

The Rural Home Loan Partnership 2002

Building Assets, Making Dreams Come True

*I'm
so very proud;
I'm so happy
if I had wings I would fly.*

— Mary Matilda Etienne



We've got to work to knock down the barriers that have created a homeownership gap. Owning something is freedom It's part of a free society. And ownership of a home helps bring stability to neighborhoods It brings pride to people, it's a part of an asset-based society.


— President George W. Bush

Since 1996, the Rural Home Loan Partnership has made it possible for nearly 5,900 families and individuals to realize their dreams of home ownership.

Fiscal Year	Community Development Corporations (CDCs)	First-Time Home Buyers
1996:	9	37
1997:	21	172
1998:	41	284
1999:	78	644
2000:	177	1,334
2001:	267	1,858
2002:	184	<u>1,570</u>
		5,899

Source: USDA

Front Cover: Barbara Dore and her granddaughter in front of their new home, Southern Mutual Help Association, Louisiana



USDA works with community organizations, lenders and individual residents to provide opportunities to our nation's minority community and the millions who seek the dream of home ownership.

— Secretary Ann M. Veneman

The Rural Home Loan Partnership 2002

Over the last seven years, nearly 5,900 low income families and individuals from communities across this country acquired their first major assets, realizing big dreams. They joined the ranks of American home owners, thanks to a dozen national partners and more than 300 local partnerships, investing better than \$477 million.

In 2002 alone, despite rising home prices and the first drop in the number of local partnerships, some 1,570 families and individuals from 40 states and one western Pacific territory bought decent, affordable homes.

During 2002, changing circumstances produced new program challenges. To meet them, national and local partners conferred. Drawing on their collective experience, they made a number of suggestions to strengthen the Rural Home Loan Partnership (RHLP) by involving more CDC and local lender partners, and financing more homes for rural residents, particularly minority residents.

Founding National Partners: Federal Home Loan Banks; Federal Housing Finance Board; Rural Local Initiatives Support Corporation (LISC); and USDA Rural Housing Service.

National Partners Recruited: Fannie Mae; Federal Deposit Insurance Corporation; Freddie Mac; LISC Center for Home Ownership; Neighborhood Reinvestment Corporation; Office of the Comptroller of the Currency; Office of Thrift Supervision; and RNA Community Builders.

Liaison: Federal Reserve System.

At first I couldn't believe it. I was scared to wake up. It might have been a dream. It's so good to have good people to help. If it wouldn't be for good people to help, we'd be in bad shape.

— Barbara Dore

Why the RHLF Is Needed

Home ownership in America is at a record high: 68 percent of all households own their homes. In rural areas the rate of ownership is even higher, exceeding 75 percent. However, low income people face major hurdles trying to buy a decent, affordable home. These include: insufficient equity to pay down payment and closing costs; too little income to make mortgage and other payments; poor credit or no credit history; limited financial literacy; lack of access to affordable financing; and lender perceptions that low income borrowers are high risk.



For low income people living in rural areas, there are added obstacles: fewer full time job opportunities; lower wages and incomes; less access to financial training and counseling; fewer lenders competing to make home mortgages; and a shorter supply of affordable housing in decent condition. Many homes owned by rural residents are classified as substandard.

Rural residents who are members of minority groups need RHLF assistance most of all. While white rural households have an 88 percent home ownership rate, the rates for rural African-Americans and Hispanics are 61 and 62 percent, respectively. During the 1990s, rates for rural Asians and Native Americans actually slipped slightly.



I had never heard of Midwest Minnesota CDC and now I will never forget them! I never would have pursued our dream of home ownership and completed the process without their encouragement. They matched my income bracket with affordable financing. They took me through the whole loan process step by step.

— Karen Fraser

What the RHL P Does and Achieves



The RHL P exists to help families and individuals earning low and very low incomes* buy decent, affordable homes.

These are RHL P partner roles and responsibilities.



