

New DREAM II Fund



Presenting CommunityWorks a \$750,000 “check” from USDA-Rural Development were, from left Tom Doerr Undersecretary of Agriculture; Governor John Hoeven; CWND Executive Director Paul Rechlin; CWND Board President Mark Weide; Tim Moore, US Senator Kent Conrad’s Office; and Warren Larson, US Senator Byron Dorgan’s Office.

CommunityWorks, through the establishment of the DREAM II loan fund, is broadening its impact on housing and community development.

Unlike the DREAM Fund—which provides mostly homeownership loans to families and individuals—the new DREAM II Fund finances development of new housing, both for rental and ownership. Eligible applicants include for-profit developers, non-profit organizations, and local government.

Affordable, flexible financing is primarily for early-stage, short-term financing for such things as construction, rehabilitation, infrastructure, and acquisition involving single- and multi-family housing and mixed-use developments. Projects must be consistent with CommunityWorks’ mission of providing affordable housing and development that revitalizes communities.

The new revolving loan fund got a kick start last July when USDA-Rural Development approved a \$750,000, 1%, 30-

year loan to CommunityWorks under its Intermediary Relending Program (IRP). The loan was matched with over \$250,000 in grants and contributions from the Otto Bremer Foundation, Slope Electric Cooperative, Basin Electric, NeighborWorks America and a partnership between Bowman County and MDU.

In late 2008, DREAM II loans were closed for two new developments. The first was a \$67,500 participation loan with Dakota Community Bank for construction of three pre-sold “patio” homes in Hazen.

The second was a \$150,000 low-interest construction loan to LSS Housing, Inc., a nonprofit subsidiary of Lutheran Social Service of North Dakota, for the development of three 1,217-square-foot, ranch-style homes being built in Ray. First National Bank & Trust of Williston is the lead lender. CommunityWorks’ DREAM II loan will be repaid from the proceeds of sales of the 3-bedroom, 2-bath with attached garage homes, with anticipated sales prices near \$160,000.

Delivery and expansion of the new DREAM II Fund was also made possible by a two-year, \$75,000 operating grant from the Bush Foundation. For more information, contact CommunityWorks’ Multifamily Program Director Rob Knoll.



Ray High/View Housing Project in Ray, ND

Works in Progress

It seems we now have red herrings swimming among sharks and other predators, all meant to detract us from the real reasons for today's mortgage crisis.

These are self-serving red herrings, not necessarily predators themselves or in league with the predators. But if they are successful in diverting attention away from fingering the true causes—and there are many—there will be no lessons learned. Opportunistic predators will return or reinvent themselves, and history will be repeated.



Paul Reclin, Executive Director

The red herring being thrown out by some—luckily not most—media and other “experts” ranging from Fox Business Network and CNBC and even, to a lesser extent, the Wall Street Journal, is that the fault lies with the Community Reinvestment Act, or CRA. That is the 1977 law that requires banks to serve lower income persons, neighborhoods and communities.

Newsweek quoted Fox's Neil Cavuto as saying, “loaning to minorities and risky folks is a disaster.” Larry Kudlow of CNBC said, “The Community Reinvestment Act essentially created sub-prime lending.”

In other words, “It's not our fault, THE GOVERNMENT MADE US DO IT!”

Talk about fish stories! How many ways is this wrong? Let's count off a few.

CRA didn't create or invent “derivatives.” And blaming a 30-year-old law for the sins that emerged during the last few years is ludicrous.

According to numerous studies, about 50% of sub-prime loans—the most troublesome loans—weren't made by banks which are subject to CRA (only commercial banks and thrifts must follow CRA rules). They were made by mortgage brokers, who aren't subject to federal regulation or CRA, and others who aren't in any way covered by the law. A University of Michigan study indicated another 25-30% came from mortgage companies only partially regulated by CRA.

In other words, only about one-in-four subprime loans were made by fully regulated lenders, and according to University of Michigan professor Michael Barr, “the worst and most widespread abuses occurred in the institutions with the least federal oversight.”

Perhaps the best refutation of the CRA blame game comes from ethical for- and not-for- profit lenders who lend to “those risky folks” not because CRA requires them to, but because it is their mission and the right thing to do.

