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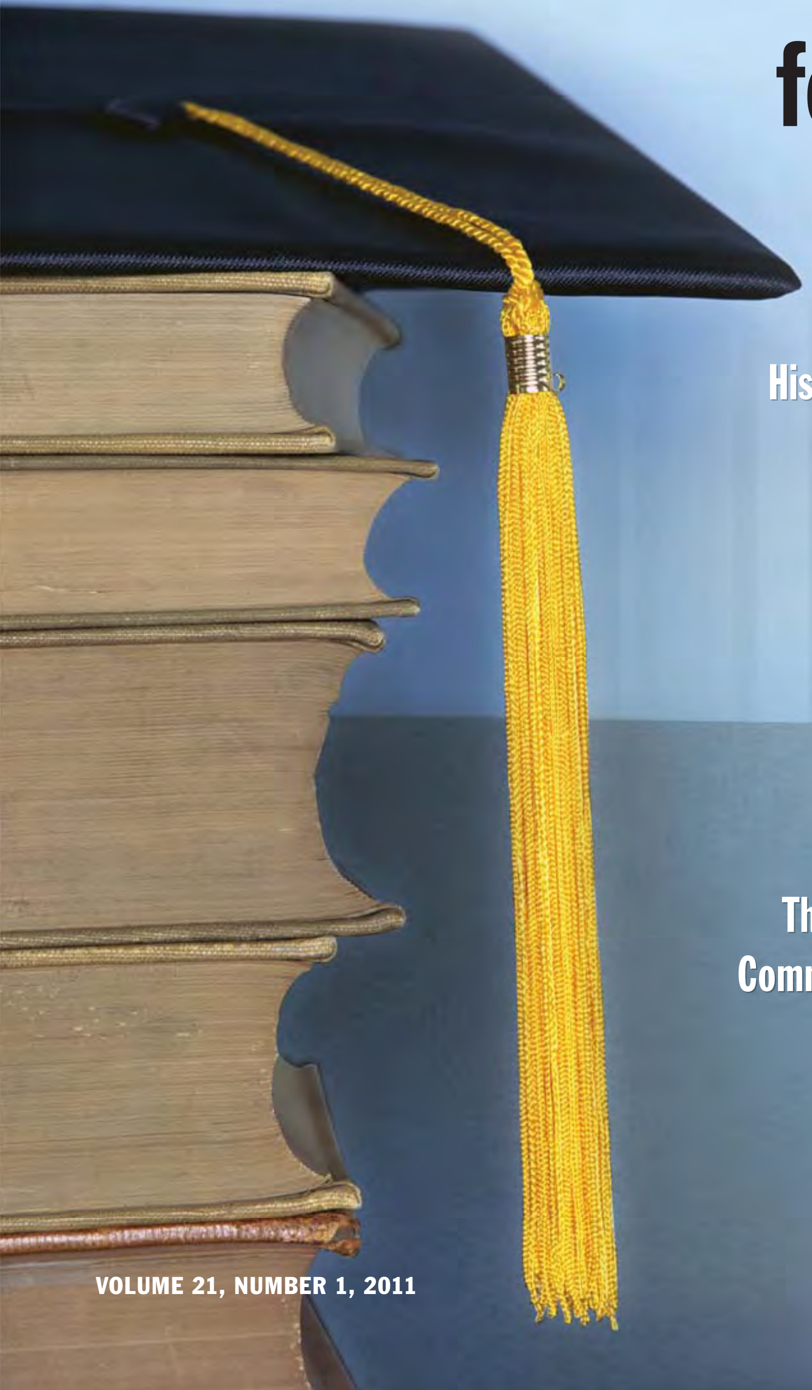
Putting It All Together for a Better Future



Under Water in More Ways than One: Historic Flooding and Foreclosures in Atlanta

Mortgage Foreclosures and the Future of Housing Finance

The CED Roundtable: Emerging Roles for Community and Technical Colleges in Economic Development

The Recap: Creative Approaches to Current Community and Economic Development Issues

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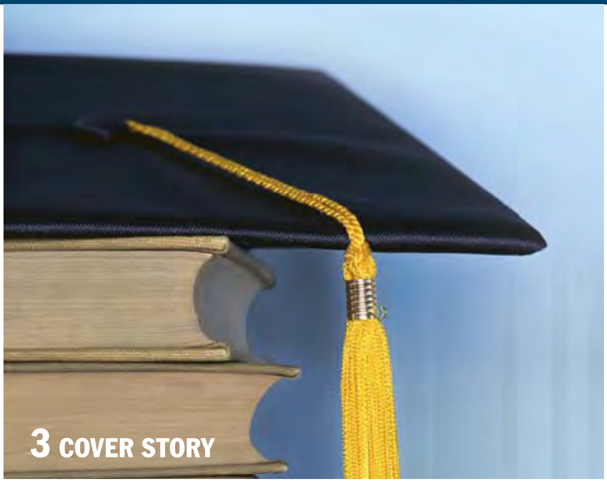

FEATURES

COMPLEX COMMUNITY AND ECONOMIC DEVELOPMENT ISSUES DEMAND PARTNERSHIP AND INNOVATION

TODD GREENE
Vice President,
Community and Economic Development, and Community Affairs Officer

As signs of recovery in the national economy slowly emerge, community and economic development practitioners and stakeholders are taking stock of a new landscape, new realities, and new opportunities. Doing more with less is not a new paradigm for community and economic development professionals, but if we are truly seeking innovative solutions to complex community and economic development issues, we can no longer afford to think in silos—we have to put it all together.

In 2011, fully integrated partnerships will be necessary. This means economic developers, community developers, workforce boards, education stakeholders, and local government representatives must come to the table ready to learn new perspectives, identify winning compromises, and execute ideas. This issue's cover story on the 12 for Life program in Carroll County, Ga., highlights just this kind of partnership, in which businesses, educators, and local government united to address low high school graduation rates and create a ready workforce. Our "CED Roundtable," with Dr. Rolando Montoya and Mr. Jim King, also identifies robust industry partnerships as a critical factor in allowing community and technical colleges to provide timely and relevant training programs to meet the immediate needs of local businesses.

The Community and Economic Development function at the Atlanta Fed is embracing its own new normal. This issue of *Partners in Community and Economic Development* is our last regular printed issue. We will be a presence in our sister publication, *EconSouth*, continuing to publish timely stories and research of interest to you, our community and economic development partners. We will also be making the most of our online presence at www.frbatlanta.org/commdev/, and using other technology to bring research and best practices to you. We will be developing webinars, producing additional podcasts, and creating more frequent online content.

In 2011, we will continue to focus on foreclosure, neighborhood stabilization, and small business issues, and also deepen our work around employment-related issues. Our work addressing financial literacy will eventually transition to the new Consumer Finance Protection Bureau. Despite the changes ahead, one thing remains the same: the Atlanta Fed is still a trusted source of information, data, and analysis for community and economic development stakeholders.

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12
FOR LIFE

Putting It All Together for a Better Future

PERSISTENTLY LOW HIGH SCHOOL GRADUATION RATES ARE A PROBLEM FACING COMMUNITIES ACROSS THE NATION, WITH NEGATIVE IMPLICATIONS FOR ECONOMIC DEVELOPMENT. ONE INNOVATIVE BUSINESS-EDUCATOR PARTNERSHIP IS SEEKING TO REVERSE THE TREND FOR THE COMMUNITY.

Carroll County, a small community nestled in West Georgia, often refers to itself as a "community in transition." The moniker is a perfect description for the growing community, which is benefiting from its combination of rural charm and proximity to the city centers of Atlanta, Ga., and Birmingham, Al. But like many other communities—both rural and urban—Carroll County is grappling with persistently low high school graduation rates and a workforce that has to adapt to the challenges of today's dynamic, knowledge-driven economy. Carroll County is not alone in this challenge. Nationally, an increasing share of employers report that, in addition to lacking hard skills like math and science, the current and incoming workforce is also deficient in important soft skills such as positive work ethics, teamwork, and communication.[1]

Homegrown Business Tackles Homegrown Challenges

The effects of high dropout rates ripple far beyond the individual students who fail to graduate. According to a 2009 study by the Center for Labor Market Studies at Northeastern University, high school dropouts face lower earning power and fewer job opportunities than their peers with high school diplomas—but their lack of education also affects local labor markets and the economic vitality of the surrounding community.[2] Educational attainment of the local workforce is a primary concern for companies considering locations for new or expanded facilities, making cities and towns with low graduation rates less attractive to these potential new employers. Economic developers in Carroll County, led by Carroll Tomorrow (a sister organization to the Carroll County Chamber of Commerce that is responsible for economic development), were also focused on retaining existing businesses. Many studies have shown that as much as 80 percent of new jobs in a community are tied to the community's existing businesses,[3] and an educated and reliable local workforce is often just as vital to existing businesses as to new ones.

Southwire Company, a family-owned manufacturer of wire and cable founded and headquartered in Carroll County, is one of the area's largest employers and has been deeply involved in the community since its 1950 inception. As the company's technological sophistication and geographic reach grew, so too did the education requirements for its workforce. Southwire executives two decades ago understood that the company needed access to an educated and well-prepared workforce in order to continue expanding operations, so they implemented a hiring policy requiring applicants to have at least a high school diploma or GED. Initially, the decision "cut our applicant pool by a huge percent," said Mike Wiggins, Southwire's executive vice president of human resources. As he explained, people didn't understand at first why they needed a high school degree to run machines. But Southwire executives soon began to notice a shift in local perceptions about high school education.

In more recent years, however, the county's high school graduation rate began to fall. Concerned about the flagging graduation rate and dedicated to its home base, Southwire approached other interested local stakeholders—educators, economic developers, and community leaders—about partnering to address the issue. "If we didn't step up, how would we ever convince people of the value of an education?" explained Wiggins.

