the homebuyer.

GOOD FOR BANKS, GOOD FOR RURAL AMERICA: PARTNERING WITH NEIGHBORWORKS® ORGANIZATIONS

David R. Dangler, National Manager, Neighborhood Reinvestment Corporation's Rural Initiative

Banks looking to develop new markets in rural America will find strong and willing partners in the national NeighborWorks® network. Rural organizations now account for more than 25 percent of the NeighborWorks® network of 230 chartered community-based organizations. Able to handle the complex tasks of packaging successful housing and community development initiatives, most offer an array of programs and services designed to increase and sustain home ownership, including pre- and post-purchase homebuyer education, housing rehabilitation, and downpayment assistance, as well as first and second mortgage financing.

BANK ROLES LOOM LARGE IN DEVELOPING RURAL RENTAL HOUSING

Leslie Strauss, Communications Director,
Housing Assistance Council

National banks have a vital role to play in improving housing conditions for rural renters. Working with nonprofit and for-profit developers, banks around the country have provided construction loans, government-guaranteed mortgage loans, Affordable Housing Program subsidies, low-income housing tax credit purchases, and more. There are financing opportunities to fit any situation. The Housing Assistance Council (HAC), active in rural areas throughout the country, can help banks assess these opportunities and identify appropriate local partners. Examples illustrate the range of possibilities — and successful outcomes.

HELPING RURAL CUSTOMERS REACH HomeAtLast

Mary Morstadt, Specialty Lending Manager,
National City Mortgage

Because one size definitely does not fit all rural affordable housing challenges, National City Mortgage offers a broad range of specialty mortgage loan products collectively known as *HomeAtLast*. In addition to meeting its Community Reinvestment Act (CRA) responsibilities, National City has been able to generate profitable loan activity while increasing homeownership, encouraging new development, and improving the condition of existing housing stock. National City's three keys to success in serving rural America's affordable-housing needs: products, partnerships, and promotional outreach.

COMPLIANCE CORNER: HOW "LARGE" RURAL COMMUNITY BANKS CAN OBTAIN TOP CRA RATING

Jeannine M. Williams, National Bank Examiner,
Compliance Division, OCC

Some community banks operating in rural areas and evaluated as "large" under the Community Reinvestment Act may believe that it's difficult, if not impossible, to achieve an 'outstanding' CRA rating. Not so. One rural national bank achieved the top CRA rating through strong lending patterns and community development activities in partnership with others in the community. Here's how the bank did it.

THIS JUST IN...

OCC'S DISTRICTS REPORT ON NEW OPPORTUNITIES FOR BANKS

OCC's District Community Affairs Officers report on innovative banking initiatives and partnership opportunities in each of OCC's six districts.