



Federation of Appalachian Housing Enterprises:

A Case Study

by Alan Okagaki



Preface

The Federation of Appalachian Housing Enterprises (FAHE) is an association of non-profit affordable housing organizations operating in the Central Appalachian areas of Kentucky, Tennessee, Virginia, and West Virginia. FAHE represents an approach to increasing scale of impact that is unusual in the non-profit community development world. While many individual organizations have successfully raised impact and financial performance, there are comparatively few examples where a group of organizations have been able to do so collectively. Nevertheless, the rationale for group or network approaches to increase impact and self-sufficiency is compelling: economies of scale, shared resources and infrastructure, and functional specialization whereby organizations can concentrate on what they do best while outsourcing other functions to other members of the network. Many of these methods for strengthening performance draw on lessons from the private sector, but for various reasons, have proven difficult to implement in non-profit settings.

FAHE is, arguably, the strongest example of network approaches to increasing impact and strengthening financial performance in the domestic community development field. The purpose of this case study is to extract the lessons from the FAHE experience so that network approaches can be replicated within the NeighborWorks® America network and elsewhere in the community development field. Following the Introduction, this case study proceeds through a history of FAHE, FAHE's transition into a higher-performing organization and network, and a description of FAHE as it stands today. In that Section, I attempt to dissect some of the ingredients that have made FAHE effective as a "network" of members and as a "platform" for delivering services. However, the core of the analysis is contained in Section V "Lessons."

This case study was researched and written by Alan Okagaki, a community development consultant based in Missoula, Montana. The research included on-site visits to FAHE members in Kentucky, West Virginia and Virginia; review of board minutes, annual reports, financial audits, strategic plans, and other internal documents; participation in state caucus meetings and FAHE's September 2010 membership meeting; and approximately 35 interviews.

NeighborWorks America provided funding for this project. I wish to thank Robert Burns, Director of Field Operations for NeighborWorks America, for his interest and support. Jim King, FAHE's president, was my partner in this project. The FAHE staff was generous with their time and made the research possible. I wish to single out Jackie Weiss, for her assistance with logistics and information requests, and Tom Carew and Sara Morgan for insights that led me to understand what FAHE is really about. Two people outside of FAHE, Kirsten Moy and Doug Smith, helped me to conceptualize FAHE more clearly. Lastly, I want to express how much fun I had visiting with the people from FAHE's membership. It's what I've most enjoyed in 25 years working in community development – the opportunity to meet exceptional people doing wonderful work in difficult situations.

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NeighborWorks® America

NeighborWorks America would like to thank FAHE for its ability and willingness to share its innovative work to help enhance our own network and its members.

NeighborWorks America creates opportunities for people to improve their lives and strengthen their communities by providing access to homeownership and to safe and affordable rental housing. Since 1991, we have assisted nearly 1.2 million low-to moderate-income families with their housing needs. Much of our success is achieved through our support of the NeighborWorks network -- more than 235 community development organizations working in more than 4,400 urban, suburban and rural communities in all 50 states, the District of Columbia and Puerto Rico. In the last five years, NeighborWorks organizations have generated more than \$15 billion in reinvestment in these communities. NeighborWorks America is the nation's leading trainer of community development and affordable housing professionals.



During his visit to Appalachia, Robert Burns (right), NeighborWorks America's Director of Field Operations, along with Jim King, FAHE President and Jodi Coldiron and Wilma Kelley of Beatyville Housing Development Corp. (left to right).

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I. Introduction

The Federation of Appalachian Housing Enterprises (FAHE) is a non-profit organization that provides support to 49 member housing development organizations. Founded in 1980, FAHE's vision is a Central Appalachia "proud of sustaining its culture and environment and where growth, opportunity and hope are balanced so that all people fulfill their potential with regard to housing, employment, educational opportunity and quality of life." FAHE's service territory includes all of Central Appalachia, a region that encompasses the mountainous areas of eastern Kentucky, eastern Tennessee, southwestern Virginia, and the entire state of West Virginia. Historically, FAHE is best known for providing financing and support services for the construction of affordable housing and for the purchase of homes by low, moderate and middle income families. FAHE is certified by the U.S. Department of Treasury as a community development financial institution (CDFI) and is a member of the NeighborWorks America network.

