Expanding Economic Opportunity through Renter Equity℠

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

- Red line: Zero or negative
- Green line: Less than $12,000*

*Data points for 2009 are estimated.
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

Homeowner net worth ranges from 31 to 46 times that of renters.

Source: Federal Reserve Survey of Consumer Finances, *2010 is NAR Estimate
What is Renter Equity℠?

- 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 Equity℠
Renter Equity℠

♦ 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 Equity℠ Credits  
Owned 22 Unit Development  
3/1/2002-3/1/2012

<table>
<thead>
<tr>
<th>HH</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current Residents</td>
<td>22</td>
</tr>
<tr>
<td>Left with Cash Payment</td>
<td>10</td>
</tr>
<tr>
<td>Left before vesting</td>
<td>3</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
</tr>
</tbody>
</table>
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 Equity℠ Loans

## 2002-2011

<table>
<thead>
<tr>
<th>No Loans</th>
<th>Current Loans</th>
<th>Inactive Loans</th>
<th>Total all Loans</th>
<th>Unpaid principal</th>
<th>Loss Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>7</td>
<td>99</td>
<td>106</td>
<td>8</td>
<td>$4,786</td>
<td>6 %</td>
</tr>
<tr>
<td>Disbursements</td>
<td>$4,786</td>
<td>$62,595</td>
<td>$67,381</td>
<td>$4,219</td>
<td>6 %</td>
</tr>
</tbody>
</table>
Use of Renter Equity℠ Assets and Loans

- Financial security (weather hard times)
- Medical expense
- Repair or buy auto
- Business
- Relocate to new job
- Buy a home
### Renter Equity℠ Compared to Homeownership

<table>
<thead>
<tr>
<th>Terms</th>
<th>Renter Equity℠</th>
<th>$76,000/5.5/30</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rent/Principal</td>
<td>$432</td>
<td>$432</td>
</tr>
<tr>
<td>Tax, Ins., Maintenance</td>
<td>included</td>
<td>$250</td>
</tr>
<tr>
<td>5 Yr. Payments</td>
<td>$25,920</td>
<td>$40,920</td>
</tr>
<tr>
<td>5 Yr. Equity</td>
<td>$4,136</td>
<td>$5,730</td>
</tr>
<tr>
<td>10 Yr. Equity</td>
<td>$10,000</td>
<td>$13,269</td>
</tr>
</tbody>
</table>
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 Equity℠ Households.
Bank Participation

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