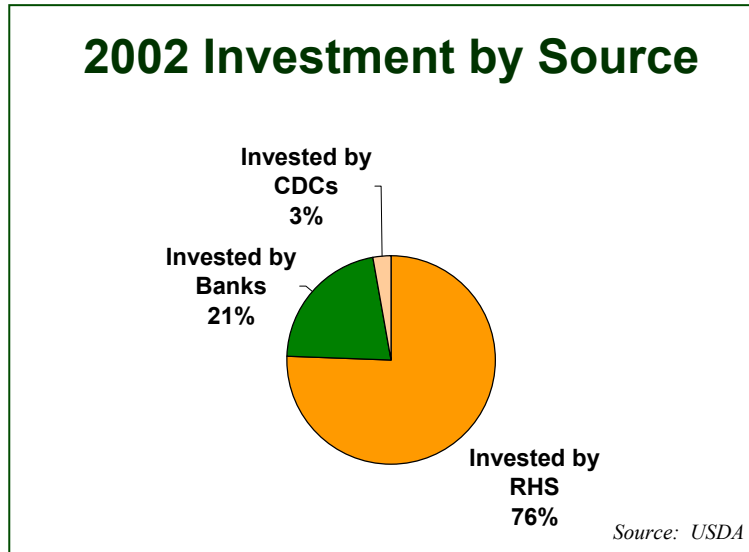
National partners, and regional organizations like the Federation of Appalachian Housing Enterprises, provide various kinds of support, including: training, information and technical assistance for local partners; up front and construction financing to help CDCs develop affordable homes for RHL P buyers; and some subsidy dollars to bring down buyer costs, e.g., allocations of Federal Home Loan Bank Affordable Housing Program monies.



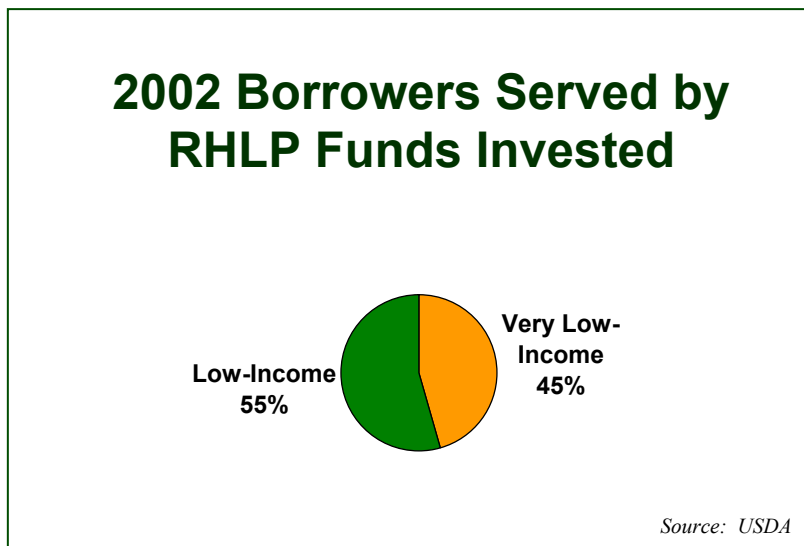
* Low income means earning 80 percent or less of median income, adjusted for family size. Very low income means earning 50 percent or less.

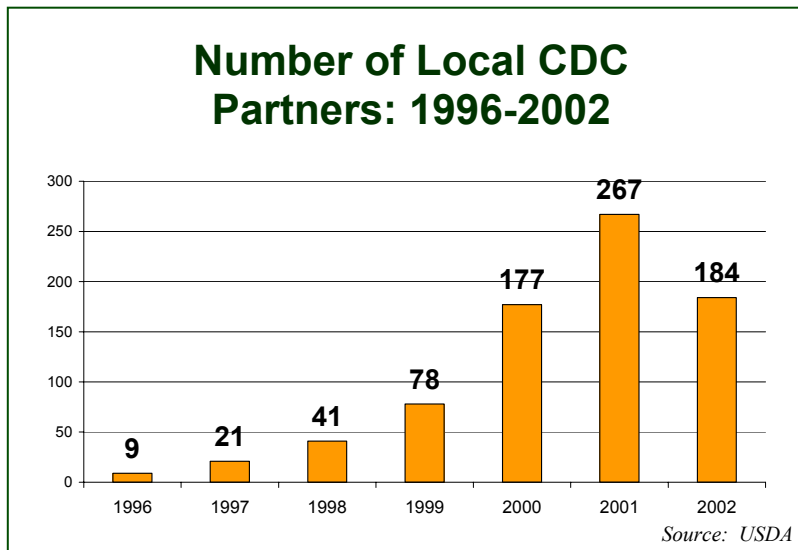


USDA sets aside part of its Section 502 direct loan appropriation at the national level to fund RHL P mortgages, e.g., \$95 million in FY 2003, encouraging state offices to do the same.