Clearinghouse CDFI in Orange County California told Newsweek that 90% of \$220 million they loaned was to first-time homebuyers—about half to minorities—but there have been only about seven foreclosures. The magazine also reported that huge Chicago ShoreBank, with branches in Detroit and Cleveland and services in predominately low-income communities, has a portfolio delinquency rate of just 3.1%. Homewise of Santa Fe, New Mexico, like us a chartered affiliate of NeighborWorks America, reports that only 0.6% of 500 loans, mostly to first-time, working-class buyers, were more than 90 days late.

And here at CommunityWorks, we've seen similar performance. With our DREAM Fund, we adjust terms and rates not for risk, but for affordability. On average, lower-income borrowers pay a half-percent less with terms one-to-three years longer than those charged to other clients.

The result? By keeping payments affordable, the DREAM Fund has written off less than \$40,000—or well below 1% of our total assets—since 2001, during which time we have loaned over \$18 million. We've maintained low, single-digit delinquency rates. We've done that even though the majority of our lending is to low-income borrowers, many of them first-time home owners.

So, lenders and borrowers alike, it wasn't the government or CRA that made you do it. It was GREED or STUPIDITY. Take your pick.

Coming Soon

Did you want to know how much impact our programs have had in your area? In other parts of the state?

Being added to our web site is a new interactive feature, in which you can click on a county and see what impacts the DREAM Fund and other CommunityWorks programs' have had. Check it, and other information, at

www.communityworksnd.org

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Starion's Weide *Re-Elected CWND* *President*

Mark Weide, Senior Vice President of Loan Administration with Starion Financial in Mandan was re-elected president of CommunityWorks North Dakota board of directors for 2009. Weide has been a board member of CommunityWorks North Dakota since 2000.

Re-elected as Vice President was Sandy Retterath, owner of Retterath Real Estate in Hazen and a board member since 1999. Secretary Wade Bachmeier, owner of Century 21 Landmark Realty, and Tonya White Mountain, with the Standing Rock Housing Authority, were re-elected to their officer positions.

New board members named during the last year were Shirley Dykshoorn, executive director of the Lake Agassiz Habitat for Humanity in Fargo-Moorhead; Richard Bendish, a businessman from Fort Rice; and Marlene Krebsbach, a mortgage loan officer for US Bank in Bismarck.

Among other changes, joining the staff were Julie Hohbein, housing program lender, with 25 years banking experience, and Sarah Kostelecky, with 5 years related experience, as loan processor. Both are Mandan residents.

CommunityWorks ND Supports Other Nonprofits

Nonprofits such as CommunityWorks are usually looking for grants, but recently we had opportunity to give grants.

From federal "SHOP" funds received for a USDA Mutual Self-Help program, CommunityWorks was able to help two Habitat for Humanity organizations in the state. The funds, provided through the Housing Assistance Council (HAC), were earmarked towards purchasing additional lots for the now-completed Self-Help program, in which CommunityWorks managed the construction of 21 homes built by low-income families in Lincoln.

Approval was given by HAC to keep the money in North Dakota and use it instead to help buy lots for Habitat groups.

CommunityWorks awarded \$11,000 to the Lake Agassiz Habitat for Humanity to purchase two lots—one in West Fargo, the other in Casselton—for homes being built for families in the Cass County communities; and another \$7,500 for the Missouri Valley Habitat for Humanity to buy a lot for a new Habitat home or duplex in Mandan.

Also, the Federal Home Loan Bank of Des Moines recently set aside \$1,000 for each of its board and Affordable Housing Advisory Council members to select a nonprofit recipient. CommunityWorks Executive Director Paul Rechlin, an Advisory Council member for the past seven years, chose Lutheran Social Services Housing, Inc., a statewide faith-based nonprofit that is developing new housing in mostly rural communities.

Checks were presented to all three organizations late in 2008.

Celebrating New Homes and New Partnerships in Northwood

“I said it (before), but this shows it,” marveled Senator Kent Conrad after touring Northwood last summer and seeing the results of the town’s recovery from a 2006 tornado. “Northwood may have been knocked flat, but it is a town that got back on its feet.”

Sen. Conrad made his remarks as keynote speaker at an event hosted by CommunityWorks North Dakota to commemorate Northwood’s rebuilding efforts. Among those in attendance were five of the families assisted by CommunityWorks through its DREAM Fund, and many of the partners and funders that helped make recovery possible for families whose homes were damaged and destroyed.

