

Changing Lives

A publication of Southern Good Faith Fund

New SGFF Services Combat "Perilous" New Economy



Many low-income and rural Arkansas families are struggling financially with record gas prices and mortgage delinquencies.

In a recent Wall Street Journal poll of economists, 71% said that the economy is in a recession. President Bush also recently acknowledged that the United States is going through "hard times." While there is some debate about whether the United States is in a recession, there is no doubt that many low-income and rural Arkansas families are

struggling economically. Oil prices are at record highs, and mortgage delinquency and foreclosure rates have increased substantially.

According to Federal Reserve Chairman Ben Bernanke, at the end of 2007 more than one in five of 3.6 million outstanding subprime adjustable-rate mortgages were seriously delinquent. That rate is about four times higher than it was in mid-2005. Lenders initiated roughly 1.5 million foreclosures in 2007, up from 950,000 in the preceding two years. Home prices have dropped in many markets. A recent survey indicated that nearly 30 percent of homeowners reported that their houses decreased in value during 2007.

Behind these disturbing statistics are Arkansas families facing financial uncertainty and neighborhoods that could be destabilized by numerous foreclosures.

In response to this current economic uncertainty, SGFF has incorporated new credit counselor positions to help our participants and their families manage debt, avoid foreclosure, obtain small business and home loans, and improve their credit ratings, and our Public Policy office is taking a hard look at how the foreclosure crisis is affecting Arkansas.

Timely Assistance from Credit Counselors

Though it may seem counter-intuitive, times of crisis may be approached as times of opportunity. For example, the tragedy of Hurricane Katrina provided an opportunity to address longstanding problems with new concern proportionate to the event when, suddenly, years of systemic poverty in the South rushed to the forefront of America's consciousness, and the world's. As with securing levees, however, the best tactic is to read the signs along the way, like the ones that show every day in the lives and stories of hardworking people in the Delta, and respond with new systems for positive change, rather than waiting for a catastrophe to dictate severe terms.

The current economic crisis is, of course, actually not "new." In 2005, SGFF program managers began to raise

the point regularly that in order to respond to the issues of our participants, we needed trained credit counselors. Asset Builders (AB) Program Director Ramona McKinney remembers, "The need was not just with those saving for new homes with their Individual Development Accounts (IDAs), but with existing homeowners struggling to maintain and keep their homes, and with students just starting to be exposed to how credit issues can and will affect their professional lives after school." Career Pathways (CP) Program Director Tara Irby explains, "Credit was daunting issue to not just many, but most of our participants, and the guidance we could provide as regular case management was simply no longer enough."

Our Mission: Southern Good Faith Fund, a 501(c)(3) non-profit organization and an affiliate of Southern Bancorp, is committed to increasing incomes and assets of low-income and low-skilled residents in rural communities.

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Credit Counselors, continued

SGFF Business Development Center (BDC) Program Director Miriam Karanja described her program's advocacy with dramatic clarity: "Since the BDC's inception in July 1999, we have had countless clients who were unable to acquire financing due to their personal credit. We helped as best we could, but we did not have the expertise to help negotiate with their creditors, create payment plans, consolidate debt, or implement different strategies." Our task was to get that expertise.

Meet Our Credit Counselors

Vida Fielder, one of our most versatile, widely-experienced staff members, became SGFF's first credit counselor in January 2006. Originally from Ghana, West Africa, Vida worked with the United Nations on their International Labor Organization and Food and Agriculture projects, and served as project secretary for the German Technical Cooperation.

Vida moved to Helena-West Helena, Arkansas and started work with SGFF's Career Pathways program in 2000 as an administrative assistant, but expanded her duties over the years to include work for our other direct-service program areas—Asset Builders and the Business Development Center. "I believe it is important to help bring all the pieces together so our participants have the tools they need to pull themselves out of poverty," Vida says.

"Working for all of the programs," Vida continues, "I realized there was a common element holding many people back from achieving their home ownership, business, or employment goals – credit." Vida received Homebuyers Education certification and Credit and Housing Counseling certification from NeighborWorks of America's Training Institute and has a Bachelor of Science degree in management. Vida also



Vida Fielder

serves as program coordinator for SGFF's Volunteer Income Tax Assistance, or VITA, program, which has sites at 10 different Southern Bancorp banks.