Local CDCs reach out to residents who want to buy homes, and assist them by: delivering financial literacy, budgeting and other training; providing pre- and post-purchase counseling; securing and contributing down payment, closing and other cost subsidies; recruiting private lenders; producing or locating quality affordable homes; and walking buyers through the entire financing process.





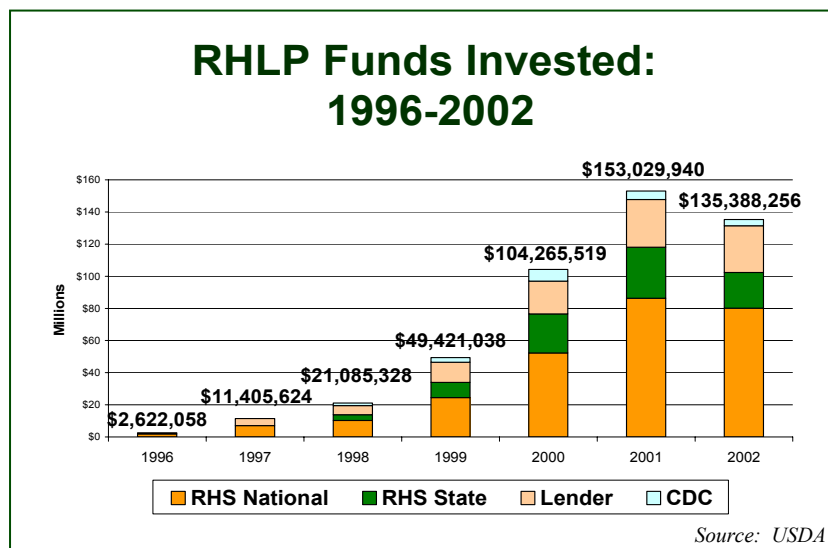
Private or other lenders join the RHLF as local partners underwriting or providing long-term first mortgages as inexpensively as possible.

If you get a good partner like Southern Mutual Help, a good nonprofit agency who's willing to invest time, any bank in the country, any place in the country, could duplicate this and have success of it.

— Larrey G. Mouton, Director, IBERIABANK



USDA state offices become local partners by underwriting and processing Section 502 loans which are leveraged by equity subsidies and conventional financing. They set aside part of their own allocations of Section 502 funds to augment national monies, e.g., \$23.75 million in FY 2003.





Fannie Mae and Freddie Mac buy the private lender mortgages.



How the RHLP Helps



Mrs. Betty Matasky



A lifelong resident of Northern Cambria, a distressed Appalachian community in Pennsylvania, Mrs. Betty Matasky was a tired widow when she asked The NORCAM Group for help. Having kept house and raised a family while her husband mined coal, his death in 1985 found her

living alone on a very limited income. Unable to find a job, she moved to Texas where her son lives, and got work, but health problems led her to return. At 73, she was paying \$350 a month in rent for a house with broken windows, broken steps and frost on the inside during the winter.

Mrs. Matasky approached The NORCAM Group, one of the founding community development corporations (CDCs) in the RHLP. Staff worked with her to design and develop a one-story home that is accessible, energy efficient and low maintenance. They also helped her qualify for RHLP financing. Today her monthly payment is less than her rent was. At 74, Betty Matasky is one of the happy first-time home owners The NORCAM Group has assisted through the RHLP.



The Vargas Family

Francis Vargas is a 24-year-old single mother of two girls, Jhanette and Celine, living in south Texas, near the Mexican border. A year and a half ago, she was working full time in a pediatrician's office and attending college part-time to obtain a nurses aide certification. Because her annual income was just \$13,000, she and her girls lived with her parents. Ms. Vargas dreamed about independence, and a home they could call their own, but doubted her dream could come true.