“This is really a celebration of the power of partnerships,” said CommunityWorks Executive Director Paul Rechlin who emceed the event. He thanked Sen. Conrad for mobilizing financial support from two national nonprofits, NeighborWorks America and Enterprise Community Partners, whose contributions helped make possible the efforts by CommunityWorks. Representing those organizations were John Santner, District Director from NeighborWorks’ Kansas City office, and Ed Rosenthal, director of Enterprise’s New Mexico office.

Rechlin also thanked North Dakota Housing Finance Agency, whose financial backing and

willingness to expand programs in response to the disaster made it possible for CommunityWorks to provide DREAM Fund loans to a half-dozen families whose needs, for various reasons, would have otherwise fallen through the cracks in public and private sector programs. “Northwood was their home before the August 26th tornado and these families are determined to make it their home again,” said Mike Anderson, NDHFA Executive Director.

Sen. Conrad presented the families with flags that had been flown over the Capitol Building, and he presented CommunityWorks with a “Yes, We Can Award” for its efforts in helping Northwood rebuild.

Other partners and speakers at the event, held outside the new home of Dale and Audrey Braaten who had lost their previous house in the tornado, included representatives from Citizens State Bank of Finley, which had been involved with most of the loans, and Mayor Richard Johnson.

“Without the help provided by CommunityWorks North Dakota and North Dakota Housing Finance, I probably would not have gotten my home,” said Adam Flaagen, another of the residents helped by CommunityWorks. “They jumped through a lot of hurdles for me, and I’m really excited to be back in Northwood.”



U.S. Senator Kent Conrad speaking.



U.S. Senator Kent Conrad presents “Yes We Can” award to CWND Executive Director Paul Rechlin.



Braatens Home



Speakers from left are Ed Rosenthal,

Mandan Housing Project Nears Completion

With construction by mid-January about 70% complete, Library Square II in Mandan could be ready for occupancy by low-income seniors as early as May.

Library Square II is CommunityWorks' 45-unit, mixed use project that will also house CommunityWorks' offices as well as the offices of Lewis and Clark Regional Development Council and at least one other tenant. Already there is a waiting list of about 150 people wanting to move into the 63,000-square-foot, four-story building which will have 18 one-bedroom and 27 two-bedroom rental units for income-eligible seniors aged 55 or older.

Besides the commercial space and apartments, the public space for residents will include a parlor/chapel, an exercise room, library, a game/crafts room and offices. The downtown building is physically attached to the earlier developed Library Square I building and again evokes the architectural style of the 1920's and 1930's prevalent in downtown Mandan.

This project will represent a significant milestone in the implementation of the City of Mandan's redevelopment plans for downtown Mandan and will virtually finish out the redevelopment of an entire block.

Tenant Space Available in Library Square II

CommunityWorks North Dakota expects to move into its new 45-unit, mixed-use Library Square II building sometime in May. Our new address will be 200 1st Avenue NW, Mandan, ND 58554. Both our general office telephone number (701-255-4591) and fax number (701-255-7228) are expected to remain the same.

Of the 5,000 square feet of street-level downtown commercial space that will house CommunityWorks and Lewis and Clark Regional Development Council offices, about 1,200 square feet (highlighted in green below) are available for rental. The approximate 21x60 space can be configured in several ways, including as a large open area or divided into several private offices.

Anyone interested should contact CommunityWorks.



DREAM Activity from Around the State

McLean County

Mac and Lena, retired and living in the same McLean County house they've called home for 22 years, rely solely on Social Security for their income. But the income was not enough to address needed major repairs. The DREAM Fund provided the couple with a \$28,655, 3-month construction loan, which then was refinanced with their first mortgage and sold to North Dakota Housing Finance Agency as a Major Rehab Loan. The new 30-year mortgage payment, with the home improvements is affordable at virtually the same monthly payment as the original first-mortgage payment.

Burke County

Burt and Bertha are newlyweds able and willing to put 10% down on a home in Burke County costing \$70,000 and appraised at \$72,000. But, not unusual or surprising considering the mortgage and credit crisis, no secondary market, including one CommunityWorks has often used that has been very open to rural properties, would accept the appraisal. The couple's bank, Liberty State Bank, was willing to provide a portfolio loan of up to 60%, and the DREAM Fund provided the final \$21,000 second-mortgage loan.

Grand Forks County

Grant and Flora, with three children, lost their home in the Northwood tornado. Citizens State Bank contacted CommunityWorks, and the DREAM Fund provided a construction and first-mortgage loan of \$158,395 to completely rebuild the house. The loan was then sold to North Dakota Housing Finance Agency.

