

Expanding Economic Opportunity through Renter EquitySM

Rob Sheil

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.
- ◆ Households cannot “get ahead” without platforms for building financial assets.
- ◆ More than 1/3 of US households have wealth holdings that are so low they are vulnerable to financial distress and insecurity.

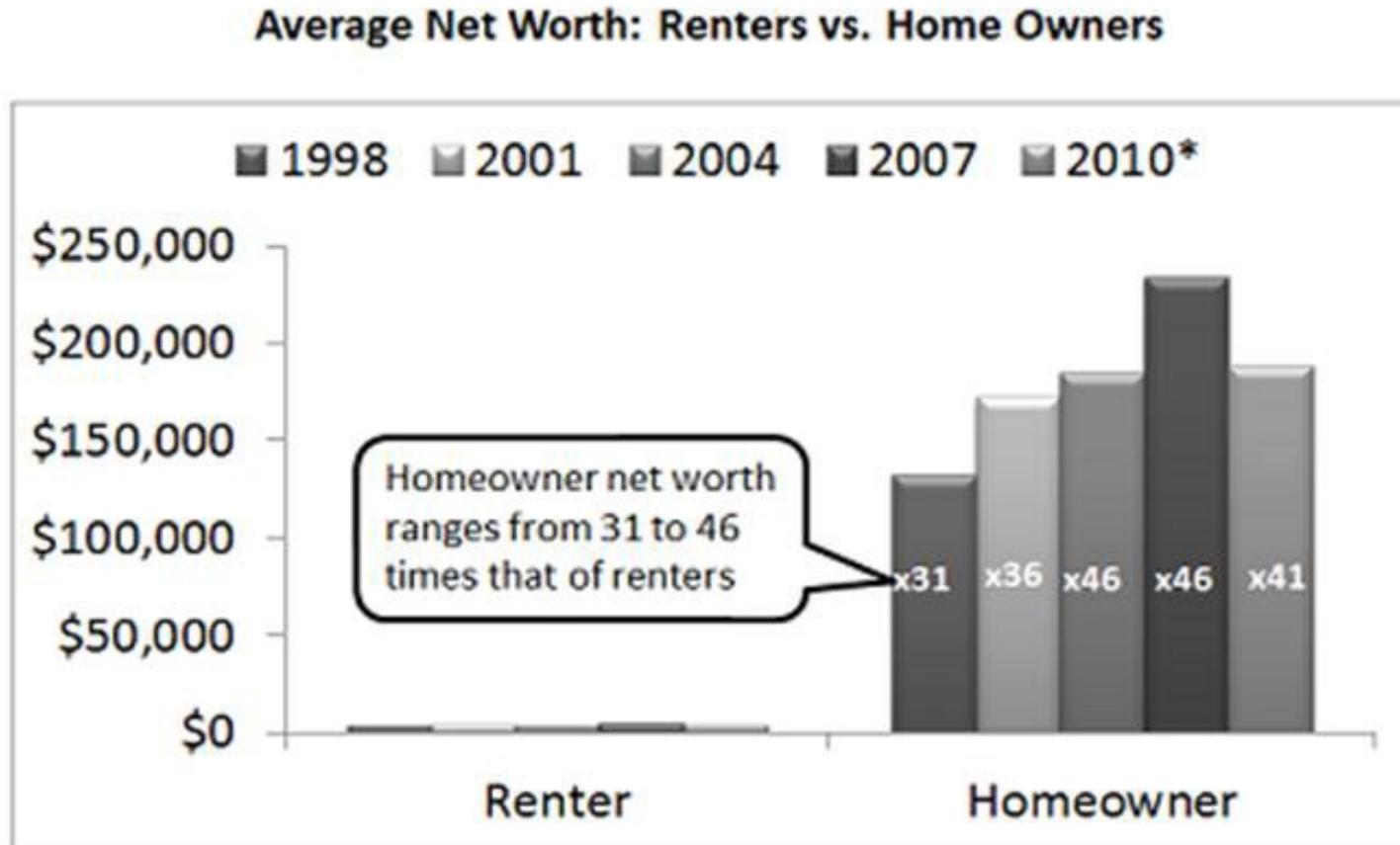
Wealth Distribution



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

- ◆ 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

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

- ◆ 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

**HOW DO RESIDENTS EARN
CREDITS?**

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” may be 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

- ◆ Healthier social community. Residents are involved in efforts to rid the Over-the-Rhine (OTR) of crime and violence.
- ◆ Occupancy levels above 96% for the past ten 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 Households.

Results

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

Rob Sheil or Gordon Henry

Cornerstone Corporation for Shared Equity

1641 Vine Street

Cincinnati, Ohio 45202

www.csequity.org

Phone: 513- 369-0114

Fax: 513 369-0108

Cell: 513- 328-9653

859-803-8835