Ms. Vargas found a helping hand at Neighborhood Housing Services (NHS) of Dimmit County, a CDC working to make the fourth poorest county in the state into a good place to live, work and raise children. With NHS assistance, Ms. Vargas qualified for a new three-bedroom home, with a big backyard, financed through the RHLF. Her daughters are thrilled to have their own bedrooms, and they are doing very well in school. They've even built a home for themselves; a tree house in the backyard.





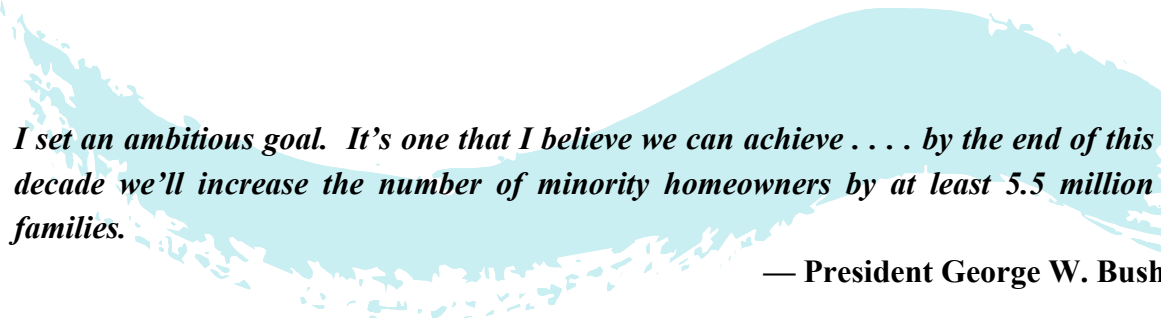
The Shifflet Family



Paula Shifflet is a single mom and popular para-educator at Elma High School. She lives in Grays Harbor County on Washington’s Olympic Peninsula, where the economy has suffered from a timber industry decline. For years, she thought about buying a home, but doubted she could swing it. The homes she could afford all needed so much work. Family members told her about NeighborWorks® of Grays Harbor County. With help from the staff, she identified a house taken back in a foreclosure and managed to qualify for financing.

NeighborWorks® construction specialist Pat Beaty says, “The house was in extremely tough shape, not so much the outside, but the inside had been literally trashed.” Pat had concerns about Paula’s ability to take it on, but said, “Even before the house closed, Paula had her church group of about 20 volunteers go in. By noon, . . . they filled a 40-yard dumpster.” He added, “Paula’s been terrific every step of the way and all the sweat equity has saved her a lot of money.” Today, Paula pays less than 30 percent of her income for her dream home.





I set an ambitious goal. It's one that I believe we can achieve . . . by the end of this decade we'll increase the number of minority homeowners by at least 5.5 million families.

— President George W. Bush

RHLP Challenges and Changes

In 2002, home mortgage financings reached record highs while interest rates fell to new lows. Home ownership rates rose accordingly. USDA's national office set aside \$90 million in Section 502 mortgage monies for RHLP borrowers, the same level as in FY 2001.

Despite these positive trends, the number of CDC local partners participating in RHLP dropped by 83 or 31 percent. The number of home buyers served decreased by 280 or 15 percent.

Some 35 national and local partner representatives met during the year to analyze the changing environment. They identified several issues, including: increased housing costs not matched by increased incomes; and lower RHLP visibility due to less publicity, fewer local partner trainings, reduced recruiting for new local partners and a "rolling" CDC application process without a national deadline. They were also concerned about too few local CDC partners serving minority communities; CDC uncertainty about Section 502 allocations; and the absence of a nationwide USDA policy on CDC cost recovery through packaging fees.

At this meeting, and subsequently, partners made numerous suggestions about how to change RHLP practices. Some have been implemented, and some are still being considered. Both national and local partners are confident that these changes will put RHLP back on a steady growth track, one which involves more CDCs, more low income home buyers and more successful minority buyers.

RHLP Is Building the Blueprint



In 2002, President Bush set and announced an ambitious goal: increasing minority home ownership by 5.5 million families by the end of 2010. This goal, the public and private partners committed to it and what these partners expect to contribute are detailed in the “Blueprint for the American Dream.” The RHLP has pledged to produce 20,000 affordable homes by the end of the decade, and to increase the number of minority families it assists.

