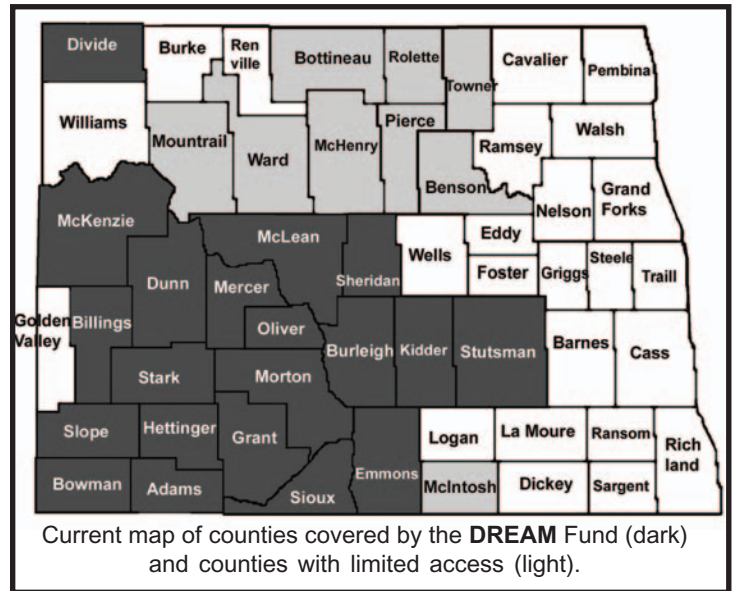


2003: A Milestone Year for the DREAM Fund

With the last eight loan closings of December, the **DREAM** Fund surged to provide \$1 million in residential lending in 2003. In less than three years of lending, the **DREAM** Fund reached this significant milestone in its effort to provide North Dakotans with opportunities to obtain safe, affordable housing. This is a major step for the program, which had increased by over 105% from 2002. In 2002, the program provided \$487,000 in lending and \$60,000 in 2001.

In addition, the number of **DREAM** loans grew by 37% from 2002 to 2003. Last year, the Fund provided its first loans to homeowners in Bowman, Dunn, Emmons, Kidder, Sioux, and Stutsman counties. During 2003, the **DREAM** Fund made 48 loans, which assisted families to repair, purchase, or build their homes. Many of these families, 69% of which were



low-income, would not have been able to achieve homeownership without financing from the Fund.

Continued on page 4

2003 CommunityWorks Snapshot

PROGRAMS	Families Assisted	Financing Provided
DREAM Fund Activity	48	\$997,035
Secondary Market Sales	4	\$175,500
Mutual Self-Help Program	9	\$207,458
Reservation Mortgage Lending	2	\$92,000
HomeChoice Coalition Lending	6	\$120,393
Other Activity	27	\$401,684
Financing Leveraged	-	\$2,910,520
Non-DREAM Activity	12	\$582,954
Secondary Market Sales	4	\$124,400
Mutual Self-Help Program	3	\$311,604
Reservation Mortgage Lending	1	\$67,500
HomeChoice Coalition Lending	1	0
Rural Home Loan Partnership	3	\$79,450
Library Square (Multifamily)	46	\$345,000
Other Financing Leveraged	-	\$5,066,344
TOTAL IMPACT FOR 2003	106	\$9,556,853
COUNSELING SERVICES		
Homebuyer Education	50	
Native American Credit Counseling	93	

* The **DREAM** Fund worked in cooperation with other housing programs.

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Works in Progress

Sometimes conventional wisdom and public perception are, well, not very wise or perceptive.

Despite 25 years in the community development arena, I continue to be surprised by my own misconceptions, and I find little comfort knowing that I have company. These past nine years since CommunityWorks first organized have been an eye-opener for me, and although there is a greater general understanding of the severe housing problems we face in North Dakota, some misperceptions persist.



Paul Rechlin
Executive Director

The following are, I think, some of the most common myths.

Myth #1: If you can't get a loan, you don't deserve one.

My answer to that is one-half of 1%. That's the delinquency rate of our **DREAM** Fund, even though it makes loans to people that conventional lenders can't make. And with more than \$1.7 million loaned since the program started, only about \$2,000 has been written off. Many conventional lenders can only hope and dream for that kind of performance.

Those statistics prove what we believed, and many lenders told us before we started: there are plenty of North Dakotans deserving of loans that can't get approval. Among the reasons is that lenders generally need to sell their loans to secondary markets, which buy only loans that meet their formula and security requirements, regardless of the borrower's character.