The result was 12 for Life, an innovative partnership between Southwire and the Carroll County School System, launched in 2007. The program's name reflects its core mission: to help students at risk of dropping out realize the difference a full 12 years of education can make in their lives. Additionally, the program targets a host of other issues—including financial literacy and basic life skills—to help the students become long-term, valuable contributors to their families and community.

The Engine of Community and Economic Development: 12 for Life

The engine that drives 12 for Life is the dedicated partnership between Southwire and the Carroll County School System. The program is aimed at reducing high school dropout rates and helping students prepare for the next stage in their lives, whether it is continuing their education or entering the workforce. It's no accident that the program also seeks to strengthen the local tax base and attract or retain businesses by strengthening the caliber of the local workforce. "We want to do something about the graduation rate, we want to do something about people who pay taxes, and we want to give kids a shot at being responsible, productive citizens. And we want to do it in a way that is sustainable," explained Wiggins.

Targeting students before they drop out of high school, rather than creating workforce development programs aimed at adults without a diploma or at those who want to retrain for another career, is a critical distinguishing feature of the 12 for Life program. Another is its inclusive strategy, which aligns the education, workforce development, and economic development goals of the community. According to a 2010 report by the International Economic Development Council (IEDC), strategies that successfully integrate education and workforce development are essential for today's economic development environment.[4]

The IEDC report also notes that economic developers who must focus on creating high quality jobs in knowledge-driven, high-skill industries are often faced with a population lacking entry-level qualifications. Further challenging economic developers is the shift in the practice of economic development from a focus on specific transactions,

"The graduation rate within the program has also been a success, with 97 percent of the participating students earning their diploma."

measured by the number of jobs per project, to one on system-building and nurturing an entire economic engine to sustain industries that create a wide variety of jobs and opportunities for advancement.[5]

12 for Life Structure and Goals

The 12 for Life program combines a traditional classroom education with a job at a Southwire plant. Through this structure, at-risk students earn academic credits toward graduation while also earning a paycheck, learning critical job and life skills, and benefiting from mentoring relationships with Southwire employees. Students attend classes at their regular high school for a portion of the day and then work at least 20 hours per week at a Southwire plant that was designed especially for them. This special 12 for Life plant houses several workstations where student workers repackage wire, assemble spools and reels, and perform support functions such as data entry, shipping, and quality assurance. Students can also earn monetary bonuses for positive behaviors such as punctuality and meeting assigned production goals.

The likelihood of completing high school because of the ability to earn academic credits and a paycheck simultaneously is an important benefit of the program, especially in a school system where economically disadvantaged students made up nearly half of the class in 2009. According to a 2007 report from the National Center for Education Statistics (NCES)—the primary federal entity responsible for collecting and analyzing education data—students from low-income families are 10 times more likely to drop out of high school than their peers from high-income families.[6]

12 for Life participants regularly attend classes on work and life skills covering key topics such as attendance, teamwork, attitude, and organizational skills. These same issues are addressed as students encounter them on the job, noted 12 for Life coordinator Doug Wright. The program also aims to increase students' financial literacy through seminars on money management, which teach

"It's a workforce development issue, it's a quality-of-life issue, and it's a community improvement issue."

students about budgeting, banking and credit, insurance, and taxes. Parents and guardians that are actively involved in the program with their children also have an opportunity to learn these important life skills in a series of parent nights that are held on a quarterly basis.

The program's efforts to instill a positive work ethic and teach important soft skills, such as teamwork and communication, are especially important in today's labor market. In a 2006 survey of more than 400 U.S. employers conducted by the Conference Board, Corporate Voices for Working Families, the Partnership for 21st Century Skills, and the Society for Human Resource Management, more than 70 percent of respondents reported recent high school graduates as being "deficient" in professionalism and work ethic.[7] Employers rank these same skills, according to the report, as being among the most important for success in today's workplace. The problem is also being studied on a regional level. A 2007 report by Georgia Tech's Enterprise Innovation Institute and the University of Georgia's Fanning Institute found that the current, emerging, and future workforce was viewed as needing development in hard skills, soft skills, and life skills.[8]

Taking It to the Next Level: Evaluation and Replication

At the end of the 2009–10 school year, 12 for Life had guided a total of 171 students to high school graduation, well within reach of Southwire's goal of 175 graduates by 2012. The graduation rate within the program has also been a success, with 97 percent of the participating students earning their diploma. Thirty-six students have been hired since the program began, and 33 interns, all graduates of the 12 for Life program, are currently employed by Southwire at the 12 for Life facility.

From a wider perspective, the program is also helping to boost the county's graduation rate, which increased 11 percentage points to 77.2 percent between 2004 and 2009. Program officials take some credit for the improvement, although they are quick to point out other factors that are also helping. "The schools are doing incredible work, too," said Wright. "Hopefully, some of the impact is from what we're doing as well. It's everybody working together," he added.

12 FOR LIFE

Harder to quantify but equally important is the program's role in helping at-risk students see a better future for themselves. The students reported that the program has had a dramatic influence on their lives, using words like "life-changing."[9] Mentors in the program were surprised to learn the scope of the high school dropout crisis and admitted they didn't know that one of the reasons students drop out of high school was to help support their families financially. On a more practical level, the 12 for Life plant in Carroll County is a fully operational and productive plant. Stu Thorn, the company's president and chief executive officer, said the company has profited financially from the program and benefited from improved employee retention and morale.

Southwire has tried to show that the model can be replicated on a smaller scale by starting a simplified version of the program in Florence, Ala., where the company also maintains a manufacturing facility. "We would like nothing better than for this thing to multiply," said Southwire's Wiggins. 12 For Life Florence, which began in June 2009 and covers just one school in the area, is about a third of the size of the original program. Other efforts at replication seem to be gaining momentum; Georgia's Monroe County Schools and the Georgia Department of Corrections are the first partners to replicate the 12 for Life program in a nonmanufacturing, nonSouthwire facility. Using the 12 for Life trademark, Monroe Schools and the Department of Corrections have started with five high school students and are planning to grow enrollment to 40 students working in business-related occupations. To support expansion of the model, Southwire has offered to counsel other businesses through the process. "We'll give you our guides, our best practices, and our lessons learned," said Wiggins.

The promising successes of 12 for Life do not mean there haven't been challenges. A two-year study of the program conducted by the Evaluation Center at the University of West Georgia found that Southwire had to adjust its operations to those of the school system, while Carroll County Schools in turn had to adapt to working with a fast-paced private corporation. Mike Wiggins reported that attendance remains a thorny challenge, and a few students were removed from the program for violating the zero-tolerance drug policy. But these students make up a small portion of the 171 students that have made their way through the program so far.

The employee mentors reported feeling unprepared to counsel the students on the serious life issues they were experiencing, and also reported difficulty transitioning their relationships with the students when they graduated from the program. This led the Evaluation Center to suggest training on handling life issues and closure protocol to aid mentors. Another ongoing challenge has been helping those 12 for Life graduates who become employees at Southwire transition to full-time work.

Finally, while the report indicates that all aspects of the program are replicable, many of the would-be partners hesitate when they realize the depth of the resource and time commitment that success requires, explained Scott Cowart, superintendent of Carroll County Schools. The program is about "more than giving a donation, having your name on a [sign] as a partner to the school system, or sending a few mentors over to help," he added.

Conclusion

As word of the program's success travels, both Southwire and Carroll County schools continue to express a desire to see it grow. "It's a workforce development issue, it's a quality-of-life issue, and it's a community improvement issue," said Cowart. "You can say it's about improving graduation rates—and it is—but it's much more than that." Daniel Jackson, president and CEO of the Carroll County Chamber of Commerce noted that communities "have to be willing and able to bring the business and economic development community, civic and other community leaders, and educators together… asking what can all of us do, working in concert, to … build the workforce of the future that we need, and [12 for Life] just happens to be one really good example of that." ■

This article was written by Lela Somoza, a staff writer for the Atlanta Fed.

Endnotes

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Under Water in More Ways Than One:

Assessing the Impact of Historic Flooding and Foreclosures on Atlanta's Vulnerable Communities

COMMUNITIES ACROSS THE NATION HAVE BEEN STRUGGLING WITH BOTH NATURAL AND MANMADE DISASTERS, AS THE FORECLOSURE CRISIS AND RECESSION WORE ON THROUGH HURRICANE AND FLOODING SEASONS.

In September 2009, a series of slow-moving storms produced unprecedented flooding in metropolitan Atlanta, forcing the evacuation of hundreds of households and causing extensive property damage to thousands of other homes. Rainfall during Atlanta's September 2009 flooding exceeded 12 inches in an 11-day period in many areas (see figure 1). The Atlanta Journal-Constitution reported road closures and other major events due to flooding—such as drowning and significant property damage—in 10 counties. U.S. Geological Survey rain gauges recorded floods up to 1.6 times the maximum flood level, with a volume and velocity so great that many of these gauges malfunctioned.

According to Brian McCallum, assistant director of the U.S. Geological Survey Georgia Water Science Center in Atlanta, "If a 500-year flood was a cup of coffee, this one brewed a full pot…. This flood was off the charts."[1] Existing flood maps did not help predict flooding patterns because they did not reflect such changes as increases in impervious surfaces (sidewalks and parking lots), aging storm water infrastructure, and parched soils, which caused rainwater to collect rather than drain away. The magnitude of rainfall had not been experienced in the state's recorded history, which meant that many of the affected neighborhoods were caught unprepared.

