

*Expanding Economic Opportunity
through Renter EquitySM*
Margery Spinney

OVERVIEW

- Cornerstone Corp for Shared Equity, an Ohio 501(c)3, incorporated 1986 as a Community Loan Fund loaning to nonprofit groups for affordable housing development
- Focus on housing as a product results in “consumption.” Neither value nor net worth of households improves.
- Simply stated, households cannot “get ahead” without a platform for building financial assets.
- More than 1/3 of US households have wealth holdings that are so low they are extremely vulnerable to financial distress and insecurity.

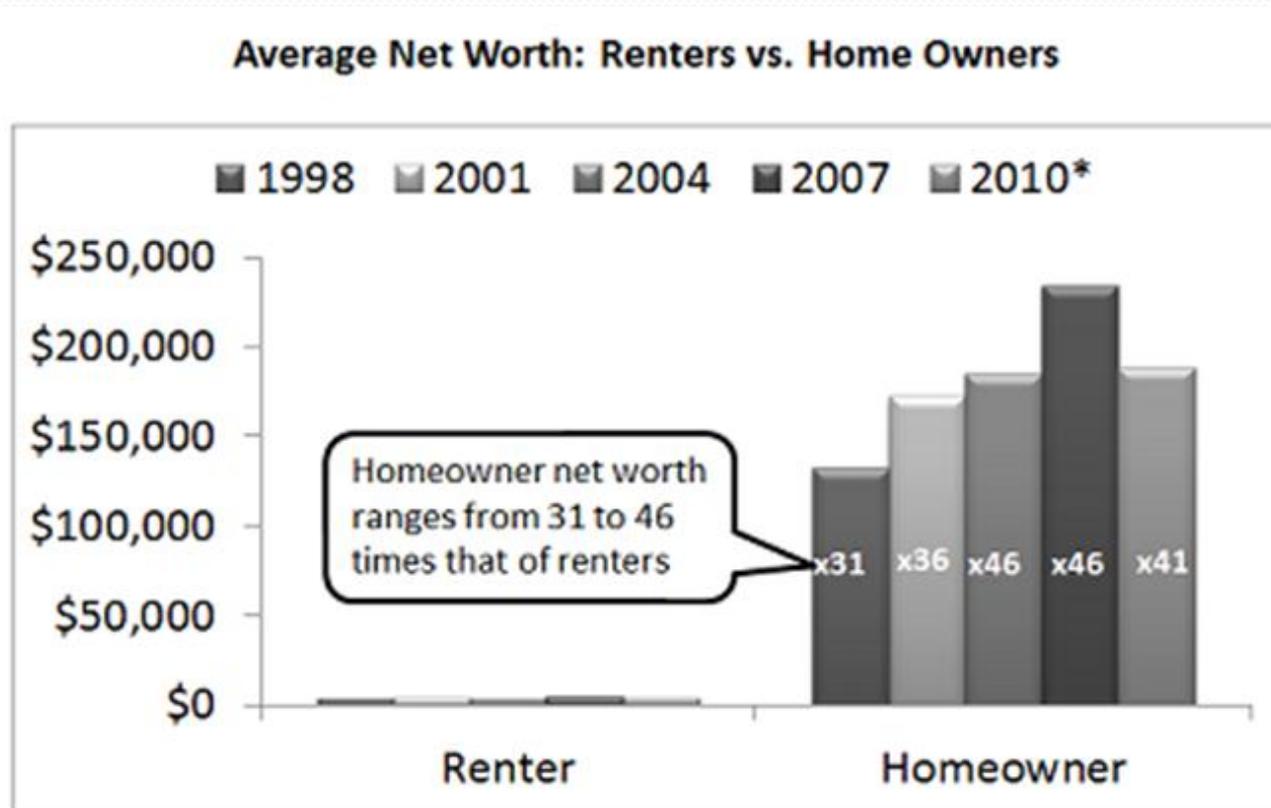
Wealth Distribution



Homeownership by Race 2010

- US Total 66.9%
- White 74.4%
- Other Race 57.0%
- Hispanic 47.5%
- Black 45.4%

Average Net Worth: Renter vs. Own



Source: Federal Reserve Survey of Consumer Finances, *2010 is NAR Estimate

What is Renter EquitySM?

- Community Building
- Affordable Housing
- Participatory Management
- Compensating Financial Equity

Renter EquitySM

- Introduced in a 22 unit rehabilitation in 2002
- Links resident participation in property management and maintenance with financial services and asset development for the “working poor”
- Establishes the bottom rung of the “ladder of opportunity” known as the American Dream.

Renter EquitySM

- Lease document includes a contract that aligns the interests and incentives of affordable housing owners and tenants
- Not rent-to-own nor a forced savings program.
- Residents build credits in an investment account (which vests after 5 years) and are eligible for low-cost loans as they fulfill responsibilities in their contract.

Participant Profile

- Average income \$18,000
- Employed or disabled
- Earning \$5 to \$18 per hr.
Child care, janitorial, restaurant,
nursing assistant, clerk, artist,
beautician, service
- Predominantly African-American
- Urban

HOW DO RESIDENTS EARN CREDITS?

- Each household is responsible for completing weekly property maintenance assignments (landscaping, trash removal, common area cleaning, etc.)
- Households must attend monthly Resident Association meetings
- Households must pay rent on time

Renter EquitySM Credits Owned
22 Unit Development
3/1/2002-3/1/2012

	HH	Value
Current Residents	22	\$66,708
Left with Cash Payment	10	\$26,718
Left before vesting	3	
Total		\$93,426

WEALTH BUILDING

- Credits Not Income – Funds are not in residents name until withdrawn
- Accountability - Residents receive monthly statements
- Vesting – Equity credits can grow to \$10,000 per household over 10 years. After 5 years of participation in Renter Equity, allocated resident credits may be withdrawn.

Associated Lending Program

- After six months occupancy, residents in “good standing” are eligible for low cost, short term loans from Cornerstone. An alternative to high interest “payday loans.”
- Residents who are vested may borrow up to 80% of their credits.

Renter EquitySM Loans

2002-2011

	Current Loans	Inactive Loans	Total all Loans	Unpaid principal	Loss Rate
No Loans	7	99	106	8	
Disbursements	\$4,786	\$62,595	\$67,381	\$4,219	6 %

Use of Renter EquitySM Assets and Loans

- Financial security (weather hard times)
- Medical expense
- Repair or buy auto
- Business
- Relocate to new job
- Buy a home

Renter EquitySM Compared to Homeownership

Terms	Renter Equity SM	\$76,000/5.5/30
Rent/Principal	\$432	\$432
Tax, Ins., Maintenance	included	\$250
5 Yr. Payments	\$25,920	\$40,920
5 Yr. Equity	\$4,136	\$5,730
10 Yr. Equity	\$10,000	\$13,269

FUNDING THE EQUITY INVESTMENT

(Average credit earnings \$4,250 per unit per year)

- Funded Reserves guarantee
- Incentive Management Fee
- Grants and contributions

Results

- Healthy social community. Residents are leading efforts to rid the Over-the-Rhine (OTR) of crime and violence.
- Occupancy levels above 96% for the past nine years compared to a 30% vacancy factor for other LIHTC housing in central Cincinnati. (national rate for rental housing is about 11%)
- A scholarship program for children of Renter EquitySM.

Bank Participation

- Investment in development of housing with Renter EquitySM through Loans and Tax Credits
- Funding reserves for Renter EquitySM in project budget
- Linking Renter EquitySM with other financial products and services

Contact Information

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