



**Trends and Innovations  
in Community Reinvestment:  
Focus on the United States**

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**Presented to the  
National Housing Conference  
Sydney, Australia  
November 29-30, 1999**

# **Reasons for Increased Activity in Lower-Income and Distressed Communities**

- **Strong national economic recovery**
- **Success in affordable homeownership arena**
- **Increased public and regulatory scrutiny**
- **Maturation of the nonprofit community development industry**
- **Increased availability of data and information**
- **Greater access to and capabilities of sophisticated technology**

# **Five Major Trends in Community Reinvestment**

- **Increasing focus on homeownership as anchor for community redevelopment**
- **Increasing focus on comprehensive community planning and investment**
- **Increasing focus on creative and broad-based partnerships**
- **Increasing focus on market-based revitalization strategies**
- **Increasing role of community development corporations**

# Community Development Corporation Growth

- **Less than 100 in 1970 – more than 3,600 today**
- **Increased in number by 64% from 1994 to 1997**
- **Increasing their role as intermediary between government, private sector and community**
- **Consumed \$2.4 of \$6.4 billion of federal spending on housing**

# **Community Development Corporation Housing Production**

- **Produce 30% of total U.S. assisted housing units**
- **Produced 245,000 housing units from 1994 to 1997**
- **Produced roughly 45% of all CDC housing ever developed during 1994 to 1997**
- **Habitat for Humanity is now one of the 20 largest homebuilders in the U.S.**

# Defining Community Development Corporations

- **Private, nonprofit organizations**
- **Serve low-income communities or constituencies**
- **Have completed at least one housing, commercial, industrial or business enterprise development**

# Structure of Community Development Corporations

## ■ Executive Director

- Develops policy and implements programs
- Holds position for seven years (on average)

## ■ Board of Directors

- Determines CDC's direction
- Has strong community representation
- Consists of community residents and clients (e.g., churches, civic organizations, financial leaders, and local business groups)

## ┌ Staff

- Combination of paid staff and community volunteers

# **Legal Status of Community Development Corporations**

- **Exempt from federal taxes**
- **A 1988 survey of 130 CDCs in 29 cities revealed:**
  - **26% were free-standing, nonprofit organizations**
  - **73% had at least one subsidiary**
  - **50% of all subsidiaries were for-profit enterprises**

# Sources of CDC Funding, 1994 - 1997

Source	Percent of CDCs	Source	Percent of CDCs
<b>Federal</b>	<b>90%</b>	<b>Private Sector</b>	
<b>State Government</b>	<b>46%</b>	<b>Foundation</b>	<b>46%</b>
<b>Local Government</b>	<b>31%</b>	<b>Bank</b>	<b>49%</b>
		<b>Local or National Intermediary</b>	<b>41%</b>
		<b>Corporation</b>	<b>24%</b>
		<b>Religious</b>	<b>13%</b>
		<b>United Way</b>	<b>13%</b>
		<b>Other Private Sources</b>	<b>12%</b>

Source: National Congress for Community Economic Development (NCCED) 4th National Community Development Census

# **Housing is the Core of the United States Community Development Corporation Industry**

- **A 1995 survey showed that more than 90 percent of CDCs are involved in housing**

# **Community Development Corporations Are More Than Just Housing Producers**

- **More than 75% of CDCs provide resident services**
- **70% conduct advocacy or organizing activities**
- **CDCs are increasingly involved in youth and family development, job training, community safety, community organizing and advocacy work and related community-wide empowerment efforts**

# **Strengths of Community Development Corporations**

- **Ability to combine physical development with social services**
- **Often the largest and most consistent investors in communities**
- **Effective in engaging community residents in development initiatives**

# **Weaknesses of Community Development Corporations**

- Staff and board members often lack necessary professional skills**
- Have difficulty operating at a scale that makes a major contribution**
- Tend to be unstable – unreliable funding, frequent staff turnover**
- External funding may make them unresponsive to community priorities**

# Community Development Intermediaries

- **Enterprise Foundation**
- **Local Initiatives Support Corporation**
- **Neighborhood Reinvestment Corporation**
- **Housing Assistance Council**

# **Services Provided by National Community Development Corporation Intermediaries**

- Assist in securing funding for projects and initiatives**
- Act as clearinghouses for the sharing and dissemination of information**
- Host national conferences on best practices**
- Provide technical assistance and training for project development and management as well as organizational management training**

# **A New and Innovative Community Development Organization: Community Development Financial Institutions**

- Specialize in capital and credit needs of low income and underserved populations**
- Have as their primary mission the revitalization of distressed communities**
- Fill the credit and financial services needs of traditional financial services firms**

# **Community Development Financial Institutions Can Take Many Forms**

- **Community development commercial banks**
- **Community development thrifts**
- **Community development credit unions**
- **Community development loan funds**
- **Community development micro-enterprise  
loan funds**

# **Community Development Financial Institution Fund**

- **Operated by the U.S. Treasury Department**
- **Certifies CDFIs as eligible for federal funding support**
- **Encourages leveraging of additional private investments in distressed communities that are the focus of CDFIs**

# Examples of University-Community Partnerships

- **Promote homeownership, rental housing rehabilitation, small business development, financial literacy, youth and family development, health services, employment skills training, community safety, and other initiatives**
- **Universities contribute funding, expert staffing, students as volunteers, access to other key potential partners, facilities, and a variety of services**

# **Increasing Focus on Market-Based Solutions**

- **The Social Compact's Emerging Neighborhood Markets Initiative**
- **Michael Porter's Initiative for a Competitive Inner City**
- **The President's New Markets Initiative**
- **The Fannie Mae Foundation's "Market Paradigm"**



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