FAHE is notable for two reasons: 1) the process by which it transformed itself into a higher performing housing development network; and 2) its deep collaboration with its members. In the early 2000s, FAHE's members were producing about 2,000 units per year and FAHE itself was originating about \$5 million of financing. While this output was impressive, it was small compared to the needs of Central Appalachia: an estimated 100,000 units of housing were either physically substandard or overcrowded, and 17% of homeowners and 33% of all renters in the region were cost burdened by their housing. Adina Abramowitz, a consultant then with the Opportunity Finance Network, put FAHE's work into perspective, "You have a huge mission and tiny solutions." FAHE responded by setting ambitious and transformational goals: increasing production to 8,000 units per year by 2015 and capital deployment to \$100 million annually by 2015. Following a

near-total organizational re-engineering process, FAHE has doubled housing production to about 4,300 units per year and had increased capital deployment to \$41 million in 2009.

FAHE's growth is partly the result of deep collaboration within the FAHE network. FAHE is known nationally for the "Berea Performance Compacts," a framework for organizations to collaborate and deliver products and service more efficiently at greater scale. In Appalachia, as elsewhere, housing organizations often work in isolation, leading to a duplication of efforts to deliver similar services. It is often cost-prohibitive for a single organization to provide new services when they each have to bear the cost of additional infrastructure and staffing. Through the compact, members share their core competencies, allowing other members to divest administrative functions and focus on their strengths, decreasing costs and increasing efficiency, without sacrificing impact.

While partnerships, outsourcing, and other forms of collaboration are ubiquitous in the private sector, their use is much less common in the non-profit world. Clara Miller, president of the Nonprofit Finance Fund, once remarked that CDFIs were based on an out-of-date business model: the small, vertically integrated community bank of 50 years ago which held all of its loans in portfolio and performed all functions in-house. Like the old community banks, most of today's community development organizations keep all tasks in-house, despite small staffs and inadequate technology and support infrastructure. Few functions are outsourced, mergers and consolidations are rarely attempted, and networks and alliances are typically viewed as a drain on staff time and as political quagmires rather than methods for increasing productivity. A sense of isolation and "going it alone" is pervasive among non-profit organizations. Meanwhile, in the

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for-profit sector, companies increase productivity by concentrating resources on their core competencies, outsourcing the functions they do less well, and seeking collaborations and partnerships that build on complementary strengths.

Today, the community development field is under great pressure to simultaneously achieve significantly greater impact and to reach higher levels of financial self-sufficiency. While many individual organizations have successfully raised impact and financial performance, there are very few examples where a group of organizations have been able to do so collectively. The rationale for group or network approaches to increase impact and self-sufficiency is compelling: economies of scale, shared resources and infrastructure, and functional specialization whereby organizations can concentrate on what they do best while outsourcing other functions to other members of the network. However, the reticence of executive directors to outsource or joint venture is also understandable; they fear important nuances of mission will be sacrificed in the name of efficiency.

FAHE is one of a small number of member-driven networks in the housing/community development field that has been able to add value to its members and increase their impact. The purpose of the case study is to elucidate the lessons on how and why FAHE has been able to do so.



At the Spring Membership Retreat in 2003, Adina Abramowitz challenged FAHE with the importance of scale by saying: "You have a huge mission and tiny solutions."