"Helping people understand the importance of good credit and that there is no 'quick fix' to repair problems is key," Vida says. "It can be part of human nature to avoid problems until they become too large to ignore, unfortunately, but with the people we serve, the consequences of this can be dire. So I help them with practical advice and help them benefit from our other services at Southern Good Faith Fund as well."

A good example of this combined-service success is Frank Hampton, Jr., who is a credit counseling, BDC, and VITA client. "When Frank first enrolled for credit counseling," Vida shares, "he did not have a credit score because all of the items on his credit report were delinquent. We analyzed his spending habits and developed an action plan for him to pay off his debts. He also opened an SGFF Credit-Builder CD, which lets him build a positive credit history while paying off the loan used to secure the CD. After 12 months of this and his other credit repair activities and debt reduction, Frank established a good mix of credit on his report and achieved a score of 620. He's now saving to start a lawn care business."

In Pine Bluff, Frances Newsome has provided excellent credit, budget, and homeownership counseling since October 2006. Frances has a Master of Business Administration (MBA) degree and is an independent consultant with 11 years of experience in homeownership education, mortgage education, foreclosure prevention/intervention,



Frances Newsome

predatory lending, fair housing, housing counseling, financial literacy, real estate education and sales, and budget and credit counseling.

Frances is a licensed principal real estate broker and facilitates monthly homeownership workshops. She served as an adjunct faculty member of the Mass Communications Department at the University of Arkansas at Pine Bluff, and she serves on numerous boards and committees focused on affordable housing, community reinvestment, financial literacy, predatory lending, and foreclosure prevention and intervention. She is a frequent speaker and trainer at community housing organizations.

"I have spent my career creating and preserving affordable housing opportunities and financial stability for people, especially those with low incomes. People need an opportunity to gain knowledge to be empowered to grow and pass it on," Frances says. "This focus is in direct line with the mission of Southern Good Faith Fund, where we reach people where they are and walk them to their goal line."

"A recent outstanding example," Miriam Karanja notes, "is an elderly client who Frances helped to realize that a house he believed he had sold years before was actually still in his name, and that he had inadvertently given a property management company power of attorney, which they used to borrow money on the house to renovate it and treat it like their own. Frances helped investigate the situation, communicate with the mortgage company, and is now helping the client reach a good resolution. SGFF's credit counselors provide invaluable assistance to our clients by really helping them understand and take responsibility for their credit." ■

The Foreclosure Crisis: A Closer Look at Arkansas Trends

In November, 2007, the Southern Good Faith Fund Public Policy program released *Mortgage Foreclosures: A Review of Trends in Arkansas and Strategies Used by States and Communities to Respond*. The report highlights the fact that Arkansas has not been immune to the foreclosure crisis that is sweeping the nation. Actually, Arkansas has seen some unique trends in certain mortgage products that have been experiencing higher levels of delinquency and foreclosure.

In 2006, subprime mortgages overall (both fixed-rate and adjustable-rate) experienced, on average, approximately 200 percent more delinquencies and foreclosures than prime mortgages (both fixed-rate and adjustable). Arkansas has experienced a faster increase in both prime and subprime fixed-rate mortgage delinquencies between the fourth quarters of 2004 and 2006 than the national average.

On average, delinquencies for prime fixed-rate mortgages in Arkansas increased about 100 percent more than the U.S. while subprime fixed-rate mortgages increased about 50 percent more than the national average. However, foreclosures for prime fixed-rate mortgages and subprime fixed-rate mortgages are actually decreasing in Arkansas while increasing nationally, and foreclosures for subprime fixed-rate mortgages are decreasing at about the same rate as the national average.