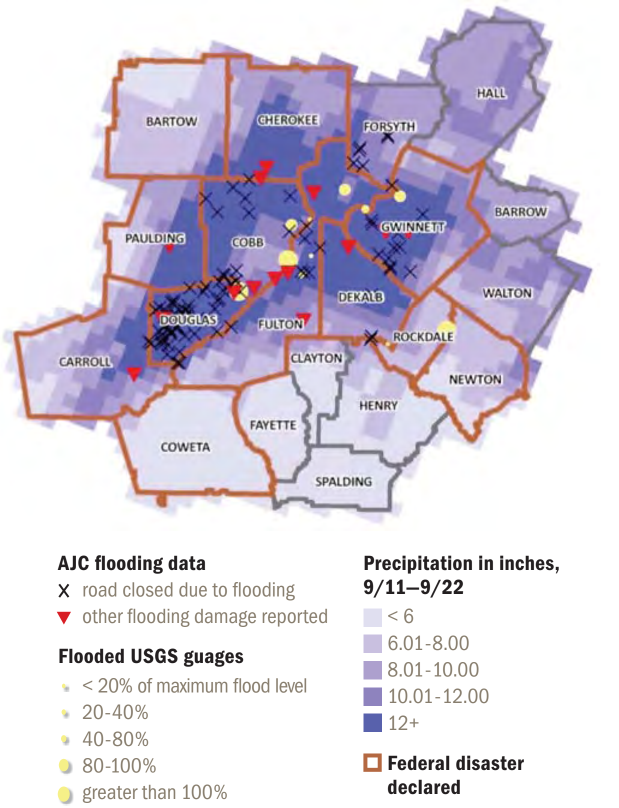
In total, the flood was responsible for 10 deaths and approximately $500 million in property damage.[2] Significantly, this severe flooding had an impact on neighborhoods in Atlanta that were already struggling with foreclosure. These communities, now literally as well as figuratively under water, tended to be the most socially vulnerable: low-income and minority, with low home-ownership rates and with few resources to recover from either a natural or financial disaster. According to Patrik Jonsson of the Christian Science Monitor, "Some of those affected took a double-dunk: their mortgages are already under water, which means they won't have any equity to borrow against to rebuild."[3] Adding to the challenge, many affected Atlanta residents lacked flood insurance, which is required only for residents living within the 100-year flood plain boundaries. The September 2009 flooding was measured as a once-in-500-years event.

Despite the historic magnitude of both the floods and the foreclosure crisis, experts have done little research into the compounding impact of these disasters on already vulnerable communities. To begin to understand their combined effects, we have to examine flooding and foreclosure data for the 20 counties in metropolitan Atlanta to see what correlations, if any, appear. Could policy and resource directions help these communities build greater resilience in the face of inevitable future shocks?

A Look at the Data: Where Do Foreclosures and Flooding Converge?

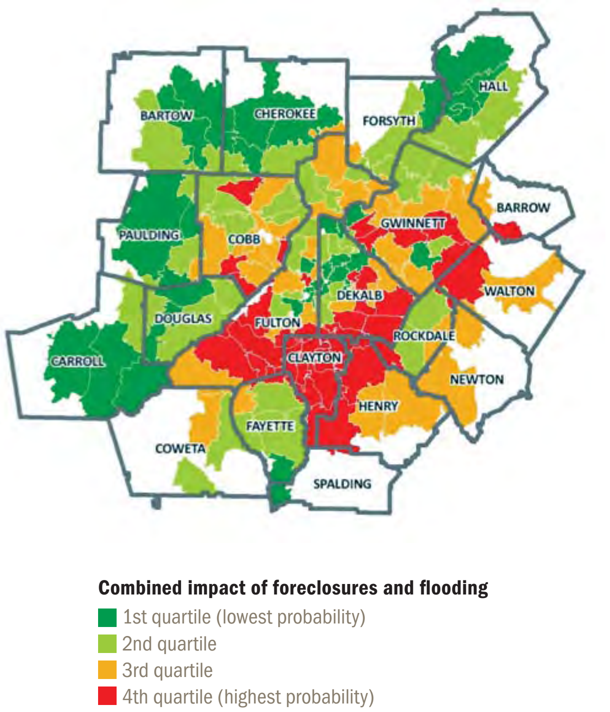
A merging of September 2009 foreclosure data from Lender Processing Services Inc. Analytic Services (LPS) with current Federal Emergency Management Agency

FIGURE 1: FLOODING AND RAINFALL DATA, SEPTEMBER 2009



Sources: National Oceanic and Atmospheric Administration, U.S. Geologiical Survey, Atlanta Journal-Constitution and Lender Processing Services Inc. Analytic Services

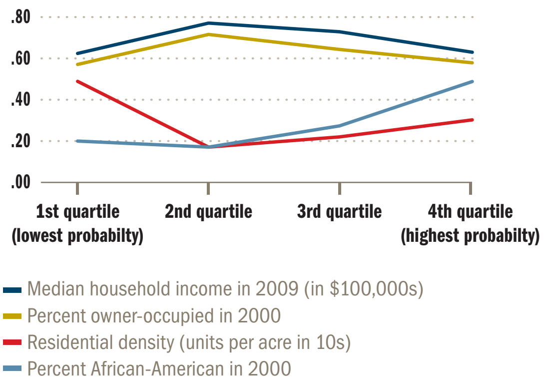
FIGURE 2: COMBINED IMPACT OF FORECLOSURES AND FLOODING



Sources: National Oceanic and Atmospheric Administration, U.S. Geologiical Survey, Atlanta Journal-Constitution and Lender Processing Services Inc. Analytic Services

(FEMA) 500-year floodplain maps produced a combined index of the probability that households were at risk of flooding and foreclosure. These two data sets were also indexed geographically with residential land cover data (information obtained from aerial maps showing housing unit density) to further highlight affected owner-occupied, single-family residential areas.[4]

FIGURE 3: AVERAGE VARIABLES BY QUARTILE OF COMBINED FLOODING AND FORECLOSURE PROBABILITY



The largest concentrations of severely affected neighborhoods were in South Fulton and Clayton counties and parts of Cobb and Gwinnett counties, areas that are typical older, inner-ring suburbs (see figure 2). The analysis actually underestimates the severity of flooding. The 500-year floodplains were often breached during the 2009 flood, but the data still provide a reasonable measure of the risk of extreme flooding in Atlanta's neighborhoods.

Figure 3 shows, at the regional level, neighborhoods in quartiles according to the combined probability of foreclosure and flooding. The lowest quartile (1st quartile) represents the 36 neighborhoods with the lowest probabilities of foreclosures and flooding in residential areas. The areas hardest hit by flooding and foreclosures (4th quartile) exhibit common characteristics of vulnerable populations: lower incomes, a higher percentage of minority residents, and lower home ownership rates.

While the data analysis is preliminary, it does show a correlation between the risks of flooding and foreclosure and the percentage of African-American households present in a neighborhood. Moreover, the data show that as neighborhood income declines, the risks of flooding and foreclosure increase.

For many of the most affected ZIP codes, foreclosures continued to have an impact on neighborhood stability six months after the flooding occurred. The ZIP code 30106 includes Austell, a heavily flooded community in Cobb County along Sweetwater Creek, a tributary of the Chattahoochee River. Like the communities in the highest-risk quartile (see figure 2), Austell has a relatively high percentage of African-American residents and witnessed a 40 percent increase in foreclosures and a 95 percent increase in real estate owned properties in the 10 months following the storms. Out of the nearly 150 ZIP codes in the study area, only two (in the downtowns of Decatur and Atlanta) experienced increases in foreclosure rates greater than Austell from September 2009 to June 2010.

Eliminating the blight of vacant flood-damaged or foreclosed homes while stabilizing the property values of the remaining residents is the daunting challenge now confronting Austell's homeowners and local government. While it is difficult to interpret from these data exactly how the combination of flooding and foreclosure came together in Austell, it does pose the question, "How might this community have been better prepared to absorb these natural and financial shocks?"

The Role of Resilience and Possible Policy Directions

Resilience is a community's ability to "absorb disturbance and still retain its basic function and structure."[5] The strength of social capital, the vitality of the economy, and the health of the environment are all important factors in assessing the general resilience of a place and its specific ability to recover and rebuild after a disaster. The concept of community resilience and the policies and practices that foster it have been garnering increasing attention as cities and counties seek sustainability during challenging economic times.

Following the September 2009 flood, Austell homeowners were faced with two equally urgent options: call the loan servicer first, to deal with a delinquent mortgage, or the insurance adjuster, to let the company know the house was destroyed or damaged. In an area where flooding of this magnitude is truly unusual, homeowners and service providers alike struggled to find what resources were available and how best to weave them together into an effective action plan.

One tactic that the community pursued was to host a workshop to educate homeowners about available assistance. In all, 14 local, state, and federal agencies and nonprofits offered one-on-one assistance to homeowners about products such as U.S. Department of Housing and Urban Development (HUD) 203(k) and 203(h) loans and FEMA and U.S. Small Business Assistance housing assistance programs. However, lenders and housing counselors were generally unfamiliar with the 203(h) disaster assistance loans (only three such loans were originated as a result of the flooding), which made it difficult for them to advise homeowners beyond referring them to other agencies at the workshop. Only a small percentage of flooded properties qualified for FEMA assistance, buyouts, or other assistance. Because most of the homes in Austell were not located in the 100-year floodplain, they were ineligible for buyout by FEMA'S Disaster Relief Fund.

Conclusion

To ensure the sustainability and resilience of a region and its municipalities, planners and policymakers must understand the risks to vulnerable populations and neighborhoods, communicate those risks, and engage affected populations in efforts to mitigate future damage. Planning and policy efforts should include risk assessments and expanded insurance and disaster recovery programs. These efforts must also include engineering and growth management strategies that minimize the exposure to hazards experienced by the most vulnerable populations. Additionally, the capacity of local nonprofits must be shored up with robust information-sharing mechanisms to ensure their understanding of disaster loan products and how to use them. Nonprofits must also have the financial resources and access to provide the targeted and intensive case management that can truly assist flooding and foreclosure victims in their recoveries. ■

This article was written Ann Carpenter, visiting researcher at the Atlanta Fed.