Perhaps the best way to disprove the myth is the example of two families with the same credit, income, and down payment who want to build identical houses. One in a community with high market values may easily get loan approval, the other in a low-market area might be rejected. In fact, the same family may be either approved or rejected depending on the house location.

Myth #2: Housing subsidies are mostly for the poor.

In fact, the opposite is true. It was a banker that told me that most housing subsidies are for the rich, and a check on his statement revealed shocking numbers.

According to a 1999 study, the total HUD budget for all its single- and multi-family programs—including administration costs—was \$32.7 billion. USDA-Rural Development Rural Housing Services budget adds only about \$2.5 billion. By

comparison, tax expenditures for owner-occupied homes dwarf the funds pertaining to affordable housing. That same year, there were \$56.9 billion for mortgage interest deductions, \$21.2 billion for property tax deductions, and \$18 billion for exclusion of home sales from capital gains taxes. That's about three times HUD's total budget, which by the way is even less now, at \$31.5 billion. Affluent taxpayers enjoy the bulk of these expenditures: they claimed about half the deductions, and claimed those expenditures against higher tax rates than poorer taxpayers.

So the rich get most of the subsidies.

Myth #3: Housing is not economic development.

An economic developer in a city told me, "We aren't interested in housing; we finance businesses." A political candidate once said to me, "The best way to get affordable housing is to create good paying jobs."

Well, isn't housing an industry itself? And how can there be jobs if there's no housing for the workers? Recognition that a lack of housing impedes economic development led CommunityWorks to create the **DREAM** Fund. Prospect businesses told us they wouldn't move to some communities, and existing businesses said they couldn't expand because there was no housing for new workers. Meanwhile, deteriorating housing, and no new housing, reduces the tax base government needs to provide and sustain services.

The myth probably originated when the state determined its economic development efforts would be targeted toward "primary sector" businesses. Many people then confused the issue, thinking that is the definition of economic development. It isn't; it's only one strategy that is part of a process.

Housing isn't economic development? Homeownership is the primary means of most families to build wealth through equity growth in their homes. And it creates business, jobs and commerce. According to a late 1990s study by the National Homebuilders Association, construction of 1,000 single-family homes generates 2,448 jobs, \$75 million in wages and \$37 million in tax revenues. A somewhat more recent study by the University of Massachusetts shows the short- and long-term benefit of 100 new homes totals \$11-12 million in income, \$2 million in tax revenues and about 250 jobs.

We haven't yet created 1,000 homes, let alone 100, but we will, and already the **DREAM** Fund has helped create more than \$4 million in new single-family construction. And we believe we will continue to debunk the myths.

CommunityWorks Celebrates NeighborWorks Week in June



CommunityWorks staff celebrated National NeighborWorks Week in June by helping the residents of Library Square to plant flower pots for their apartments and for the outdoor planters.

CommunityWorks celebrated National NeighborWorks Week during the week of June 7th. Observed by over 200 member organizations of the Neighborhood Reinvestment Corporation, NeighborWorks Week helps to promote community involvement and betterment. To recognize this special week, CommunityWorks planned several events to help make their communities a better place. The activities included:

- CommunityWorks staff provided a breakfast social for its partnering lenders in the Bismarck-Mandan community to familiarize them with its housing programs and services.
- CommunityWorks staff helped the residents of Library Square to plant flower pots for their balconies and floral planters for their building entrances. The staff also helped to create a small

park for relaxing in the sunny afternoons. At the end of the week, CommunityWorks helped the residents to celebrate the June birthdays.

- CommunityWorks planned to help plant trees with the participants of the Mutual Self-Help Program in Lincoln. Unfortunately, the event was cancelled due to a torrential rainstorm.
- Finally, CommunityWorks mailed packets of flower seeds to its clients across the state to bring rays of sunshine to their own homes and communities.

National NeighborWorks Week also coincided with North Dakota's Homeownership Month, which honors the role homeownership plays to promote healthy communities.

Starion Helps Expand the DREAM Fund

In March, Starion Financial provided CommunityWorks with a \$100,000 low-interest loan to further expand the **DREAM** Fund. Starion CEO Craig Larson and Senior Vice President Mark Weide visited CommunityWorks to present Executive Director Paul Rechlin with the contribution.

This commitment, along with Starion's earlier contribution, will be used to help families of low income to purchase, build, or repair their home. Since 2001, the Fund has provided 118 loans, which have helped 111 families in North Dakota to obtain safe and affordable housing.