One way the RHLP partners can keep this pledge is by recruiting new CDC partners serving largely minority communities, groups like Macon Ridge Community Development Corporation. Macon Ridge was started in 1996, and is headquartered in Ferriday, Louisiana. It serves eight parishes in the northeastern section of the state, the Mississippi Delta region. These parishes are among the poorest in the state, and the most heavily African-American. Unemployment exceeds 10 percent. Over the past seven years, Macon Ridge has developed affordable housing, including 20 rehabilitated homes and 105 rental apartments. In 2002 and 2003 alone, it produced 19 new ownership homes. Recently, Macon Ridge applied and was accepted as an RHLP partner. The allocation of Section 502 funds it received, coupled with bank and other resources, will help Macon Ridge develop 10 homes. Its longer term goal is developing 50 homes a year.



2002 Local CDC Partners

Alabama • Baldwin County Housing Authority, Southeast Alabama Self-Help Association, Three Rivers Housing
Arkansas • Crawford-Sebastian Community Development Council **Colorado** • Colorado Housing Assistance Corporation, Colorado Housing Enterprise, Commercial Federal, East Central Council of Governors, Funding Partners, Montezuma County Housing, Northeast Colorado Housing, Inc., Prairie Development Corporation, Regional Affordable Living Foundation, Tri-County Housing + CDC, Inc. **Connecticut** • Connecticut Housing Investment Fund **Delaware** • First State Community Loan Fund **Florida** • Florida First Bank, North Florida Education and Development Corporation, The Keystone Challenge **Georgia** • Gilmer County Family Connection, H.E.L.P., Ninth District Opportunity **Hawaii** • Kauai Housing Development Corporation, Lokahi Pacific, Pacific Gateway Center **Idaho** • Blaine County Housing, El Ada, Gooding Council, Idaho Migrant Council, Idaho Development and Housing, Panhandle Area Council, Pocatello Neighborhood Housing Services, Western Idaho Community Action **Illinois** • Illinois League of Financial Institutions, Mid-Central Community Action, Inc. **Indiana** • Eight County Housing, IRL, Home Base, New Hope Services, OVO Jennings Co., Pathfinder Services, Inc., Rural Opportunities, Inc., SIRPC **Iowa** • Region XII, Southern Iowa Council of Governments, Victor Community Development, Washington Economic Development **Kansas** • Homestead Affordable Housing, Housing and Credit Counseling, Inc., Mennonite Housing Rehabilitation Services, Inc., Original Town of Liberal Revitalization, Inc., Parsons Community Foundation **Kentucky** • Appalachian Service Project, Bell-Whitley Community Action, Buffalo Trace Area Development District, Christian Appalachian Project, Daniel Boone Development Council, Community Housing, Inc., Frontier Housing Corporation, Hickman-Fulton Community Development, HOMES, Hazard Perry County Development Alliance, HANDS, HPCDA, KCEOC, Kentucky Housing Corporation, Kentucky River Foothills, Lincoln Trail Area Development District, Peoples Self-Help Housing Development Corporation **Louisiana** • Hibernia Community Development Corporation #1, Hibernia Community Development Corporation #2, Southern Mutual Help Association, St. Tammany Community Housing **Maine** • Aroostook County Action Program, Coastal Community Action Program, Coastal Enterprises, Inc., Kennebec Valley Community Action Program, Peoples Regional