Endnotes

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3 Patrik Jonsson, "Atlanta flood: After drought, residents caught by surprise,"

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Nashville: Flooding and Foreclosure

In May 2010, Nashville, Tenn., witnessed flooding at an even greater scale than Atlanta's September 2009 flood. Property damage extended to commercial and civic districts downtown. Damage to private property was estimated at $1.56 billion.[1]

The data analysis used in the Atlanta case study was replicated for Nashville using identical data sources and methodology to compare the impacts of the disaster on communities in the two metropolitan areas and to begin to identify the most vulnerable areas in the Nashville area. FEMA floodplain data were available for only four counties (Davidson, Williamson, Sumner, and Rutherford), an area that includes the city of Nashville (which spans nearly the entire area of Davidson County) and multiple suburban enclaves. Because of the limitation of available data, the analysis was limited to these four counties, although dozens of counties were declared federal disasters. As with the Atlanta region, Nashville suburbs most at risk of foreclosures and flooding (4th quartile; see figure 1) tend to be lower income with a larger minority population and a lower homeownership rate than the least at-risk ZIP codes (1st quartile; see figure 2). Nashville, like Atlanta, is likely to experience increased complications in recovery from the flooding and foreclosures because of the high degree of social vulnerability in affected neighborhoods.

In the three months following the flooding, approximately 300 homes were purchased as part of a buyback program intended to relocate households to prevent repeat flooding. The vacant properties will be left undeveloped, as green space or parks.[2] Although these 300 homes are only a small percentage of the approximately 11,000 properties damaged, this sort of innovative approach is noteworthy. Still, as in Atlanta, the current financial climate constricts the availability of financial support for impacted households, which presents acute problems for the most vulnerable communities.

Endnotes

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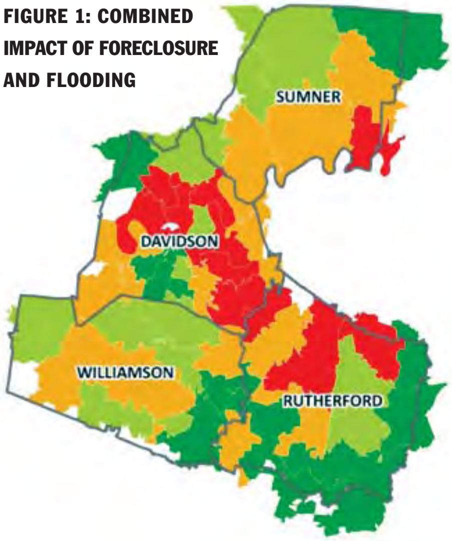
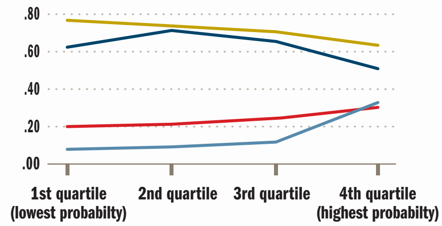
FIGURE 1: COMBINED IMPACT OF FORECLOSURE AND FLOODING



- 1st quartile (lowest probability)
- 2nd quartile
- 3rd quartile
- 4th quartile (highest probability)

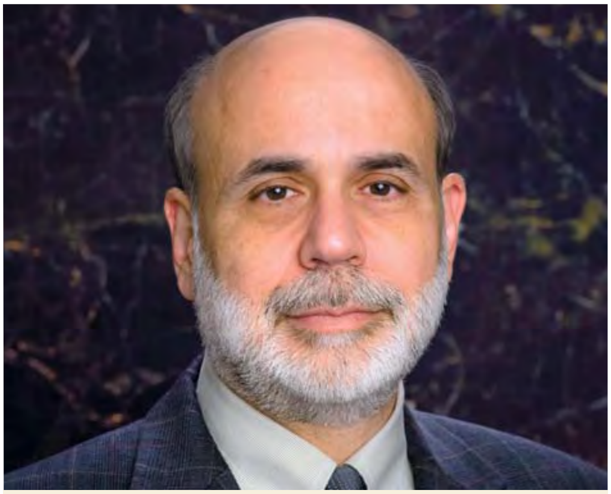
FIGURE 2: AVERAGE VARIABLES BY QUARTILE OF COMBINED FLOODING AND FORECLOSURE PROBABILITY



- Median household income in 2009 (in $100,000s)
- Percent owner-occupied in 2000
- Residential density (units per acre in 10s)
- Percent African-American in 2000

Tennessee floods significantly damaged or destroyed homes and businesses in May 2010. David Fine/FEMA

Mortgage Foreclosures and the Future of Housing Finance



EXCERPTS FROM REMARKS BY CHAIRMAN BEN S. BERNANKE

Welcome remarks at a joint conference sponsored by the Federal Reserve System and the Federal Deposit Insurance Corporation, Arlington, Va., Oct. 25, 2010

Good Morning. It's my pleasure to welcome you to this joint conference of the Federal Reserve System and the Federal Deposit Insurance Corporation (FDIC). Our program over the next two days will highlight policy-oriented research on U.S. housing and mortgage markets. I would like to thank the many talented people throughout the Federal Reserve System and at the FDIC who have worked together to make this conference a reality.

Any discussion of housing policy in this country must begin with some recognition of the importance Americans attach to homeownership. For many of us, owning a home signaled a passage into adulthood that coincided with the start of a career and family. High levels of homeownership have been shown to foster greater involvement in school and civic organizations, higher graduation rates, and greater neighborhood stability.

Recognizing these benefits, our society has taken steps to encourage homeownership. Tax incentives, mortgage insurance from the Federal Housing Administration, and other government policies all contributed to a long rise in the U.S. homeownership rate—from 45 percent in 1940 to a peak of 69 percent in 2004. But, as recent events have demonstrated, homeownership is only good for families and communities if it can be sustained. Home purchases that are very highly leveraged or unaffordable subject the borrower and lender to a great deal of risk. Moreover, even in a strong economy, unforeseen life events and risks in local real estate markets make highly leveraged borrowers vulnerable. It was ultimately very destructive when, in the early part of this decade, dubious underwriting practices and mortgage products inappropriate for many borrowers became more common. Now, more than 20 percent of borrowers owe more than their home is worth and an additional 33 percent have equity cushions of 10 percent or less, putting them at risk should house prices decline much further. With housing markets still weak, high levels of mortgage distress may well persist for some time to come.

As the foreclosure crisis has intensified, Federal Reserve staff in our research, community development, and supervision and regulation divisions have actively collaborated to support foreclosure prevention at the local level and promote neighborhood stabilization initiatives.

A key initiative developed under the leadership of Federal Reserve Bank of Chicago president Charles Evans has been the Mortgage Outreach and Research Effort, known as MORE. MORE involves all 12 Federal Reserve Banks and the Board of Governors in a collaboration that pools resources and combines expertise to inform and engage policymakers, community organizations, financial institutions, and the public at large.

Our community development experts are working on the ground to promote fair and equal access to banking services and improve communities. Further, Federal Reserve staff members are conducting empirical research on mortgage- and foreclosure-related topics, and are reaching out to industry experts as well. We are focusing on the hardest-hit cities and regions of the country. A new publication released this week offers details about the MORE effort. Copies are available here today, and it is available online at the website of the Federal Reserve Bank of Chicago.

We have helped many of our community development partners organize day-long "mega events" that have served thousands of troubled borrowers. Moreover, we've brought together housing advocates, lenders, academics, and key government officials to discuss foreclosure issues and develop solutions. In some cases, alliances have been formed right on the spot to create and implement programs to keep people in their homes.

We have also partnered with the U.S. departments of Labor and Treasury and with the HOPE NOW Unemployment Taskforce to help unemployed homeowners avoid losing their homes. This collaboration led to the creation of an online tool that allows homeowners and servicers to document unemployment insurance benefits as income in order to qualify for federally sponsored mortgage modification programs.

Each Federal Reserve Bank has an online Foreclosure Resource Center with information on foreclosure-related resources, including an enhanced Foreclosure Mitigation Toolkit, which provides detailed steps and information for localities seeking to develop foreclosure prevention activities. The toolkit also includes a new Foreclosure Recovery Resource Guide, which helps consumers recover from the foreclosure process.

A number of Federal Reserve research projects also have been initiated as part of the MORE program. They include studies focusing on foreclosure prevention, financial education, and adverse neighborhood effects resulting from foreclosures. Community development researchers across the Federal Reserve System launched a study in 2009 of the planning and early implementation stages of the federal Neighborhood Stabilization Program (NSP). Researchers interviewed more than 90 recipients of the Department of Housing and Urban Development's NSP funds in the fall of 2009. These interviews and other data gathered during this study provide the first nationwide examination of the effect of the NSP and served as the basis for a number of Federal Reserve System reports currently in progress.

Under the auspices of the MORE initiative, the Federal Reserve sponsored conferences such as this one and the summit held last month on Real Estate Owned and Vacant Property Strategies for Neighborhood Stabilization. Participants at that meeting examined the community effects of foreclosed and vacant properties with the goals of helping practitioners better understand barriers to stabilizing neighborhoods, sharing practices that show promise, and discussing regional differences. As part of that summit, the Federal Reserve released 17 papers analyzing trends, challenges, and possible solutions for addressing foreclosures and promoting neighborhood stabilization. A few of the emerging solutions highlighted at the event were a national "first-look" property program, which gives nonprofits and municipalities the right of first refusal on repossessed properties to facilitate neighborhood stabilization; new methods of municipal code enforcement; and innovative land-banking strategies. We will be using these ideas and others to inform our community development efforts over the coming year.