Starion CEO Craig Larson and Senior Vice President Mark Weide with CommunityWorks Executive Director Paul Rechlin.

DREAM Fund: More to Come in 2004

Continued from page 1

Besides homeowners, communities also benefit from the **DREAM** Fund, which provided lending to residents of 25 communities in 2003. By using the Fund to provide gap financing, local lenders and other organizations were able to provide \$2.9 million in residential lending, as well. Local home construction industries also felt the impact, as the Fund provided or attracted over \$1.9 million to build, rehabilitate, or expand homes.

The Fund will continue to provide additional lending in 2004. As of the end of June, the Fund had provided over \$436,000 in financing to 22 families, compared to \$187,000 and 10 families at this point a year ago. With the addition of Divide County and up to four other counties by the end of the year to its coverage area, the **DREAM** Fund is projected to make 65 loans for \$1.5 million in 2004.

Recent DREAM Fund Activity From Around the State

Killdeer (Dunn County) - Karlene is a divorced working mother of three children who suddenly became disabled. Because of the processing lag of Social Security benefits, her only income was child support when the father decided to pay it. Although Karlene had never missed a mortgage payment, her loan terms (with a predatory-like interest rate of 13.7%) made it difficult to keep her home because of her disability. Furthermore, the holder of the mortgage was unwilling to cooperate and threatened her with eviction. CommunityWorks was notified of the situation by Kirkwood Bank & Trust in Dickinson and stepped in to offer assistance. The **DREAM** Fund refinanced her \$27,200 remaining mortgage at an affordable 5.95% fixed rate for 30 years, allowing her and her children to stay in their home.

Pick City (Mercer County) - The Porter family experienced a difficult year, in which Peter had to take time off from his job because of a medical condition. Because of this, the family budget became limited. Despite their difficulties, their home was in need of overdue and critical repairs to its roof and electrical system and required a new furnace and central air system. The **DREAM** Fund provided financing for these emergency repairs and, teaming with Community Action Agency, purchased a new furnace.

Jamestown (Stutsman County) - The Jacobsons, a family of three in Jamestown who earned 33% of the area's median income, wanted to purchase a home. Jerry was employed as a custodian at a local business while Jennie, who is disabled, stayed home to care for their young child. Unfortunately, conventional financing for a home mortgage was unavailable. Wells Fargo Bank referred the family to the **DREAM** Fund. The Fund was able to provide the family with a \$21,000 home mortgage and the family was finally able to achieve homeownership.

Bowman (Bowman County) - The Bakers, a young working couple that made 84% of the area's median income, were able to secure a home by obtaining a \$6,600 loan from the **DREAM** Fund for downpayment and closing costs on their mortgage from Dacotah Bank in Hettinger.

Fortuna (Divide County) - After renting a home for some time, the Franklins decided to become homeowners and purchase their house. First National Bank & Trust in Crosby contacted CommunityWorks to provide financing to complete the purchase. The **DREAM** Fund provided a second mortgage with the bank's mortgage and helped the Franklins to buy their home.

(Note: Names have been changed to protect homeowner identities.)

Bush Foundation Awards \$75,000 Grant to DREAM Fund

During its March meeting, the Board of Directors of the Bush Foundation conferred a \$75,000 grant award to support the **DREAM** Fund program of CommunityWorks.

The foundation, a philanthropic leader of the upper Midwest, will fund the award over a two-year period. The Bush Foundation provides support for organizations that improve the quality of life in hu-

man services, health, education, and other areas. The award to CommunityWorks was just one of 48 funded grants, totalling over \$6.9 million provided to the region.

The grant will be used to enhance the **DREAM** Fund which has helped several families, primarily those of low-income, to overcome obstacles preventing them from obtaining home ownership.

First Homeownership Voucher Secured in North Dakota

Last November, a Grand Forks family became the first in the state to utilize federal Section 8 vouchers to obtain homeownership.

The homeownership voucher program was established in 2000 by HUD to expand housing opportunities to low-income families or those with elderly or disabled members. Participating families can seek home financing and use the voucher to pay the mortgage payments. Prior to 2000, the Section 8 program had been used to solely provide vouchers for rental assistance.

Mark and Marie (whose names have been changed for this article) were looking to purchase a home in Grand Forks for their family of three. Mark

supported his family as a custodian for a local company while Marie, who is disabled, cared for their young child and managed the home. They contacted Regina Kerr of the Grand Forks Housing Authority to find opportunities to purchase a home.