Opportunity Program, Community Concepts, Inc., Western Maine Community Action Program, Penquis Community Action Program, Washington-Hancock Community Action Program, York County Community Action **Maryland** • Calvert Affordable Housing Authority, Inc., Garrett County Community Action Committee, Inc., Frederick County, Home Partnership, Inc., Interfaith Housing of Western Maryland, Maryland Rural Development Corporation, Salisbury Neighborhood Housing Service, Southern Maryland Tri-County CAC **Massachusetts** • Cape & Islands CDI, Plymouth Redevelopment Authority, Rural Development Incorporated, Worcester Community Action **Michigan** • Barth & Associates, HDC, Imagine Housing, Metro Housing, NCCS, Oceana Home **Minnesota** • Midwest Minnesota Community Development Corporation, Southwest Minnesota Housing Partnership **Missouri** • Bootheel Community Development Corporation, East Missouri Action Agency, North East Community Action Agency, West Central Community Action Agency **Montana** • Glacier Affordable Housing Foundation, Human Resource Development Council, Great Falls Neighborhood Housing Service **Nebraska** • Central Nebraska Community Services, Southeast Nebraska Regional Collaborative, Platte Valley Community Development Coalition **New Hampshire** • Affordable Housing, Education and Development, Southwestern Community Services, Inc. **New York** • Rural Opportunities, Inc. **North Carolina** • Northwestern Regional Housing Authority, Self Help Community Development Corporation, Unifour Consortium **North Dakota** • Eastern Prairie Community Action, Lewis and Clark Community Works **Ohio** • Adams-Brown Community Action, Ashland County Regional Development, Ashtabula Home Ownership Opportunities, Better Housing League, Catholic Charities Housing Opportunities, Columbiana County Community Action Initiative, Crawford County CHIP, Fayette CAC, Frontier Community Development, Gallia-Meigs CAC, Guernsey County, Lake County Home Investment Partnership, Maumee Valley Planning, PICCA, Poggemeyer Design Group, Portage Area Development Corporation, Trumbull County Home Purchase Program, Wayne County CHIP, WSOS **Oklahoma** • Community Action Resource & Development **Oregon** • Access, Corvallis Neighborhood Housing Service, Inc. **Pennsylvania** • The NORCAM Group **South Dakota** • Neighborhood Housing Services of Black Hills, Northeast South Dakota Economic Corporation, Teton Coalition, Inc. **Tennessee** • Federation of Appalachian Housing Enterprises **Texas** • Gulf Coast Trade Center, Gulf States Mortgage, Pineywoods HOME Team Affordable Housing, Inc., Texas Department of Housing and Community Affairs **Utah** • Community Development Corporation, Mountaintops Community Housing, Rural Housing Development Corporation **Vermont** • Central Vermont Community Land Trust, Gillman Housing Trust, Inc., Rockingham Area Community Land Trust, Rutland West Neighborhood Housing Services **Virginia** • Blue Ridge Housing Network, Piedmont Housing Alliance, Waynesboro Redevelopment & Housing Authority **Washington** • Aberdeen Neighborhood Housing Services, Community Action Council **West Virginia** • Community Works in WV, Randolph County Housing Authority, Stop Abusive Family Environments **Western Pacific Territory** • Kosrae State Government **Wisconsin** • Advocap, Northwest Affordable Housing **Wyoming** • Eastern Shoshone Tribe, Wyoming Community Development Authority