Stark County

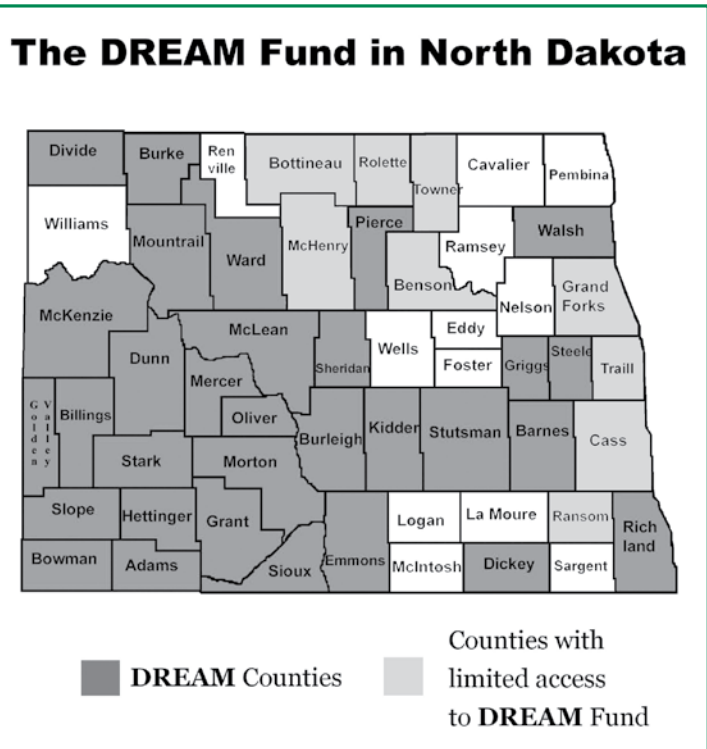
Steve and Sally, who recently had some debt and credit issues that were mostly medical related, found themselves short of meeting down payment and closing costs on a home they were buying for their family of five in Stark County with a first mortgage offered by Wells Fargo Bank. The DREAM Fund provided a \$3,300, three-year loan to help cover the down payment and closing costs on the \$123,000 home.

Hettinger County

Hal, who is single and very low income, found a modest home in Hettinger County that his limited income from social security would be enough to make the purchase affordable. But the house needed repairs, and Rural Development's RHS office was concerned that with the cost of required repairs, the costs would exceed the appraised value. The DREAM Fund was able to step in and provide the first mortgage of \$38,400 at 5% for 30 years to cover both the purchase and repairs.

Mercer County

Maynard and Mary, with two children, moved to Mercer County where Maynard took a job in the energy industry. They obtained a construction loan from Union Bank, and were to get the permanent loan through one of the larger broker companies, for a manufactured home (on a foundation). But when the mortgage and credit crisis hit and underwriting tightened, the broker couldn't deliver, and after months of frustration the family was referred to CommunityWorks. The DREAM Fund provided 80% of the bank payoff of \$91,800 through a loan sold to ND Housing Finance Agency under the first time home buyer program, and the remaining \$18,360, or 20%, is being financed by a 15-year second mortgage loan from the DREAM Fund.



Dickey County

Dick and Doris, both young and with one child, wanted to buy a very modest, \$35,000 home in Dickey County, but Dick had no credit history, and Doris had very limited history. Starion Financial was willing to make a 70% LTV first mortgage, and asked the DREAM Fund to provide a 30% second mortgage of \$10,500, which was approved with a five-year term.

Where DREAMS Come True

The listings below show (single-family) impact, by county and by partnership, of only the **DREAM** Fund, and not impacts from other programs delivered by CommunityWorks North Dakota. All figures are from August 2001 when the **DREAM** Fund made its first loan through mid-January 2009. Some counties and banks joined at the beginning in 2001, others as recently as 2008.