II. Historical Background

FAHE serves Central Appalachia, a region of 140 counties and six million people. Its service territory is predominantly rural with only five cities with populations near or over 50,000. Since the early 1900s, the economy of Central Appalachia has been largely dominated by the coal industry. Much of the region has been poor for decades. The poverty rate for the region as a whole is about 20% and in many counties, household incomes are half the national average while poverty and unemployment rates are double national norms. Travel within the region is difficult; the highway system and physical infrastructure in general are not well-developed and the topography is challenging. People

have settled in small valleys ("hollows") along the many rivers. The overall pattern is one of poor, isolated communities connected by limited roads. Central Appalachia contains the largest and most deeply-entrenched poverty population of Caucasians in the United States.

Appalachia has spent most of its history outside the national consciousness. In the 1960s, however, it was "rediscovered" as the embodiment of rural poverty in the United States. John F. Kennedy visited West Virginia during his 1960 presidential campaign and was moved by the poor economic conditions he encountered. He created a Presidential Regional Commission on Appalachia in

1963 which ultimately led to the formation of the Appalachian Regional Commission, a federal-state partnership to promote economic development and improve quality of life in the region. Appalachia became a primary target of the 1960s federal War on Poverty. In addition to the governmental anti-poverty programs, a number of independent non-profit organizations were started in the 1960s and 1970s. Many of these local anti-poverty organizations were tied to national religious institutions, had financial backing from their churches, and were animated by analyses of economic and social injustice.

FAHE Timeline



FAHE has its roots in this social justice movement. The Commission on Religion in Appalachia (CORA) created a "Self Help Task Force" in 1967 to address widespread, persistent poverty in Central Appalachia. In 1974, that Task Force was incorporated as a regional non-profit community development organization called HEAD Corporation (Human/Economic Appalachian Development). Over the years, HEAD developed a number of new initiatives and organizations to improve the lives of low-income people in Central Appalachia. In 1977, HEAD enlisted the Housing Assistance Council (HAC)—a national organization dedicated to improving housing conditions for the rural poor—to

conduct a feasibility study for a new regional housing entity. That study identified five rationales for such a housing organization:

- The tremendous need for affordable, quality housing in Central Appalachia as indicated by the number of substandard housing units;
- A lack of overall coordination and direction for Central Appalachian housing programs resulting in underutilization of federal resources such as programs within Farmers Home Administration and HUD;
- Spotty coverage of housing programs over the region so

that many areas were unserved or underserved;

- A desire to more broadly involve grassroots church organizations in housing;
- A desire to integrate housing with other community economic development efforts such as utilization of native hardwoods, energy conservation, and creation of a regional building supply cooperative.

On the basis of that study, HEAD Corporation launched FAHE in 1980. The first executive director was Bob Van Denend, succeeded by Lynn Luallen. Luallen was soon followed by David Lollis,

1995
FAHE becomes a
federally certified
CDFI

1999
FAHE makes its
500th mortgage
loan

2002
Network-wide cumulative
housing production reaches
37,253 units

who had originally been hired as FAHE's director of advocacy. Lollis, for all intents and purposes, was FAHE's founding executive director.

From the beginning, FAHE was structured as a four-state membership organization. In its first 10 years, FAHE played a pivotal function enabling affordable housing providers to share experiences, form a unified voice, and share access to resources to develop quality housing. During the 1980s, the Reagan Administration drastically cut federal support for affordable housing, thereby making advocacy an early priority for FAHE. When interest rates climbed in the early 1980s, FAHE created a construction loan fund so that its members could finance their housing development projects. In 1985, FAHE began making mortgages to low-income families. The mortgages were usually packaged with subsidies from different sources to make the loan payment more affordable to low-income borrowers. These two lending programs plus technical assistance and training services for the members became FAHE's core businesses. But in addition to these formal programs,

FAHE played a social networking function as well. Speaking about FAHE's early years, Lollis recalled,

We just knew that groups liked to get together and share what was going on. In isolated communities, if not for FAHE, you might not be aware of what's going on in the next county. Coming together was important.

