Advisory council members see effects of rising costs and tighter credit

by: Jennifer Wilding

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Tightening credit and rising costs pose challenges for low- and moderate-income (LMI) residents of the Federal Reserve Bank of Kansas City's region. Community Development Advisory Council (CDAC) members shared their perceptions of trends related to banking volatility when they met April 20-21, 2023, with Kansas City Fed First Vice President Kelly Dubbert, who has assumed the duties of president on an interim basis, and the Bank's community development team.

The Kansas City Fed started the CDAC more than 20 years ago. Since then, the CDAC has been an ongoing source of partnerships and ideas for new focus areas and projects. To learn more about how the CDAC has influenced the Kansas City Fed, check out this retrospective in TEN magazine.

CDAC members offer deep knowledge on subjects such as health, housing, small business, and social services. Members who shared information for the April meeting include:

Aubrey Abbott Patterson, president and chief executive officer, Hutchinson Community Foundation, Hutchinson, Kansas

Monica Abeita, executive director, North Central New Mexico Economic Development District, Santa Fe, New Mexico

Michelle Bish, executive director, Northeast Workforce Development Board, Catoosa, Oklahoma

Niki Lee Donawa, chief community relations officer, University Health, Kansas City, Missouri

Don Greenwell, president, The Builders, a chapter of the AGC, Kansas City, Missouri

Scott Hoversland, executive director, Wyoming Community Development Authority, Casper, Wyoming

Quintin Hughes, program director, Northeast OKC Renaissance Inc., Oklahoma City, Oklahoma

Cindy Logsdon, executive director/chief executive officer, Citizen Potawatomi Community Development Corporation, Shawnee, Oklahoma

Jackie Loya-Torres, manager, CRA and community development, Commerce Bank, Kansas City, Missouri

Alan Ramirez, director of strategic lending, Colorado Enterprise Fund, Denver, Colorado

Adrienne R. Smith, president and chief executive officer, New Mexico Caregivers Coalition, Bernalillo, New Mexico

Awais Sufi, strategic advisor, SchoolSmartKC, Kansas City, Missouri

Pete Upton, executive director, Native360 Loan Fund, Grand Island, Nebraska

The Kansas City Fed asked council members about the effects of recent banking volatility on their organizations and how they expect demand for their services to change. Responses reflect the various types of organizations that CDAC members lead, which face different circumstances.

Most members reported their organizations are not experiencing or expecting any direct negative effects from banking volatility.

Where they anticipated the most negative effects were from banks tightening the availability of credit, but many members that offer lending services expect increased demand.

- **Niki Lee Donawa:** "Hospitals and outpatient facilities have begun to rely on banking partners to support their patient needs. We are still experiencing the aftereffects of Covid-19. Many people put their healthcare on hold, resulting in greater needs for care and greater expenses. Some healthcare systems are fortunate enough to have banking partners who provide their patients loans to be paid over time. This allows patients to meet their healthcare needs, but it may no longer be an option. In the coming months, I believe it will be more difficult for patients to access loans for healthcare and/or they will pay much higher interest rates."
- **Don Greenwell:** "While demand for workforce for mega-sized construction projects, like Meta/Facebook and Panasonic, is strong, demand for workforce for medium and small projects could clearly be impacted by tightening of credit. Forecasting demand for construction workforce is in flux and difficult to determine with confidence."
- **Scott Hoversland:** "The Wyoming Community Development Authority is highly dependent on the municipal bond market and our last bond sale was right before the Silicon Valley Bank collapse. Our pricing and sale of bonds went very well; however, our underwriter said that another housing finance agency had to drop its taxable portion of their bond offering due to a lack of buyers. This bond sale occurred after the SVB collapse."

- **Quintin Hughes**: "In recent months, we have seen a decline in lending and sponsorship activity from local financial institutions. Our PlaceKeepers program, which provides real estate developer training for community stakeholders and gap financing for real estate development projects, has been impacted. However, we have been able to pivot and find alternative sources of funding, such as grants and philanthropy, to support our mission."
- **Cindy Logsdon**: "Demand has been a little slow, but as the banks are tightening standards and interest rates are high, I anticipate an increase in demand as we saw in the 2008 economic downturn. I am actively fundraising to be able to meet an increased demand due to bank turndowns."
- **Alan Ramirez**: "The lease costs in our market are still very high. We gave a loan to a home-based childcare business. They were spending $5,000-$7,000 per month in lease costs, but that's now up to $20,000 per month as they transition to a facility-based business. They need to find ways to mitigate those costs. Gap financing is important. We also worked with a business that worked with a landlord to do a lease-to-own agreement and approved their mortgage of a commercial property that kept their mortgage the same as their lease price. We are trying to find ways to encourage more people to use lease-to-own and in that way control lease costs for businesses."
- **Adrienne Smith**: "We are funded only through foundation and government grants and contracts, not banks. Grant and contract revenues have been greater in each year than before 2020. We think this is the result of foundations that are all now seeking to address the same values with which we began: the value of direct care workers, and the historical sexism and racism of this field in the U.S."
- **Pete Upton: "**Many banks are tightening the credit lines for smaller clients, and they are coming to Native360 for capital. I believe the banks are sending clients to us because of the higher rates and unstable banking times. Inflation and higher interest rates have made the marginal borrower no longer creditworthy at the traditional bank; we get referrals from the banks of clients they have denied credit to."

