FEDERAL RESERVE BANK OF BOSTON™

Manchester, NH Listening Event

Narrative Report of Small Group Sessions November 19, 2010

Framing Statement

As the cost of a college education continues to increase at faster rates than inflation, enrollments at community colleges have risen steadily. Either as a portal to a four-year degree or as the principle *workforce development* "training organization" within your community, the role and importance of community colleges continues to grow.

Discussion Questions

1. What role do you see local colleges playing in positively impacting "structural unemployment" and workforce development?

When asked about the role of community colleges in impacting "structural unemployment" or the skills mismatch, those involved highlighted the following.

Participants in this group identified the local community college as a resource for Manchester's low and moderate income residents. In particular given Manchester's larger political refugee population the community colleges represent an opportunity for many of these residents. That being said, amongst the refugee population many are illiterate in their own language (40% - 50%) thus requiring additional remedial courses at the high school level or as pre-requisites to admittance.

The participants highlighted current community college initiatives in Manchester in addition to areas where they might be able to improve access by their consumer base.

- Participants suggested that partnering between the local community colleges and high schools should and must continue. Such activities are supportive and mutually beneficial to both institutions as well as the student/young person.
- Representatives from refugee serving organizations suggested that a partnership in the middle schools between the community college and the school focused on refugees and others who lack pre-requisite skills allowing them to "catch up" is critical to the student's ability to be successful in college.
- In an effort to be more proactive, participants suggested increased communication between the community colleges and business and industry is of paramount importance. This would allow the community college "access" to what the current employment needs are in terms of pre-requisite skills by local industry AND would allow them to project forward what skills WILL BE NEEDED ensuring those student's that matriculate successfully through a program are more likely to gain meaningful employment as they have garnered the skills necessary for today's and tomorrow's employer.

- For many in the low and moderate income community, support services (transportation assistance, access to on-site childcare, etc.) are largely a pre-requisite if they are to be successful in a degree program offered by the local community college.
- The local community colleges must work closely with state and regional economic development authorities. This provides the opportunity for local community colleges to "align" their course offerings and programs to those industries and/or sectors that a city, municipality or region is attempting to attract. This ensures that a highly skilled and qualified workforce is readily available to meet today and tomorrow's business needs.
- Participants suggested "starting at the top" is the only way to build the political will to ensure activities similar to what's identified above see the light of day.

Framing Statement

The problem(s) with Foreclosures and Vacant properties can be viewed through a "community lens" where the problem is a symptom of broader issues affecting neighborhoods such as higher concentrations of unemployment, elevated crime rates, and poor code enforcement. Often this problem is viewed as a singular housing problem or singular Real Estate Owned (REO) problem.

Discussion Questions

1. Have your community's policy makers & housing organizations chosen to take a holistic and comprehensive approach to the problem or not? If so what are some specific examples?

The participants in attendance suggest that NH was not hit as hard "initially" by the negative impact of predatory lending. That being said they will readily admit that Southern NH is being hit by the 2nd wave of foreclosure due to the recession and corresponding unemployment rate. NH's current unemployment rate is 5.4% in comparison to the United State's unemployment rate of 9.6%.

When identifying approaches on "how" municipalities have sought to approach the issue, the following activities were identified.

Rochester, NH

- Rochester launched a media campaign highlighting community resources for those being impacted.
- Money and resources were made available to assist with effort (NSP)
- Private market absorbed access/vacancies – **Question: Speculative Investors or Long-Term Property Owners?**
- In Rochester, those in attendance suggested they are working with property owners regarding the conditions of their properties and the general neighborhood conditions.
- It was cited that in one particular community they are seeking a "holistic approach" – **Question: What area and why?**

Manchester, NH

- Participants suggested a lot of collaboration through CIP and Planning takes place but there is competition in funding and CDBG. While collaboration may exist the approach is not considered holistic.
- Participants cited HEAL meetings and the Weed & Seed Program.

Concord, NH

- Impacted less than other NH communities.
- A high degree of social capital within the community allows for a higher degree of collaboration by the City Council and CATCH (Local NWO – Housing Provider)

State-Wide

- Participants view NH as a more rural state less impacted by predatory lending. Foreclosures not viewed a "crisis" like other communities throughout the country.
- The issue of "sustainable growth" IS the issue that continually comes up.