After consultation with CommunityWorks, it was realized that the family might be able to obtain a home loan. After finding a home built by Easter Seals and qualifying for the homeownership voucher, partners, including CommunityWorks, Grand Forks Housing Authority, Bremer Bank, Century 21, and NDHFA, came to the table to provide an affordable financing package for the family. Mark and Marie, now proud homeowners, use the voucher to pay a portion of their monthly mortgage payments.

Financing Available to Fill Home Construction Gaps

As the construction season continues into August, many families will finally decide whether to build a new home for themselves.

One of the most important elements to consider is the cost of the construction, including the gaps that remain after securing a loan from the initial lender. Every year, lenders see families experience delays and other setbacks to home construction because of construction financing gaps. Obtaining financing to cover these gaps can not only be difficult for many families, but expensive for their budgets as well.

To address this problem, CommunityWorks can provide affordable short-term loans to cover the remaining costs of construction that lenders cannot conventionally finance. With minimal additional paperwork, our financing is convenient for borrowers, allowing them more time to concentrate on the

construction details. To support this opportunity, the Bank of North Dakota has provided a line of credit to CommunityWorks, thereby expanding its capacity to help families reach their dreams of building a home.

For more information, lenders can contact **701-255-4591** or sarenz@central.com.



Many families will be looking for affordable financing for home construction during the Summer months.

CommunityWorks Selected For Pilot Program

The Neighborhood Reinvestment Corporation has selected CommunityWorks for its Organizational Underwriting pilot program that will assist Neighborhood Reinvestment in its future allocation of resources to its member organizations.

CommunityWorks, a member of Neighborhood Reinvestment since 2000, was chosen for its strong track record of achievements over the past

four years as well as its diversity of programs and services that are offered throughout the state.

Neighborhood Reinvestment is utilizing the underwriting program to determine the most efficient ways of providing funding and other resources to its members, including whether funding should be redirected from a program-by-program approach to an approach that examines the organization as a whole.

CommunityWorks Board Amends Servicing Policies

At its March meeting, the CommunityWorks Board of Directors enacted several changes that will restore an equilibrium between services provided to coverage areas and the level of commitment from the governments, lenders, and utilities of these areas.

“We changed our policies primarily to assure that our limited funding is directed into the counties and to the lenders that do the most to support us,” Board President Greg Lange said, “The changes simply recognize that our success depends on our partnerships and we must do our part to encourage and strengthen them.”

For instance, CommunityWorks will work off of a tiered system to provide secondary markets services and technical assistance to its partnering lenders. Lenders that have contributed 90% or more of their contribution request will have more access to these services than lenders that have only met 50% of their threshold. No services will be provided

for/with a non-contributing lender.

In addition, new contribution formulas will apply to new counties seeking access to the **DREAM** Fund in 2005. The revised formula will ask counties to contribute of one half of one mill for three years, for a total of 1.5 mills. The new rules also provide clarification for contributions requested from rural electric and telephone cooperatives: electric cooperatives will be asked to provide \$1 for each meter served while telephone cooperatives will be asked to contribute \$1 for each exchange served. The Board maintained the requested contribution level for lenders, which is currently set at \$100 per \$1 million assets.

Once the majority of requests are met, the county will be given full access to the **DREAM** Fund and its services. The new policy changes do not affect counties that currently have full access to the Fund.

CommunityWorks Receives CDFI Designation

In May, CommunityWorks was designated as a Community Development Financial Institution (CDFI) by the U.S. Treasury Department. This designation is reserved for organizations that provide financial and other services to populations underserved by traditional financial institutions of their areas.

Through its strong record of providing affordable financing, homebuyer education, and other housing programs and services to low-income fami-

lies of North Dakota, CommunityWorks became the first housing and community development nonprofit in North Dakota to receive this recognition, which comes up for renewal in 2007. Presently, only 700 organizations nationwide have been designated as CDFIs.

As a CDFI, CommunityWorks will have access to new sources of funding and other opportunities to help additional North Dakotans achieve homeownership.

CommunityWorks Welcomes New Staff Members

CommunityWorks welcomes Dorothy Kosse to its staff. Prior to her arrival, Dorothy had worked for BNC National Bank in Bismarck as a mortgage processor for four years and has also has experience from positions at First Southwest Bank (now Starion Financial), Bank of North Dakota, and the ND Housing Finance Agency. As the new Housing Program Specialist, Dorothy will be working with our **DREAM** Fund loan program and processing for other loan programs.