Every member saw increased demand for their organization's services since last fall

They also were hearing of widespread demand for services from other organizations.

- **Monica Abeita**: "Our demand for services in grant writing and grant administration has increased astronomically because of the new federal funding that is now available. We have addressed this demand by obtaining money from the state to hire contractual grant writers and technical assistance providers. In FY '23, we have written almost $100 million in grants for local and tribal governments. Many grant applications are still outstanding (including two $10M+ applications); however, we have obtained $15 million in grant awards to date."
- **Michelle Bish**: "Most organizations serving LMI populations are seeing an increase in the demand for services. For example, Safenet works with survivors of domestic violence, sexual assault, and stalking. Last year, they reported a 62% increase in calls to their crisis line. With the increase in calls, there was also an increase in victims who had to be turned away

due to lack of space. Safenet had to get very creative with other services such as counseling, because the demand continues to increase while the funding available continues to decline."

- **Don Greenwell: "**So far there has not been an impact. Our trade association's market is commercial construction. With the typically long length of construction schedules, economic impacts are delayed in affecting our market. The tightening of credit would impact the volume of construction projects moving forward. In addition, tightening of credit would impact small-business construction firms. Diminished access to credit would impact working capital and the ability to manage payroll and supply and materials purchasing."
- **Aubrey Abbott Patterson:** "While new gifts to the Community Foundation are down in Q1, grantmaking has been unaffected because of a 5% spending policy that looks back over 20 rolling quarters, ironing out volatility. This allows the Community Foundation to continue to provide the consistent annual support that nonprofit organizations have come to rely on from their endowments and endowed designated funds. In the case of a long recession, the Community Foundation may be forced to consider lowering the spending rate for the first time in nearly 35 years."
- **Awais Sufi**: "The recent volatility has reduced the certainty around endowment returns of foundations. This results in consolidation of grant-making to ensure foundations hold true to commitments that are currently in place and for longer term. It reduces emphasis on engaging new prospective grantees and supporting innovative but riskier efforts to scale improvements to the educational system and delivery mechanisms of education. This in turn is promoting more careful and deliberate thinking at nonprofits about fundraising requirements as related to new programs, new and current staff, and operational efficiencies."

As consumer prices have increased, many members noted that clients have come in with depleted savings and high credit card balances

This suggests LMI populations are struggling to deal with the increased costs of living. While CDAC members expect interest rates to stabilize, because low-income Americans can't afford cost increases, they expect demand for services to continue to grow.

- **Michelle Bish**: "Fear is a concern. Because of the instability in the banking industry and media reports on it, even reasonably educated consumers are having difficulty understanding the complex situation. Consumers who are unbanked are less likely to consider banking. Clients who are banked are fearful of increased rates and fees. We have seen a large increase in internet banking over the past five to 10 years. SoFI, Chime and other internet banks cater to LMI individuals and offer tools to increase financial literacy, build savings and credit. With these internet banks, it's difficult to determine what bank actually holds the account and how stable those banks are."
- **Quintin Hughes**: "We have seen a persistent need for support in accessing capital for small business owners and real estate developers. Despite some relaxation in lending standards, capital for wealth-building opportunities such as homeownership, small business ownership, and real-estate development remains a challenge for many of our neighbors and stakeholders. We

continue to explore more inclusive and democratic alternative pathways to financing such as community crowdfunding, opportunity funds, and community investment trusts."

- **Aubrey Abbott Patterson:** "A local Community Housing Development Organization reports a drastic reduction in first time-homebuyers involved in its CASH program. Many participants that enrolled and began saving towards down-payments have depleted their personal savings. Some have elected to pause and wait things out and some have been forced to re-evaluate the homeownership dream. Many factors, including free stimulus money and panic buying, have created a spending culture. An increasing number of clients have high credit card balances, collections, and lowered credit scores. Terms used by the CASH team include 'emotionally driven spending,' and 'urgent purchasing vs. goal-driven finances.' With lending standards becoming more stringent, our clients are often no longer able to qualify for a term loan."
- **Adrienne Smith**: **"**For direct care workers in NM, there is strong and wide interest in the universal basic income program we started in December 2022. This program grants $400/month to each caregiver for each of ten months. To stay in the program the caregiver must remain with the same employer he or she started with. We had funding for 10 caregivers, but when 30 applied, we raised additional funds and were able to enroll 20 caregivers."
- **Awais Sufi**: "We are seeing greater utilization of services that we have provided to low-income families at schools like food pantries, housing support and mental health services. We had started these programs during the pandemic, so it is hard to assess whether this increase is due to more recent instability or longer-term structural challenges that just persist post-Covid. One issue that is certainly present is the need for schools and those that support them to be more efficient in providing services given the continued, regular, and substantial need."
- **Jackie Loya-Torres:** "We know from the FDIC survey of unbanked households that more people opened bank accounts in the past three years, lowering the percentage of unbanked and underbanked people in the U.S. This was largely due to the need to receive stimulus funds via a direct deposit account. I have to wonder if this trend is sustainable. Will people begin to show delinquencies in their accounts, forcing them to close?"
- **Pete Upton:** "I see many clients who have started to rely more on credit cards to fill the gaps in household day-to-day needs such as food, fuel, childcare, and monthly expenses. I have seen credit reports recently where credit cards are maxed out or near max and when we ask why, the answer is they needed to survive. I would say the biggest impact for the low- to moderate-income person is food prices. For those who live in poverty or near poverty, an increase in monthly food prices of $400 from 12 months ago is why credit cards are being used more."