To ensure that we have access to more detailed data on mortgage and credit markets, the Federal Reserve System has created the Risk Assessment, Data Analysis, and Research—or RADAR—data warehouse. This new platform will help inform our monetary policy, bank supervision and regulation, and community development.

At the F ed, we will continue to encourage further research, participate in discussions, and coordinate work among groups striving for sustainable homeownership and the recovery of housing markets. ■

RELATED LINKS

Federal Reserve Bank of Atlanta Foreclosure Resource Center:

http://www.frbatlanta.org/commdev/frc/

This link provides foreclosure-related data and information for homeowners, community stakeholders, and policymakers.

"Addressing the Impact of the Foreclosure Crisis"

http://www.chicagofed.org/digital_assets/others/in_focus/foreclosure_resource_center/more_report_final.pdf

This report outlines Fed System research, events, and partnerships undertaken as part of a broader Mortgage Outreach and Research Efforts (MORE) initiative.

Emerging Roles for Community and Technical Colleges in Economic Development

ROLANDO MONTOYA,
Provost, Miami-Dade College

JAMES KING,
Vice Chancellor, Tennessee Technology Centers

The country is experiencing stubbornly high levels of unemployment, with some job sectors unlikely to rebound to their former levels soon, if at all. Despite this challenged environment, technological advancements and economic shifts have created new jobs. These industries are actually experiencing worker shortages.

Community and technical colleges play a vital role in quickly training workers to fill job demand and often work in close partnership with local employers to address employee skill mismatches. As the needs of employers and students have changed, traditional community and technical college educational models are being revisited and revamped.

Dr. Rolando Montoya, provost for Miami-Dade College, and James King, vice chancellor for the Tennessee Technology Centers, have had front row seats for the shift in student demographics and employer demands. Despite working in different states, they identified some common themes, including the growing need to foster close and innovative relationships with industry partners and the rise of both practical and highly-specialized skills as employment advantages.

In this CED Roundtable, they share their observations and innovative approaches.

HOW HAS THE STUDENT POPULATION OF COMMUNITY AND TECHNICAL COLLEGES CHANGED?

Dr. Rolando Montoya: The total student population is growing very fast. During recessions, enrollment grows as it is very difficult for young high school graduates to find jobs, and then they opt to come to higher education. And those who are already enrolled find it harder to get part-time jobs and then they decide to take additional courses. In addition, many displaced workers come to college to upgrade their skills to see if they can find jobs in areas which still have openings. We are observing an increase in the number of males who are enrolling here. And another important statistical trend that we are observing is greater growth in occupational programs, career and technical programs, over general education and the liberal arts.

James King: About one-third of our students are what I call "traditional" students looking for their first career. But a third of our students now are retraining because the jobs that they have had for several years basically no longer exist. And then another third of our training is tied directly to industrial training in order for employees to remain current since technology is constantly changing. The most interesting trend we have seen in the last couple of years is the number of college graduates that are coming to the Technology Centers to acquire marketable skills.

HOW HAVE YOU CHANGED THE WAY YOU ASSESS THE WORKFORCE NEEDS OF YOUR INDUSTRY PARTNERS?

Montoya: Probably the most important strategy is the creation of advisory committees for each one of our workforce programs. These committees are formed by representatives of the employers or professionals in the different fields or specialties. The committees meet at least twice a year to provide information to our faculty and administration about industry trends, what are the newest skills that are needed, what are the new machines and equipment that are being used, what are some of the innovations and changes that are being observed. Our faculty can use this information to constantly adjust or enhance the curriculum.

Another important strategy has been the creation of bilateral partnerships with large employers for the development of specific workforce programs that will help them fill vacancies. For example, Miami-Dade College developed a very successful program in partnership with Florida Power and Light to graduate technicians for their nuclear plants here in South Florida. We have developed these types of partnerships with biopharmaceutical companies, television production companies, banks and other financial institutions, and area hotels.

WHICH JOB SECTORS ARE EXPERIENCING GROWTH?

Montoya: Anything that has to do with health care, such as nursing, physician assistant, pharmacy technology, and related fields, are doing very, very well—more than a 90 percent rate of placement among the graduates. Also, the areas of criminal justice and public safety are doing well. The computer science fields—computer networking, computer programming, and computer applications—are doing pretty well, too.

Some areas showing lower placement than before are architecture, interior design, construction management, real estate and mortgage brokerage, and banking. Also, education, K-12 teaching has also suffered a lot in terms of placement rates because the public school system, due to budgetary constraints, has an employment freeze.

King: Health care-related fields continue to experience growth. Therefore, there is high demand for health care-related programs as well as high placement for graduates. The green economy has also been one of the "hot topics" in Tennessee. The Technology Center system is offering a focused approach, an integrated approach, and a "big picture" approach to training our students for jobs related to sustainable energy.

The focused approach primarily involves photovoltaic solar panel training, so that our students can install solar panels and understand the technology behind this type of business and industry. We are also working to integrate "green technology" into practically every program we offer. All aspects of business and industry are moving towards efficient and sustainable energy sources—we want to make our students knowledgeable about this for their use in the workforce, but also to apply to their everyday home life. In the "big picture," the manufacturing of electric cars opens up a whole new opportunity for technology students. Recently, photovoltaic students at one of the Technology Centers assisted in building the Southeast's first solar car-charging station in Pulaski, Tennessee. In addition, bio-fuels and other emerging technologies offer opportunities for technology centers to remain on the cutting-edge of workforce development.

HOW HAS YOUR INSTITUTION RESPONDED TO THE UNIQUE NEEDS OF YOUR STATE'S RURAL POPULATION?

King: Rural communities have truly been impacted by the recent economic downturn. In Tennessee, we have been fortunate that there has been a partnership with our Department of Labor, our higher education institutions, and the state's economic and community development leaders in providing tuition assistance to retrain dislocated workers in rural areas for emerging occupations. Remedial programs, tutoring, and individual instruction provide support for

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IN 2009 75% OF TTC STUDENTS COMPLETED THEIR PROGRAM & **83% OF** THESE WERE PLACED IN JOBS WITHIN ONE YEAR OF GRADUATION.

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these students who haven't been in a formal classroom setting for some time. Employability skills are also provided for these individuals who have not sought a job in a number of years. This is all designed to provide these students with the confidence to re-enter the workforce and possibly seek jobs outside their particular community. We have made it a high priority in this state to work with communities that have felt the greatest impact from the economy.

HOW MIGHT ECONOMIC DEVELOPERS AND OTHER STAKEHOLDERS ENHANCE THEIR ROLES IN THE WORKFORCE DEVELOPMENT PROCESS?

Montoya: In the case of Miami-Dade College, we have a very close relationship with the South Florida Workforce Investment Board. We get together to plan strategically about the areas of potential growth in our economy, and for what areas we need to establish training and educational programs, to prepare people for those changes.

South Florida Workforce also helps students by funding their education here at the college. Sometimes they do it individually, case-by-case. In other instances, they fund cohorts and they buy from the college the complete offering of a program. For example, right now they have a cohort of forty nursing students that they are completely sponsoring. South Florida Workforce covers the education costs, Miami-Dade College teaches the courses, and then University of Miami Hospital has guaranteed employment to the 40 nurses that are going to graduate from the program. Right now, we are negotiating the funding of another cohort in biotechnology. Another area of collaboration with them is that we apply together for federal grants to develop the labor force. In terms of the future, I expect only additional and stronger relationships.

King: We have to get the message across to policymakers and local elected officials that technical education is higher education. Many communities take the view that if you don't have a college degree or a baccalaureate degree, you cannot be successful. This recent downturn in the economy has proven that many of the emerging careers that are in high demand do not require what we sometimes view as the traditional academic degree. I think it is the value of the training and industry certifications that may be more important in the workplace. What we have witnessed in Tennessee is that the placement rates at the Technology Centers have been quite high, even during this economic downturn. The bottom line is that we are putting people to work. Policy leaders, economic developers, and local elected officials need to recognize this and help support these institutions. ■

This article was compiled from transcripts of podcast interviews held with Montoya and King in July 2010 and October 2010, respectively. To hear their individual podcasts, visit www.frbatlanta.org/podcasts/economicdevelopment.

Rolando Montoya: "Getting to Work: Community and Vocational Colleges Explore New Paradigms for Workforce Development"

James King: "A Job Today: The Role of Technical and Vocational Schools in Easing Job Skills Mismatch"

Strengthening the Green Foundation:

Research and Policy Directions for Development and Finance

March 10-11, 2011
Tulane University,
New Orleans, Louisiana

Early registration deadline is Feb. 7, 2011:

Private Sector $150
Nonprofit Sector/ Academia $125
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To register, go to https://www.frbconferences.org/atlanta/11Green/

On Feb. 8, 2011, the conference rates become:

Private Sector $175
Nonprofit Sector/ Academia $150
Tulane Alumni $150

Visit the conference website at www.frbatlanta.org/news/conferences/10green_foundation.cfm for more information

QUESTIONS?

E-mail **Nancy Montoya** at **nancy.montoya@atl.frb.org** or contact her by phone at **(504)593-3256**.

Tulane University's new Master of Sustainable Real Estate Development Program (a program of the Tulane School of Architecture) and the Federal Reserve Bank of Atlanta invite researchers, industry practitioners, and policymakers to participate in this conference to advance the understanding and improve the practice of green development and finance.

Green building has been the focus of considerable media attention, and current policy discussions on carbon emissions and alternative energy sources will ensure that this subject remains active. To inform this national dialogue, this conference will bring together top scholars and practitioners to investigate core issues surrounding green development and finance and assess the tools, costs, benefits, and opportunities in financing green development.