Number of DREAM Loans by County		DREAM Loan Dollars by County		Total DREAM Loan Impact (DREAM + Leverage, etc.)	
1. Burleigh	176	1. Burleigh	\$6,044,977	1. Burleigh	\$15,903,586
2. Stark	79	2. Morton	1,709,922	2. Stark	6,962,809
3. Morton	61	3. Mercer	1,499,863	3. Morton	4,890,904
4. Mercer	43	4. Adams	1,019,634	4. Mercer	2,900,585
5. Adams	36	5. Stutsman	984,797	5. Stutsman	2,610,157
5. Stutsman	36	6. McLean	794,026	6. Ward	2,260,807
7. McLean	27	7. Bowman	731,271	7. McLean	2,005,397
8. Ward	25	8. Stark	674,284	8. Bowman	1,771,446
9. Bowman	22	9. Grand Forks	528,994	9. Adams	1,765,420
10. Dickey	18	10. McKenzie	490,856	10. Cass	1,649,125
11. McKenzie	17	11. Dickey	482,973	11. McKenzie	1,463,123
12. Cass	16	12. Kidder	375,350	12. Dickey	988,641
13. Dunn	12	13. Ward	366,860	13. Grand Forks	981,468
14. Grand Forks	11	14. Dunn	344,249	14. Sioux	662,711
15. Emmons	9	15. Emmons	337,813	15. Dunn	605,768
26 Other Counties	76	26 Other Counties	\$2,004,009	26 Other Counties	\$5,543,869

Number of DREAM Loans by Partner		DREAM Dollars Loaned by Partner		Total DREAM Impact (DREAM + Leverage, etc.)	
1. Wells Fargo Bank	168	1. Dakota Community Bank	\$2,017,891	1. Wells Fargo Bank	\$15,566,610
2. Dakota Community Bank	88	2. Wells Fargo Bank	1,806,326	2. Dakota Community Bank	8,035,313
3. eLendingNow	32	3. eLendingNow	1,799,201	3. eLendingNow	2,959,455
4. Dacotah Bank	31	4. Dakota Western Bank	1,489,748	4. Kirkwood Bank & Trust	2,416,485
4. FM Mortgage	31	5. Heartland Mortgage	1,186,537	5. FM Mortgage	2,076,834
6. BNC National Bank	27	6. BNC National Bank	1,179,855	6. Dacotah Bank	1,706,865
7. Kirkwood Bank & Trust	26	7. Dacotah Bank	827,960	7. Dakota Western Bank	1,643,434
8. Dakota Western Bank	25	8. First Security Bank-West	683,870	8. BNC National Bank	1,597,049
9. Heartland Mortgage	19	9. Northland Financial	550,850	9. Heartland Mortgage	1,594,934
10. American Bank Center	18	10. Union Bank	548,551	10. American Bank Center	1,446,806
11. Starion Financial	15	11. Citizens State Bank of Finley	545,894	11. Starion Financial	1,429,302
11. Union Bank	15	12. FM Mortgage	493,498	12. Citizens STB of Finley	928,646
11. USDA-RD	15	13. First State Bank of Wilton	444,260	13. First Security Bank-West	917,048
14. First Security Bank-West	12	14. Security State Bank	402,713	14. Union State Bank	890,901
15. Northland Financial	11	15. Kirkwood Bank & Trust	402,349	15. First International B&T	820,982
33 Other Partners	124	33 Other Partners	\$3,718,425	33 Other Partners	\$8,718,425



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Equity Equivalent Investments – A Valuable Tool

Raising capital to meet lending demand is one of the most difficult challenges we face. Our lending products are capitalized by grants from foundations, government and other sources, as well as by long-term investments from lending institutions. Typically these long-term investments are known as Equity Equivalent Investments (EQ2).

EQ2's help lenders achieve regulatory compliance with Federal Community Reinvestment Act (CRA) without assuming direct credit risk on CommunityWorks North Dakota's loans, but more importantly help the lender create more business opportunities. Through EQ2 investments, banks are able to place capital in a form that resembles preferred stock and is an asset on the lender's books.

Several lenders have provided EQ2-like investments over the years. In 2008, two lenders provided EQ2 investments in CommunityWorks North Dakota. Dakota Community Bank provided an EQ2

investment of \$150,000 and Wells Fargo invested \$250,000. The latest investment by Wells Fargo follows earlier ones of \$140,000 and \$500,000.

One or more EQ2s were earlier made by US Bank, Bank of the West, Starion Financial and Dacotah Bank.

These EQ2 investments help strengthen CommunityWorks' capital structure, meet lending needs and therefore help create a greater impact in the communities we serve.

EQ2 DREAM

Investments

1. Wells Fargo	\$890,000
2. US Bank	275,000
3. Bank of the West	250,000
4. Dakota Community Bank	150,000
5. Starion Financial	150,000
6. Dacotah Bank	100,000