

*Expanding Economic Opportunity
through Renter Equity™*

Margery Spinney

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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.

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Wealth Distribution

Year	Zero or negative (%)	Less than \$10,000* (%)	Other (%)
1982	25.0	35.0	20.0
1987	15.0	30.0	20.0
1989	18.0	32.0	20.0
1992	18.0	32.0	20.0
1995	18.0	32.0	20.0
1998	18.0	30.0	20.0
2001	18.0	30.0	20.0
2004	18.0	30.0	20.0
2007	18.0	30.0	20.0
2009**	25.0	38.0	20.0

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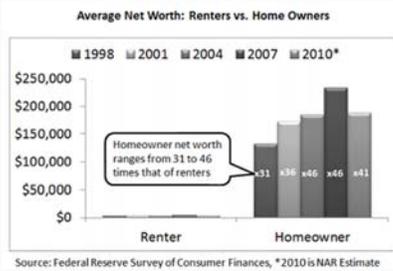
Homeownership by Race 2010

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

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Average Net Worth: Renter vs. Own



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What is Renter EquitySM?

- Community Building
- Affordable Housing
- Participatory Management
- Compensating Financial Equity
- Cornerstone Renter Equity Video (2.39 minutes)
 - <http://www.youtube.com/watch?v=X8z2b73thco>

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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.

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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.

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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

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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

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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

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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.

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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.

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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 %

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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

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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

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FUNDING THE EQUITY INVESTMENT

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

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

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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.

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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

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