Our Public Policy program will publish a follow-up report to *Mortgage Foreclosures* with the help of a new and more detailed data source. The second foreclosure report will highlight relationships and patterns between the delinquency and foreclosure rates in Arkansas and product types and characteristics. An example of the analysis expected in the upcoming report is: in

Southern Financial Partners President Wins Non-Profit Executive of the Year

Southern Good Faith Fund extends our warm congratulations to Southern Financial Partners President Ben Steinberg for being named Arkansas Business' 2007 Non-Profit Executive of the Year in their awards ceremony on February 26, 2008 celebrating their 20th anniversary.

Southern Financial Partners (SFP) was also a finalist for non-profit organization of the year for their work under Ben's leadership revitalizing distressed rural communities.

In a moving acceptance speech, Ben captured the essence of Southern Bancorp's compassionate, savvy business and community development strategy: "We've shown that we can combine the social activism of the non-profit world and the financial discipline of the banking world and really create an impact in the markets where we work." Then, to swelling applause, Ben made one important point very clear: "let me say it again, Phillips County and Clark County are coming back in the state of Arkansas. Stay tuned." Weighty words, especially considering SFP's ongoing development investment in those communities now totals more than \$65 million, not to mention the time and services provided by SFP and SGFF.

After spending nearly 10 years abroad helping countries like Armenia, Tanzania, and Kazakhstan develop their

Arkansas in November, 2007, 56.7 percent of foreclosed, subprime, adjustable-rate mortgages had prepayment penalties in the mortgage contract.

The follow-up report will include more detail on the purpose of the loan, the origination channel of the mortgage, the initial interest rate, the credit score of the borrower at origination, the first



economies and middle class opportunities, Ben became president of SFP in July 2004 and moved to Helena-West Helena with his wife, Alexandra, whom he thanked for "being a tremendous source of strength to me no matter where I go in the world."

This is the fourth win in five years by Southern Bancorp and its non-profit affiliates and leadership for our work building communities and changing lives in rural Arkansas and Mississippi. Southern Good Faith Fund was named Non-Profit Organization of the Year for 2003; Southern Bancorp won Business of the Year (Category III) for 2004; and our own SGFF President Angela Duran won Non-Profit Executive of the Year for 2006.

interest rate reset term, and more. This detailed analysis will allow us to move closer to policy recommendations that will be specific to the foreclosure situation in Arkansas. Stay tuned for more in-depth analysis of this issue, and if you do not already subscribe to our policy publications, click the "Sign up" link on our Web site at www.southerngoodfaithfund.org. ■

Your Donations Matter

Thank you to everyone who continues to make tax-deductible donations to us by mail, during special events, or by using our online form at www.southern-goodfaithfund.org. Your support is very important to the people and families we serve. If you have not yet given, we humbly ask that you contribute today and join our mission to help the hard-working, low-income individuals and families in the Arkansas-Mississippi Delta change their lives, especially in this challenging time. Again, we thank you.

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Business Development Center Program Manager Angela Austin and her mother Denise McCoy at our recent fundraising event hosted by Phil Baldwin, General Wesley Clark, Beth Coulson, Herman Davenport, John Edwards, LaVerne Feaster, Bob Fisher, Elizabeth Glasbrenner, James Harrington, Glen Jones, Dorothy Morris, Munro Foundation, Mark Nichols, Walt Patterson, Walter Smiley, Nan Snow, Ben Steinberg, Dorothy Stuck, Sherman Tate, Freddie Webb-Petett, and Brad Williams.

Offices

Pine Bluff

2304 West 29th Avenue
Pine Bluff, Arkansas 71603
870.535.6233 or 888.323.6233

Southeast Arkansas College
1900 Hazel Street
Pine Bluff, Arkansas 71603
870.543.5900

Helena-West Helena

502 Cherry Street
Helena-West Helena, Arkansas 72342
870.816.1120 or 870.816.1126

Phillips Community College, T & I Bldg
P.O. Box 514
Helena-West Helena, Arkansas 72342
870.338.3279

Little Rock

1400 West Markham Street, Suite 302
Little Rock, Arkansas 72201
501.661.0322

E-mail: info@southernngff.org
www.southernngff.org



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PAID
Pine Bluff, AR
Permit #29

2304 W. 29th Avenue
Pine Bluff, AR 71603
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