Source: USDA

2002 Local Lender Partners

Alabama • Allied Mortgage, Colonial Bank, AmSouth Bank, Southeast Alabama Self-Help Association **Arkansas** • Priority Bank, Benefit Bank **Colorado** • Colorado Housing Assistance Corporation, Colorado Housing Enterprise, Commercial Federal, East Central Council of Governors, Funding Partners, Montezuma County Housing, NECHI **Connecticut** • Connecticut Housing Investment Fund **Delaware** • Discover-First Horizon **Florida** • Capital City Bank, First Federal Savings Bank of Florida, First Union, Florida First Bank, SunTrust Bank **Georgia** • Chase Manhattan, Georgia Department of Community Affairs, State Home Mortgage, United Bank **Hawaii** • American Savings Bank, Kauai County Housing Agency **Idaho** • Academy Mortgage, Countrywide Home Loan, First Bank of Idaho, First Federal, First Horizon Bank, Home Federal, Idaho Independent Bank, Ireland Bank, Intermountain Bank, M&T Mortgage, Magic Valley Bank, Mount West Mortgage, National City Mortgage, North American Mortgage, Republic Mortgage, Young Mortgage **Illinois** • Bank of Rantoul, Busey Bank, Byron Bank, Dekalb Bank, National Bank, Peoples National Bank, Pontiac National Bank, Standard Bank, Twin Oaks Savings Bank, Union Bank **Indiana** • First National Bank, Firststar, First Source Bank, Home Federal Savings Bank, Huntington Mortgage, Lake City Bank, Leader Mortgage Company, National City Mortgage, Old National Bank, Pacesetter, Pathfinder Services, Inc., Peoples Trust Company, Republic Bank, Salin Bank and Trust **Iowa** • American State Bank, Iowa State Savings Bank, Washington State Bank **Kansas** • American General Finance, Farmers Bank & Trust, First Kansas Federal Savings, Kaw Valley State Bank, Labette County Bank, Metz Banking Company, Priority Bank **Kentucky** • ASP, Bell-Whitley, Buffalo Trace Area Development, Christian Appalachia Project, Community Housing, Inc., Community Trust Bank, First Federal Savings and Loan, Daniel Boone Development Council, Frontier Housing Corporation, HANDS, Hazard/Perry County Housing Development Alliance, Hickman-Fulton Community Development, HOMES, KCEOC, Kentucky Housing Corporation, Kentucky River Foothills, Lincoln Trail Area Development District, Peoples Self Help Housing Development Corporation **Louisiana** • Hibernia National Bank, IBERIABANK, MidSouth National Bank, Southern Mutual Financial Services, Sunset Bank, Teche Federal, Union Planters Mortgage, Washington State Bank **Maine** • Androscoggin Savings Bank, Auburn Savings Bank, Bangor Savings Bank, Bar Harbor Bank and Trust, Bath Savings Institution, Countrywide Home Loans, Downeast Mortgage Company, Franklin Savings Bank, Katahdin Trust Co., Kennebec Savings Bank, Machias Savings Bank, Peoples Heritage Bank, Rockland Federal Savings and Loan, Skowhegan Savings Bank **Massachusetts** • Cape Cod Five, Greenfield Cooperative, Salem Five Co-operative Bank, Southbridge Savings **Maryland** • Centerville Bank, Classic Mortgage, Community Bank of Tri-County, Farmers and Mechanics National Bank, Susquehanna Bank **Michigan** • Chemical Bank and Trust, Community Bank, HDC, Springhill Housing **Minnesota** • First Independence Bank, First National Bank, Heritage Bank, Homeland Mortgage, Midwest Minnesota CDC, Woodland Homes Mountain Corporation **Missouri** • MO Housing Development Committee, New Era Bank, Peoples Bank and Trust, The Missouri Bank, Saint Clair County Bank, Security Bank **Montana** • Empire Bank, Glacier Bank, Heritage Bank, Intermountain Mortgage, Great Falls Neighborhood Housing Service, Stockman Bank, Valley Bank **Nebraska** • Cass County Bank, Columbus Federal Savings Bank, First National Bank & Trust-Columbus, Platte Valley National Bank, Thayer County Bank, Union Bank, Valley Bank & Trust **New Hampshire** • Connecticut River Bank, New Hampshire Housing Finance Agency **New York** • HSBC Bank, M&T Bank, Castile **North Carolina** • Bank of Granite, North Carolina Housing Finance Agency, Self-Help Credit Union **North Dakota** • Eastern Dakota Housing Alliance, Dakota Community Bank, Lewis & Clark Community Works **Ohio** • Cortland Bank, Eaton National Bank, First Federal, Fifth Third Bank, Huntington Mortgage, Home Savings Bank, Merchants Bank, National Bank & Trust, Northwest Savings Bank, Ohio Valley Bank, Portage Area Development Corporation, Wayne Savings Community Bank **Oklahoma** • Metz Bank, Priority Bank **Oregon** • Home Valley Bank, Siuslaw, Klamath First Federal Savings and Loan Associates **Pennsylvania** • First Susquehanna B&T **South Dakota** • First Western Bank, Northeast South Dakota Economic Corporation, Security Mortgage **Tennessee** • Federation of Appalachian Housing Enterprises **Texas** • Gulf Coast Trade Center, Gulf States Mortgage, Pineywoods HOME Team Affordable Housing, Inc., Texas Department of Housing and Community Affairs **Utah** • Bank of America, Frontier Bank **Vermont** • Neighborhood Housing Services of America, Passumpsic Savings Bank, Rutland West Neighborhood 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Source: USDA



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