FEATURED SPEAKERS

Raphael Bostic
Assistant Secretary
United States Department of Housing and Urban Development (HUD)

Dana Bourland
Vice President of Green Initiatives
Enterprise Community Partners, Inc.

CONFERENCE SESSIONS

- Green Community and Economic Development
- Green Measurement Criteria and Certification Issues
- Organizational/Industry Structure
- Portfolio Management
- Underwriting
- Valuing Green

Federal Reserve Bank of Atlanta and Tulane University Sustainable Real Estate Development

The Recap: Creative Approaches to Current Community and Economic Development Issues

Research and analysis highlighted in this issue feature work from the Federal Reserve System, academic institutions, think tanks, and regulators. These reports address a wide range of current topics in community and economic development, including housing, financial stability, small business, and disaster recovery, and offer policy implications and areas for further research along with their analysis and findings. The Recap is not intended to be a comprehensive or exhaustive literature review but rather a point of departure for further reading.

Housing

Financial Literacy and Subprime Mortgage Delinquency: Evidence from a Survey Matched to Administrative Data

Kristopher Gerardi, Lorenz Goette, and Stephan Meier; Federal Reserve Bank of Atlanta, Working Paper 2010–10, April 2010, http://www.frbatlanta.org/pubs/wp/working_paper_2010-10.cfm.

This paper investigates whether a particular aspect of borrowers' financial literacy—their numerical ability—may have played a role in the recent high rates of mortgage default and foreclosure. The results of the authors' survey of subprime mortgage borrowers who took out mortgages in 2006 or 2007 suggest that limited numerical ability played a nontrivial role in the subprime mortgage crisis. This finding has implications for postcrisis reform policies.

Mortgage Foreclosure Prevention Efforts

Kris Gerardi and Wenli Li, Federal Reserve Bank of Atlanta, *Economic Review*, vol. 95, no. 2 (2010), http://www.frbatlanta.org/pubs/economicreview/er10n2_gerardi_li.cfm.

This article examines the different loss mitigation tools that mortgage lenders and policymakers have historically used to combat foreclosure, and briefly summarizes the main U.S. programs of recent years. The authors note that recent programs have had poor results in terms of significantly reducing foreclosures, and borrowers who have received modifications are redefaulting at extremely high rates. Given the limited success of government loan modification programs, the authors believe that policymakers will likely turn their attention to other alternatives, such as trying to help homeowners who have already experienced foreclosure.

The APL Effect: The Impacts of State Anti-Predatory Lending Laws on Foreclosures

Lei Ding, Roberto Quercia, Carolina Reid, and Alan White; University of North Carolina at Chapel Hill, Center for Community Capital, *Research Report* (March 23, 2010), http://www.ccc.unc.edu/documents/APL.effect.RELEASE.3.23.10.pdf.

This report employs an index that tests for the presence, strength, and nature of state anti-predatory laws (APLs) and finds that states that enacted more restrictive APLs witnessed lower rates of risky option-adjustable rate mortgages and subsequently lower default rates during the subprime boom. The authors argue that reasonable federal regulation can act as a foundation for consumer protection upon which states can build more stringent legislation according to local market conditions.

Understanding the Boom and Bust in Nonprime Mortgage Lending

Eric S. Belsky and Nela Richardson, Joint Center for Housing Studies of Harvard University, Sept. 2010, http://www.jchs.harvard.edu/publications/finance/UBB10-1.pdf.

This paper traces the evolution of mortgage markets in the 1980s and 1990s and their role in the nonprime lending boom and bust in the 2000s. The authors identify four broad factors that likely played a role: global liquidity leading to low interest rates and expectations of rapidly rising home prices; relaxation of mortgage underwriting standards and the layering of risk in private-label securities and bank portfolios; financial engineering that magnified, multiplied, and mispriced risk; and regulatory and market failures.

American Dream or American Obsession? The Economic Benefits and Costs of Homeownership

Wenli Li and Fang Yang, Federal Reserve Bank of Philadelphia, *Business Review* (Q3 2010), http://www.philadelphiafed.org/research-and-data/publications/business-review/2010/q3/brq310_benefits-and-costs-of-homeownership.pdf.

This paper analyzes the economic benefits and costs associated with owning one's residence. The authors re-examine a number of rationales that have been put forward in support of homeownership and examine the evidence for an economic cost associated with homeownership. The authors' findings suggest that the economic case for subsidizing homeownership has, at the minimum, been oversold.

Underwater Mortgages

John Krainer and Stephen LeRoy, Federal Reserve Bank of San Francisco, *Economic Letter* (Oct. 18, 2010), http://www.frbsf.org/publications/economics/letter/2010/el2010-31.html.

This paper examines the role of falling house prices as a factor in defaults, and how far they must drop before it serves the borrower's rational interest to strategically default. The authors find that the rational default point is below the underwater mark, at which the house price equals the remaining loan balance. The rational default point depends on a borrower's expectations regarding future house price changes and perceived default costs. Barring life events, borrowers are likely to stay in their houses until they are well beyond the book value underwater mark.

Insights from Housing Policy Research: Rental Housing Affordability – A Review of Current Research

Rebecca Cohen, Keith Wardrip, and Laura Williams; The Center for Housing Policy, Oct. 2010, http://www.nhc.org/media/files/RentalHousing.pdf.

This report looks at recent trends among renters and in the rental market, drawing from research conducted by the Center for Housing Policy, the Joint Center for Housing Studies of Harvard University, and the National Low Income Housing Coalition. The report notes a number of trends: a growing demand for affordable rental homes; a shrinking and at-risk affordable rental stock; and an increase in the number of renters that have difficulty paying their monthly housing costs.

See also:

The Home Mortgage Disclosure Act at Thirty-Five: Past History, Current Issues, Allen Fishbein and Ren Essene, Joint Center for Housing Studies at Harvard University, Aug. 2010, http://www.jchs.harvard.edu/publications/MF10-7.pdf.

Give Credit Where Credit Is Due: An Approach to Revamping CRA, Mark A. Willis, Joint Center for Housing Studies at Harvard University, Aug. 2010, http://www.jchs.harvard.edu/publications/MF10-9.pdf.

Improving U.S. Housing Finance through Reform of Fannie Mae and Freddie Mac: Assessing the Options, Ingrid Gould Ellen, John Napier Tye, and Mark A. Willis, New York University—Furman Center for Real Estate & Urban Policy, May 2010, http://furmancenter.org/files/publications/Furman_Center_GSE_Reform_White_Paper_May_2010.pdf.

The Homeownership Gap, Andrew Haughwout, Richard Peach, and Joseph Tracy, *Current Issues in Economics and Finance*, Federal Reserve Bank of New York, vol. 16, no. 5 (May 2010), http://www.ny.frb.org/research/current_issues/ci16-5.pdf.

State Foreclosure Mitigation Strategies: A Comparison of Round 1 and 2 Hardest Hit Fund Plans in States with Nonjudicial Foreclosure Processes, Dan Immergluck, Social Science Research Network, Oct. 20, 2010, http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1695217.

Economic Development and Small Business

Disparities in Capital Access between Minority and Non-Minority-Owned Businesses: The Troubling Reality of Capital Limitations Faced By MBEs

Robert Fairlie and Alicia Robb, U.S. Department of Commerce—Minority Business Development Agency, Jan. 2010, http://www.mbda.gov/sites/default/files/DisparitiesinCapitalAccessReport.pdf.

This report examines how worsening conditions affect minority-owned businesses by highlighting the challenges faced by these firms when securing financing. Key findings include: 1) disparities in access to financial capital grow in the years just after startup; 2) even after controlling for numerous owner and firm characteristics, minority-owned businesses were more likely to have lower levels of external debt financing and external equity financing; and 3) the ability of minority-owned businesses to raise financial capital is limited by having less industry experience, lower sales volumes, and less favorable geographic and industry conditions.

Who Creates Jobs? Small vs. Large vs. Young

John C. Haltiwanger, Ron S. Jarmin, and Javier Miranda; NBER Working Paper No. 16300, Aug. 2010, http://www.nber.org/papers/w16300.pdf.

Using data from the U.S. Census Bureau's Business Dynamics Statistics and Longitudinal Business databases,

this paper explores the relationship between firm size and growth. The authors' main finding is that controlling for firm age shows there is no systematic relationship between firm size and growth. The paper's findings highlight the important role of business startups and young businesses in U.S. gross and net job creation. In addition, they find an "up or out" dynamic for young firms. These findings imply that controlling for and understanding the role of firm age in explaining U.S. job creation is critical.

The Capital Structure Decisions of New Firms

Alicia M. Robb and David T. Robinson, NBER Working Paper No. 16272, Aug. 2010, http://www.nber.org/papers/w16272.pdf.

This study shows that banks have been an important source of financing for business start-ups. While a bank might not make many direct business loans to start-ups, home equity loans, personal bank loans, and credit card lines of credit are important ways individuals have been able to finance start-up activity. The recent sharp declines in home equity values and tightening of credit card standards are therefore potential impediments to start-up activity.

See also:

Creating Quality Jobs: Transforming the Economic Development Landscape, Louise Anderson, Frankie Clogston, Dana Erekat, Shari Garmise, Swati Ghosh, Christopher Girdwood, Carrie Mulcaire, and Liz Thorstensen; International Economic Development Council, March 2010, http://www.iedconline.org/Downloads/IEDC_Quality_Jobs.pdf.

The Information Revolution and Small Business Lending: The Missing Evidence, Robert DeYoung, Scott Frame, Dennis Glennon, and Peter Nigro; Federal Reserve Bank of Atlanta, Working Paper 2010-7, March 2010, http://www.frbatlanta.org/documents/pubs/wp/wp1007.pdf.

