



Comptroller of the Currency  
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# Community Developments

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The OCC's Community Affairs Newsletter

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



**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 NHSA, 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'

**T**he 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).