Lack of housing and rising housing costs continue to send ripples through the Tenth District

The ripples are hitting both rural and urban communities.

- **Monica Abeita:** "Our region has historical housing deficits, especially in small rural communities that are losing population but still require quality housing for critical workforce. We also have several high-cost communities in our region, where second homes and vacation rentals drive up housing prices and rent. These historical situations have been exacerbated by the national housing crisis. In our small rural communities, new construction is just not feasible due to the high cost of construction and lack of labor. As a result, our organization is considering launching an acquisition/rehab/resale program in the next year."

- **Niki Lee Donawa:** "In the LMI communities we serve, ongoing gentrification continues to cause hardships for those seeking housing. The cost of rent for quality housing is far too much for the average family of four with one working parent in the home. The most affordable housing options are usually poor quality or in blighted or high-crime areas. Developers that are interested in providing quality housing in LMI neighborhoods are challenged with getting bank loans and if they do, it's at much higher interest rates."
- **Scott Hoversland:** "We offer down payment assistance at 0% interest, and we've seen that people using it have largely been locked out of the credit market. We had to move the credit limit to $15,000 to accommodate the increasing housing prices. It had been $10,000 but people were having to come up with $5,000-$7,000 to cover the rest of the down payment needed."
- **Cindy Logsdon:** "Inflation continues to be a big topic. We have had several clients ask for an adjustable rate for a commercial loan. I don't recall ever having this request in all my years in lending."
- **Jackie Loya-Torres:** "From what I'm told, many affordable housing organizations have seen increases in demand for their services now that stimulus funds and relief are sunsetting. People are starting to get behind in their rent, mortgage, and other bills. Organizations have added to their to staffing and, in some cases, collaborate with other community development organizations to share back-of-the-house operations, like housing counseling, for better efficiency."

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Jennifer Wilding, community engagement advisor for the Kansas City Fed, uses writing and public engagement skills on special projects for the community development department.

WritingIn 2026, the Kansas City Fed released Wilding's "The Byways Report: The Scenic Route to Rural Prosperity," examining how small towns have used route-based tourism as a strategy for economic development. Along with expert interviews and technical resources, the report includes stories from several byways, with a focus on Route 66 in Oklahoma.Her three-part series on Investment Connection, the Kansas City Fed's signature program, appears on the national website about the Fed's work in communities.Wilding co-authored Disconnected: Seven lessons on fixing the digital divide, a layperson's guide to putting broadband, devices and training within reach of a community.In addition to special projects, Wilding edits the Kansas City Fed's community development newsletter. Subscribe here.**Engagement**Wilding served as project director for community-engaged research in a neighborhood where broadband subscriptions were very low. The engagement built understanding of barriers to connection.She also led focus groups with unemployed individuals and with people from nonprofits that serve them, held in Chicago, Detroit, Denver and Kansas City.Before joining the Kansas City Fed in 2018, Wilding was executive director of Consensus KC, a nonprofit consulting firm specializing in public policy and civic engagement. She holds a B.A. in urban affairs from the University of Missouri-Kansas City.Her hobby is letterpress printing, using a 1,500-pound cast-iron press from the late 1800s.**About the Federal Reserve Bank of Kansas City**The Federal Reserve Bank of Kansas City is one of 12 regional Reserve Banks that, along with the Board of Governors in Washington, D.C., make up our nation's central bank. We work in the public's interest by supporting economic and financial stability. The Kansas City Fed's territory includes Colorado, Kansas, western Missouri, Nebraska, northern New Mexico, Oklahoma and Wyoming. Our headquarters is in Kansas City, with branch offices in Denver, Omaha and Oklahoma City.The Kansas City Fed Community Development Department promotes economic development and public understanding that leads to progress for lower-income individuals and communities. Our focus areas include community development investments, digital inclusion, small business / entrepreneurism, and workforce development.

Media

CDAC members include (front row) Monica Abeita, Jackie Loya-Torres, Michelle Bish and Don Greenwell; (second row) Adrienne Smith, Aubrey Abbott Patterson, Alan Ramirez and Awais Sufi; (third row) Pete Upton and Quintin Hughes.

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https://www.kansascityfed.org/community/community-connections/advisory-council-members-see-effects-of-rising-costs-and-tighter-credit/