May Oversight Report: The Small Business Credit Crunch and the Impact of the TARP, Congressional Oversight Panel, May 13, 2010, http://cop.senate.gov/documents/cop-051310-report.pdf.

Green Development

Building Environmentally Sustainable Communities: A Framework for Inclusivity

Vicki Been, Mary K. Cunningham, Ingrid Gould Ellen, Joe Parilla, Margery Austin Turner, Sheryl Verlaine Whitney, Ken Zimmerman, Adam Gordon, and Aaron Yowell;

Urban Institute and New York University—Furman Center for Real Estate & Urban Policy, April 2010, http://www.urban.org/uploadedpdf/412088-environmentally-sustainable-communities.pdf.

This report uses environmental sustainability and demographic inclusivity benchmarks to measure the sustainability of communities in New York City and Seattle. Recognizing that environmental sustainability and inclusion complement and compete with each other, this report provides a guide for how to marry the two. The federal government should offer a balanced portfolio of investments and incentives, some aimed at maximizing environmental sustainability and others aimed at maximizing opportunity—with inclusion as the primary goal and environmental sustainability as the secondary goal.

Value Beyond Cost Savings: How to Underwrite Sustainable Properties

Scott Muldavin; Green Building Finance Consortium, 2010, http://www.greenbuildingfc.com/Documents/Detailed%20TOC-Value%20Beyond%20Cost.pdf.

Sustainable property underwriting does not require fundamental changes in traditional underwriting or valuation practice, but underwriters, acquisition analysts, appraisers, and others will need to collect new information and learn new analytic techniques in order to properly address some of the special considerations of sustainable properties that determine property value. This book assists in that effort.

See also:

Building on the Success of Energy Efficiency Programs to Ensure an Affordable Energy Future: State-By-State Savings on Residential Utility Bills from Aggressive Energy Efficiency Policies, Mark Cooper, Consumer Federation of America, Feb. 2010.

Using Executive Authority to Achieve Greener Buildings: A Guide for Policymakers to Enhance Sustainability and Efficiency in Multifamily Housing and Commercial Buildings, Tomás Carbonell, Shelley Fidler, and Douglas Smith, U.S. Green Building Council, April 29, 2010, http://www.usgbc.org/DisplayPage.aspx?CMSPageID=1779.

General Interest

REO & Vacant Properties: Strategies for Neighborhood Stabilization

Prabal Chakrabarti, Matthew Lambert, and Mary Helen Petrus, eds.; Federal Reserve Banks of Boston and Cleveland and the Federal Reserve Board, Sept. 2010, http://www.clevelandfed.org/Community_Development/publications/REO/REO_WEB.pdf.

This compilation of 17 articles from the Sept. 1 and 2, 2010, summit held at the Federal Reserve Board examines a variety of neighborhood stabilization issues. The collection highlights areas of need—such as for data, technology, and collaboration—and promising solutions from communities across the country. Examples include a land bank that holds vacant properties until they can be returned to productive use and efforts to purchase foreclosed properties and sell them back to former owners or tenants using a licensed mortgage affiliate.

Federal Post-Disaster Recovery: A Review of Federal Programs

Amy Liu; Metropolitan Policy Program at Brookings, May 2010, http://www.urban.org/uploadedpdf/1001384-federal-post.pdf.

This report summarizes observations and recommendations that emerged from a roundtable discussion about the federal role in postdisaster recovery efforts. It notes that the complex structure of federal disaster programs limits the ability of communities to craft unique responses, carry over program experience and knowledge, and respond in a timely manner. Recommendations include collapsing the 50 existing programs into five broad and flexible programs, establishing a long-term recovery office independent of existing agencies, and requiring disaster response planning to increase community preparedness. This report stresses that recovery ultimately occurs at the local level.

See also:

A Template for Success: The FDIC's Small-Dollar Loan Pilot Program,Rae-Ann Miller, Susan Burhouse, Luke Reynolds, and Aileen Sampson, Federal Deposit Insurance Corporation, *FDIC Quarterly*, vol. 4, no. 2 (2010), http://www.fdic.gov/bank/analytical/quarterly/2010_vol4_2/FDIC_Quarterly_Vol4No2_SmallDollar.pdf.

Geographic Targeting Issues in the Delivery of Rural Development Assistance, Richard Reeder and Faqir Bagi, U.S. Department of Agriculture—Economic Research Service, *ERS Report Summary* (April 2010), http://www.ers.usda.gov/Publications/EIB65/EIB65_ReportSummary.pdf.

This article was written by Jessica Dill and Ann Carpenter of the Atlanta Fed (with contributions from Kevin Mahoney).

Natural Disaster and Manmade Recession Reveal Strengths and Needs of Haitian Diaspora

STRONG ORGANIZATIONS AND NETWORKS ARE CRITICAL FOR EFFECTIVE COMMUNITY AND ECONOMIC DEVELOPMENT.

Highly effective organizations that are both formally and informally linked are especially important to vulnerable communities like Miami's Haitian-American community, which has faced both economic crisis and natural disaster—but is one example of a population that has experienced greater capacity as local residents and organizations have joined forces to respond to last year's earthquake in Haiti in the midst of stressed local economic conditions.

South Florida began 2010 with unemployment well above the national average and general economic and emotional fatigue after 24 months of continuous foreclosure activity. Then suddenly on January 12, 2010, a massive 7.0 earthquake leveled much of the Haitian capital Port-au-Prince, leaving the city in rubble and resulting in an estimated 230,000 deaths. South Florida, with its large Haitian community and the nearest air- and seaports to the Caribbean, was directly affected by the earthquake and will remain closely linked to the rebuilding and stabilization of Haiti for many years to come.

A Deep and Strong Diaspora

The needs and challenges of immigrant communities vary; targeted approaches that consider these factors are most effective. There are several Haitian enclaves around the United States, the largest of which is in South Florida. Although many Haitian immigrants have made great economic strides over time and attained a comfortable quality of life, several areas of low-income and unskilled or undereducated Haitians living under difficult circumstances still exist in the region. The devastating earthquake in Haiti has made the tough economy in South Florida even tougher for the Haitian-American community, especially those households that were already stretched to capacity. Some Haitian-Americans have taken in family members in need or are sending money to family and friends in Haiti to help them meet basic needs and to aid with home rehabilitation and medical treatment.

"The Haitian community is very diverse and faces complex challenges," explains Gepsie Metellus, executive director of Sant La, a Haitian community service organization in Miami. She points out that the earthquake has affected the Haitian diaspora in many ways. The strong entrepreneurial spirit of Haitians has produced myriad Haitian-owned businesses throughout the United States, and a growing number of Haitian politicians are now holding municipal and state office. But the increased needs of Haitian immigrants, urgent demands of a devastated homeland, and ongoing challenges of a weakened U.S. economy have combined to produce significant challenges for Haitians in the United States.

Matching Hope with Resources

Among other strong characteristics that global observers have witnessed in the Haitian-American community during recent events are resiliency and a strong sense of hope. These attributes have inspired an outpouring of support throughout South Florida, particularly by the nonprofit and social service agencies that have had long-standing relationships with the Haitian community.

“These community-based organizations serving Haitian-American populations have become an essential lifeline for the community.”

These community-based organizations serving Haitian-American populations have become an essential lifeline for the community. They are helping those who have no one else to turn to, and are relieving some of the pressure on individuals and families affected financially by the earthquake. According to Metellus, Sant La had already seen a dramatic increase in people looking for employment and help with living expenses prior to the earthquake. “Helping undocumented Haitians with food, housing, and medical needs is especially challenging,” she says, “because they cannot benefit from many formal subsidy programs.”

Immediately following the disaster, Sant La and similar organizations became communication hubs within the Haitian community—a central source of information, logistics, and counseling. The Knight Foundation awarded $600,000 in grants to fund increased services for Haitians in Miami-Dade County. Included in these grants was a $100,000 award given to the United Way of Miami-Dade. Other donors matched this grant, allowing the United Way to launch the $300,000 Haiti Recovery Fund to help Miami-Dade residents affected by the earthquake. Further north, the United Way of Broward County launched Project S.H.A.R.E.—Strategic Haitian Aid and Relief Efforts—in May. This organization leads fundraising efforts and coordinates programmatic response to the needs of Haitian families in Broward. In part, these programs provide free counseling services to help Haitians apply for U.S. Temporary Protected Status (TPS), a status that on Jan. 14, 2010, the U.S. Department of Homeland Security granted Haitian nationals living in the United States before the earthquake.

The United Way of Miami-Dade also launched An n Avanse—which in English means "Let's move forward"—a coalition of 30 community partners created to address the needs of Haitians in the community. Under the volunteer leadership of Gloria Romero Roses, a Miami loaned executive at the United Way, An n Avanse is working to create business networks to bolster the growth of Haitian-owned businesses based in the area. Last July, Roses supervised a community survey to identify gaps in meeting the needs of low-income Haitians in Miami. She acknowledges that many needs existed before the earthquake but the reallocation of resources and influx of refugees have created service gaps. Armed with knowledge gleaned from the survey, Roses and Avanse will help develop a programmatic response to promote efficiency and increase impact.

Sant La, Atlanta Fed, and Others Help Haitians Achieve Legal Status, Other Benefits

When approved for TPS status, Haitians can obtain U.S.-issued identification, request an individual tax identification number, and enter the formal workforce and economy—which also means being eligible for unemployment benefits and having access to banking and other financial services. With South Florida's unemployment rate around 12 percent for the summer of 2010, more than 4,000 individuals came to Sant La during June alone to use the center's computer center to file or update their unemployment compensation claims. Staff also counseled more than 1,800 individuals looking for work. "TPS has led to a further increase in job seekers at Sant La," Metellus says, "and there are simply not enough jobs in the South Florida market to absorb new entrants into the employment pool."

