



Lowcountry Housing Trust shifts into lending role for affordable housing



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Published July 27, 2009

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Heritage Trust Federal Credit Union has made a \$100,000 investment in the nonprofit organization, which promotes affordable housing in the tri-county area. Earlier this month the trust received \$600,000 from the U.S. Treasury Department.



Tammie Hoy, executive director of the Lowcountry Housing Trust, said the organization sought the monies as part a new housing financing strategy that will make the nonprofit function more like a bank.

In the past, the trust has been somewhat of a conduit for developers to access local, state and federal dollars. Some have been awarded as grants; some as low-interest loans.

“That’s not a very sustainable model,” Hoy said.

The trust is now setting up a revolving loan pool from private and public dollars, which it hopes will reach \$2 million by the fall and continue to grow. It’s asking other banks to follow Heritage Trust’s lead and invest in the loan pool for 10-year terms.

Banks that invest will receive quarterly interest payments on their investments, earned from short-term loans made to developers of affordable housing projects. A spread on the interest rates will help fund the trust’s operations.

“As principal is repaid, we’ll revolve that,” Hoy said.

The trust’s loans could help developers with land acquisition or just add money that makes a deal work.

Developers are having trouble finding financing now that banks have pulled back on lending for investment projects, Hoy said. Affordably priced housing is selling better these days than high-end homes, and that has brought more developers to her office seeking help, she said.

Hoy said investing in the Lowcountry Housing Trust's new loan pool is a low-risk way for banks to meet some requirements of their Community Reinvestment Act, a federal law that mandates banks to invest in low-income segments of their markets.

"We are very excited to be the first investor in this effort to help our community and raise awareness of the Lowcountry Housing Trust," said Jim McDaniel, Heritage Trust CEO.

A designation as a Community Development Financial Institution in 2007 paved the way for the Lowcountry Housing Trust's new financing model, but now the focus is finding money. Hoy said future funding from the U.S. Treasury Department for the lending program will depend on how much private investment the trust is able to leverage this year.

"We're not here to replace the banks," Hoy said. "We're here to facilitate what they're doing and expand what they're doing and increase affordable housing."

The Lowcountry Housing Trust is one of six Community Development Financial Institutions in South Carolina, Hoy said, but the only one that focuses only on affordable housing. Several others focus on business micro-loans, she said.

The trust plans to commit 75% of funding going forward to the loan pool and 25% to subsidies for low-income buyers, such as down payment assistance and gap financing.

In its five years of operations, the trust has invested \$3 million of public money and helped create about 500 units of affordable housing in Berkeley, Charleston and Dorchester counties, Hoy said.

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