In addition, Jessica Webster, formerly of the Twin Cities area, is serving as the Secretary/Receptionist for the staff. Jessica replaces Joleen Leier, who left for a position at the state Division of Community Services after spending three years at CommunityWorks

Welcome Dorothy and Jessica!



A Listing of Our Contributors

*Thank you to all of our contributors for their continuing support. New contributors are listed in **bold**.*

Lending Institutions

American State Bank & Trust	First International Bank & Trust	McKenzie County Bank
Bank Center First	First National Bank & Trust of Williston	Northland Financial-Steele
Bank of Hazelton	First National Bank-McClusky	Security First Bank of North Dakota
Bank of North Dakota	First Security West-Beulah	Security State Bank of North Dakota
Bank of Turtle Lake	First Security Bank-Underwood	Security State Bank-Wishek
BNC National Bank	First State Bank-Wilton	Starion Financial
Capital Credit Union	Flasher Community Credit Union	Stutsman County State Bank
Commercial Bank of Mott	F-M Mortgage Corporation	Triniservice Federal Credit Union
Dacotah Bank	Garrison State Bank	The Union Bank
Dakota Community Bank	Gate City Bank	Union State Bank
Dakota West Credit Union	Grant County State Bank	US Bancorp
Dakota Western Bank-Bowman	Kirkwood Bank and Trust	Wells Fargo Bank
Farmers Security Bank-Washburn	Lakeside State Bank	Western Cooperative Credit Union
Farmers State Bank-Elgin	McIntosh County Bank	
FHLB-Des Moines		

Governments, Housing Authorities, and Agencies

Adams County	HUD	Sheridan County
Billings County	Kidder County	Sioux County
Bowman County	McKenzie County	Slope County
Burleigh County	McLean County	Standing Rock Housing Authority
Divide County	Mercer County	Stark County
Dunn County	Morton County	Jamestown/Stutsman Development Corporation
Emmons County	ND Div. of Community Services	USDA-Rural Development
Fort Berthold Housing Authority	ND Housing Finance Agency	
Grant County	ND Rural Development Council	
Hettinger County	Oliver County	

Realtors

Century 21 Landmark Realty
Great Western Realty
ND Association of Realtors
Retterath Management and Sales

Others

CONAC REAP Zone
Fannie Mae/FM Partnership
Individual Contributors
Richardson, Lange, and Donovan
Southwest REAP Zone
St. Alexius Medical Center

Utilities

Basin Electric Coop.
BEK Communication Coop.
Capital Electric Coop.
KEM Electric Coop.
Montana-Dakota Utilities
Mor-Gran-Sou Electric Coop.
ND Association of RECs
Northern Plains Electric Coop.
Oliver-Mercer Electric Coop.
Otter Tail Power Company
Slope Electric Coop.
West Plains Electric Coop.

Nonprofits and Foundations

AXA Foundation
Bush Foundation
Center for Community Change
Dakota Foundation
Fannie Mae Foundation
Housing Assistance Council
Neighborhood Reinvestment Corp.
Otto Bremer Foundation
Washington Mutual Foundation
Wells Fargo Foundation
West Plains Electric Charitable Foundation

Staff

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Executive Director

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Loan Administrator

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Manager

Lyle Hogue
Assets Manager/Community
Development Coordinator

Dorothy Kosse
Housing Program Specialist

Jessica Webster
Secretary/Receptionist

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Housing Program Director

Brent Ekstrom
Loan Funds Manager

Mike Heinsohn
Self-Help Housing
Coordinator

Tracie Johnson
Reservation Mortgage
Lending Coordinator

Gayle Paul
Office Manager

Board of Directors

President: **Greg Lange**, Richardson, Lange, and Donavan
Vice President: **Clayton Hoffman**, Oliver/Mercer Electric
Treasurer: **Tonya White Mountain**, Standing Rock Housing Authority
Secretary: **Wade Bachmeier**, Century 21 Landmark Realty

Rich Barta, City of Mandan
Peter Belgarde, Spirit Lake Nation
Dave Flohr, North Dakota Housing Finance Agency
John Giese, Wells Fargo Bank
Stephanie Honeyman, Dacotah Bank
Harvey Huber, Stutsman County State Bank
Claus Lembke, North Dakota Association of Realtors
Sandy Retterath, Mercer County Housing Authority
Mark Weide, Starion Financial
Mike Zainhofsky, Burleigh County Housing Authority

Lewis & Clark CommunityWorks is a statewide 501(c)(3) non-profit organization dedicated to the mission of providing affordable housing and development opportunities to revitalize communities and improve the standard of living and quality of life for North Dakotans.

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