To encourage Haitians to establish relationships with regulated financial institutions, the Federal Reserve Bank of Atlanta is working with local financial institutions and partnering on community-based initiatives. The Atlanta Fed is also involved in efforts to encourage these Haitians to participate in financial education and counseling programs that will help them avoid high-priced or predatory alternative-service providers.

Haitian-American professionals are lending their skills and resources to rebuilding efforts in Haiti and have also refocused attention on helping low-income Haitians succeed in the workforce. François Guillaume, executive director of the Haitian-American Chamber of Commerce of Florida, based in Miami, says, "Haitian businesses endure the same challenges as all other businesses in the U.S. But [Haitian] business owners are also dealing with their personal responsibilities to help family and businesses back home."

In May 2010, Guillaume partnered with the Greater Miami Chamber of Commerce to host a conference highlighting business opportunities resulting from the reconstruction effort in Haiti. Guillaume points out that many South Florida businesses will have to be bonded and build reserves to secure large government contracts. Nevertheless, Haitian businesses can use their unique advantages to offer established business channels and contacts, a working knowledge of the culture and business permitting process, and, of course, the language.

In It for the Long Haul

Despite some delays in the funding and implementation of a reconstruction initiative in Haiti, local entities continue to focus on the accomplishments and opportunities for the Haitian community in the United States. Long-term commitments by partners such as the Atlanta Fed, among many others, bring a wealth of resources to targeted neighborhoods through coordinated coalitions. Well-managed and comprehensive initiatives focused on the Haitian-American community allow local public and private partners to participate easily and see instant benefits. ■

This article was written by Ana Cruz-Taura, Regional Community Development Director with the Miami Branch of the Atlanta Fed.

Small Businesses Need Big Ideas: The Federal Reserve Examines the Challenges of Small Business Financing

According to the U.S. Bureau of Labor Statistics, small businesses accounted for 34 percent of new jobs during the last period of economic growth between 2004 and 2007.[1] However, in the recessionary years between 2007 and 2009, small businesses were responsible for 38 percent of job losses.[2] The clear consensus is that small businesses play a critical role in job creation and economic stability in this country, a truth that is sending researchers and policymakers in search of a better understanding of the challenges small businesses face and the interventions needed to bolster their job creation capacity and overall sustainability.

Access to credit is among the frequently mentioned barriers to the stabilization and growth of small businesses. To learn more about small business credit issues and to inform policymakers about promising practices to address credit needs, the Federal Reserve System engaged in a national initiative called "Addressing the Financing Needs of Small Businesses." This initiative combined qualitative data, collected directly from stakeholders, with academic research and quantitative data to develop targeted policy recommendations.

What Is Driving Small Business Credit Access Issues: Supply or Demand?

Small business owners and lenders agree that credit has tightened for small businesses in the past few years. Data from the Federal Financial Institution Examination Council (FFIEC) indicate that the outstanding volume of small business loans dropped from $710 billion in the second quarter of 2008 to less than $670 billion in the first quarter of 2010. According to lenders participating in the October 2010 Federal Reserve Senior Loan Officer Survey, demand from small businesses was weaker in the last survey period, reportedly due to reduced financing needs for inventories, accounts receivable, and investments in equipment. Lenders also reported for the second consecutive survey that credit standards and terms for small businesses, which had tightened over the past four years, continue to ease. Clearly, supply-and-demand dynamics are at work in small business credit access. The question remains, however, what policies can best bring these dynamics into balance to both encourage safe lending and strengthen small businesses as loan recipients.

The Federal Reserve Approach: Convene, Listen, and Educate

LOCAL STAKEHOLDERS PAINT A PICTURE OF SMALL BUSINESS NEEDS

The Federal Reserve System convened more than 40 regional meetings across the country between February and July 2010 to look at the credit challenges facing small businesses. The events brought together lenders, small business technical assistance providers, small business owners, community development financial institutions (CDFIs), and government agencies to share their perspectives on small business credit access, technical assistance needs, and

"...what policies can best bring these dynamics into balance to both encourage safe lending and strengthen small businesses..."

recommendations for addressing challenges. The findings of these regional meetings were compiled and presented before a national audience of decision makers, including representatives from the Federal Reserve Board, the U.S. Small Business Administration, and the U.S. Department of the Treasury's CDFI Fund at a one-day meeting held in Washington, D.C., on July 12, 2010. The Federal Reserve Bank of Atlanta supported this initiative by hosting meetings in all Sixth District states and contributing to a written summary document that served as an addendum to Federal Reserve Chairman Ben Bernanke's semiannual monetary policy testimony later that same month.

Meeting participants across the country generally agreed that the economic crisis had negatively affected small businesses, leading to declining sales, weaker balance sheets, and diminishing asset values. In this inauspicious environment, small businesses have been reluctant to take on new debt. Moreover, the general creditworthiness of many small business owners had declined during the recession, making it much more difficult to be approved for loans.

While there was agreement that demand had weakened, meeting participants differed in their assessment of the availability of credit and what factors may be impacting credit supply. Comments related to credit supply generally fell into four broad areas:

- Tighter bank underwriting standards have made it more challenging to obtain financing.
- Banks have fewer resources for new lending as they struggle to manage problem loans and toxic assets on their books.
- Heightened regulatory scrutiny, whether real or perceived, and increased capital requirements may have made some financial institutions more reluctant to issue new or higher risk loans.
- Small businesses are increasingly turning to alternative financing sources, such as credit cards and CDFIs, in lieu of bank financing.

Several participants suggested that weaker demand for credit does not indicate a diminished need for technical assistance. Technical assistance providers—organizations that support businesses with advisory and planning services—in many of the meetings noted that they had seen a significant increase in demand for their services, from both new and existing businesses. Existing businesses were seeking assistance with managing the challenges of the recession and the tighter credit environment. New entrepreneurs—including the long-term unemployed in some cases—were requesting assistance in launching businesses to improve their earnings and financial stability.

SMALL BUSINESSES HAVE A VARIETY OF CREDIT NEEDS

Meeting participants agreed on several important gaps in the credit available to small businesses. Across the country, lines of credit and working capital were identified as the biggest needs. Small business resource providers reported that banks had reduced credit lines for many of their clients, which impaired the ability of small businesses to manage their cash flow. Other practitioners noted that their clients were struggling to get new lines of credit, which they needed to fulfill orders, because of recent financial difficulties. With lenders looking only at historical performance and not future projections, those small businesses in a position to grow were struggling to find financing.

Loans under $200,000, often referred to as small-dollar loans, were identified as another gap in the current credit environment. Large banks have turned to automated underwriting models as the only profitable way to offer small loans. Automated underwriting models are driven primarily by the business owner's credit score. Reportedly, banks denied small business owners their loan requests because they failed to meet the required credit score thresholds. Community banks, credit unions, and CDFIs appear to have greater flexibility in their underwriting standards, which may allow them to help fill this gap.

A further observation that meeting participants made was the impact of declining commercial and residential real estate values, a situation that made it virtually impossible to obtain new loans and refinancing credit for businesses in these sectors. This need is particularly acute in markets like South Florida, where the decline in real estate values has been especially steep. Finally, many participants mentioned the ever-present need for start-up capital as new business owners struggle to find financing to launch operations.

Money Isn't Everything: Recommendations for Increasing Small Business Financing Options

Six categories of actions for addressing small business credit issues were identified at the national meeting and through the regional forums:

- Make changes to Small Business Administration programs, such as extending indefinitely the higher loan guarantee limits and fee waivers put in place by the 2009 American Recovery and Reinvestment Act.[3]
- Address regulatory concerns to improve communication between banks and regulators in addition to adding more clarity around supervisory practices, and consider providing greater CRA—Community Reinvestment Act—consideration for small business credit and investment activities.
- Encourage lenders to offer "second-look" programs for all denied loan applications and develop a better process for referring businesses to alternative financing and technical assistance resources.
- Increase funding to support lending, operations, and technical assistance for CDFIs, and improve the referral network between banks and CDFIs.
- Provide technical assistance to small businesses before and after they receive financing, and encourage advisory service providers to consider the entire financing continuum from equity to debt.
- Engage in more research and data collection efforts to have more timely and comprehensive data on small business lending activities.

The Federal Reserve System, through its Community Affairs offices, is developing strategies to address the issues identified in these regional forums. Possible initiatives include adding listening tours, developing local small business networks or task forces, and supporting innovative small business research. The Atlanta Fed will focus on hosting additional forums to continue learning about the credit needs in rural and urban markets. The Atlanta Fed will also examine the role of CDFIs in small business lending in greater depth and try to identify ways to improve linkages between banks and small business assistance providers. ■

This article was written by Jessica Farr, Senior Community Development Specialist at the Nashville Branch of the Atlanta Fed.

For more information about the Federal Reserve System initiative "Addressing the Financing Needs of Small Businesses," please visit: http://www.federalreserve.gov/events/conferences/2010/sbc/default.htm.

Small Business Focus: An Online Source

Recognizing that small business has long been one of the primary engines of the economy, the Atlanta Fed has created Small Business Focus. This online resource brings together data, Atlanta Fed initiatives, and research related to small business issues. Our interest in small business focuses on three related issues:

- The role of small business in job creation
- The role of small business in local economic development
- The role of the banking system in small business financing

For more information, go to http://www.frbatlanta.org/research/smallbusiness/.

Endnotes

1 Bureau of Labor Statistics, Business Employment Dynamics, http://www. bls.gov/bdm.
2 Ibid.
3 The Small Business Jobs Act of 2010, signed into law in September 2010, addressed many of the recommended changes related to the Small Business Administration.

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