Framing Statement

Typically, workforce housing developers fund projects on a "project by case" basis and lack access to financial resources that allow them to move beyond such a model. This issue is exasperated as municipalities cut budgets for housing initiatives due to reduced revenues, the inability of the Developer to leverage tax credits & for others a lack of scale that attracts for-profit investors. Housing developers are now considering and discussing alternative sources of capital such as Program Related Investments (PRIs), Equity Investments & even Venture Capital as a means to move beyond the "project by project" model.

Discussion Questions

1. How has your organization survived such a circumstance and what alternative sources of capital has your organization sought out to move beyond the project by project treadmill to one that is more sustainable?
2. If your organization has been unable to move beyond such a cycle what has impeded your efforts and what policy efforts would support such transition?

The participants in this discussion focused on potential solutions to the issues identified in the "framing question" above. Their response and potential opportunities are identified below.

- Create regional lending models rather than "one size fits all" national models.
- Bond funds to capitalize CDFIs regionally.
- Create Networks based on product type.
    - Long-Term Investments/Fixed Returns/Lower Return Rate
    - Short-Term/Higher Yields/Higher Risk
    - Equity
- Cash (Savings is good again)
- A "Housing Future Funds" on steroids (http://www.nhcdfa.org/web/grants_initiatives/cdfa_grants_initiatives.html)
- Money to replace NSP money
- Use banks to buy/season loans with recourse.

- CDFA hold and sell tax credits instead of developers. The Developer only need to “apply” for the equity investment dollars necessary for each individual project. This allows the developer to focus on what they do best while still maintaining their ability to access equity capital.

Framing Statement

Since the housing crisis and recession many homeownership organizations have recognized a substantial reduction in the amount of credit for home buyers beyond FHA and conventional financing. Many of the potential homebuyers are hindered by a lack of credit history or poor credit scores due to unemployment or underemployment, the necessary down payment to secure conventional financing or other financial short comings that are exasperated by the current lending environment. Additionally, and the utilization by lenders of standardized “national” programs often fail to meet the needs of local home buyers and the organizations that serve them. Some homeownership organizations have highlighted the need for a more localized or regionalized mortgage product that meets the needs of local markets and consumer base.

Discussion Questions

1. What experiences can you share that supports this assertion and what specific policy and or research initiatives do you feel are necessary to advance this agenda?
2. Who are the players (organizational partners) that are required to participate and what do you see as the long-term goal?

The participants in attendance highlighted a number of specific activities and related policies but were more inquisitive in terms of “where” things going and what the future might hold. A number of them are identified below.

- New Hampshire Housing Finance Authority’s (NHHFA) First Time Homebuyers Program – Example of regional specific mortgage product. Even with NHHFA dropping its rate to the low 2’s it’s very difficult to compete in the current market, particularly with Fannie and Freddie.
- Lack of Mortgage Insurance/Low LTV Ratio - One financial innovation that fueled dramatic rise in real estate value was Mortgage Insurance. MI allowed borrowers with very little cash to put down as equity, to still purchase the home with a very high loan to value ratio by insuring it against default. With mortgage insurance, buyers could borrow 90%, 95% or 100% or more of the value of the home, bringing millions of Americans in to the home buying market. Since the collapse of the MI industry, this insurance has become widely unavailable or expensive, allowing only buyers with 20% cash down to purchase a home.
- Credit Standards/Underwriting – Borrowers are finding it difficult to access credit and it’s really making it difficult to purchase a home. Should credit and underwriting standards be developed at a regional level versus the “one size fits all” national standards/under-writing.
- Issue for many buyers is Job Mobility – Rent Versus Own?
- Regulatory Changes – S.A.F.E Act (Secure and Fair Enforcement of Mortgage Financing Act) – Limits “who” can originate a loan (licensed originator) and significantly widened the definition of what “origination” is…including non-profit lenders and requires states to “tow the line” and under NH state statute the non-profit exemption no longer exists causing problems within the non-profit community as many cannot pursue licensing for their housing counselors.

- Who is watching the long term issues and community development challenges of credit damage by local residents? - After 2.5 million foreclosures and another 6 million at risk, in a housing market that finds 1 in 5 Americans owing more on their home than the value of it, the primary motivation by private and government efforts is for quick action for the homeowners and damage control of the system. Because we are still in the middle of the crises in terms of foreclosure activity, every tool that is being used has a sense of urgency. There appears to be no one considering the long term effects of the widespread destruction of personal credit that could potentially limit borrowing and spending of these people for decades to come
- Issues with affordability. Dropping property values and rising rents.
- Does “rent to own” make sense again as a means of re-establishing a positive credit history??
- CRA Reform negative impact on smaller communities. NHHFA would advocate for a State Boundary system.