FAHE's growth accelerated in the 1990s. FAHE made its 100th mortgage loan in 1991, six years after initiating that program, and its 500th mortgage eight years later in 1999. Much of the growth can be attributed to the federal HOME Investment Partnership program which provided capital for FAHE's own loan funds and enabled FAHE to access capital and grant funding for its members. FAHE became a federally certified CDFI in 1995 and received additional capital through that program. In 1990, FAHE had total assets of \$1.89 million and \$1.45 million in loans outstanding. By 2000, FAHE had reached \$23.275 million of total assets and a loan portfolio of \$17.5 million. As a federation of housing organizations, however, the best gauge of FAHE's effectiveness is the produc-

tivity of its members. At the end of 1996, FAHE members had built or rehabbed 23,545 total units of housing. By 2002, FAHE had 30 plus members and a production run rate of about 2,000 housing units per year. Cumulative housing production was 37,253 units.

The FAHE of the late 1990s and early 2000s was also characterized by a common business model for producing housing which many of the FAHE members followed. When FAHE was created, the non-profit affordable housing industry was in its infancy. A robust training and technical assistance infrastructure for affordable housing had not yet coalesced. Many organizations were using job training funds from the CETA (Comprehensive Employment and Training Act) program as their primary source of government subsidy. Consequently, the early FAHE members had to "figure it out for themselves." A great amount of information sharing transpired as FAHE members collectively developed their construction techniques, and their financing and subsidy sources. The typical FAHE member pre-sold single family homes to income-eligible

FAHE Timeline (continued)

2003
Dave Lollis retires and
Jim King becomes FAHE
President & CEO

2005
"Performance Challenge"
to quadruple run rate
from 2,000 to 8,000

2006
FAHE takes on its first
servicing portfolio, cuts
delinquency in half

bility buyers and then stick-built the units using the member organization's own building crews. Home buyers received highly subsidized mortgage packages, often consisting of funding from the federal HOME program and perhaps a 1% 33-year loan from the US Department of Agriculture Section 502 Direct program. The mortgage packages enabled FAHE members to put families with annual incomes as low as \$10,000 - \$14,000 into homeownership. Many FAHE members prided themselves on their ability to serve the "poorest of the poor."

Although FAHE was successful in many respects, there were some weaknesses. While the cumulative production numbers were impressive, the annual run rate had plateaued. Relatively few members were producing rental units, multifamily units or utilizing more sophisticated federal subsidies like the Low Income Housing Tax Credit (LIHTC). Capacity was unevenly distributed through the region. A small number of the members were highly effective and accounted for the bulk of the housing production. Other organizations produced at a low volume with little prospect for

change. FAHE's growth had been achieved during the 1990s when the economy was strong and the federal administration was more supportive of affordable housing. In 2002, the economy was stagnating and the new administration was intent on cutting domestic spending. These opportunities and circumstances set the stage for FAHE's transformation in mid-2000's.

2007
JustChoice Lending
launches, selling
mortgages on
secondary market

2009
FAHE wins the Wachovia
NEXT Award for
Opportunity Finance

2011
Network delivery reaches
5,800 families annually

III. The Transition to a New FAHE

In 2002, David Lollis, FAHE's founding president, retired after 22 years of service. Lollis was and is a nationally respected figure in rural housing and a highly visible and charismatic leader in Central Appalachia. He was succeeded by Jim King, promoted to chief executive officer following his tenure as FAHE's Chief Finance Officer (CFO). King had originally worked for FAHE from 1990 to 1995 and then returned as CFO in 2000. His experience included an MBA from Eastern College and he had previously worked in banking and as a community development consultant.

King brought a harder-edged business and financial perspective to FAHE that served the maturing membership well. When he took over as president, King saw three issues that potentially affected FAHE's long-term viability.

- **Financial Sustainability:** FAHE's self-sufficiency ratio was about 38% in 2000, which King thought

left FAHE too dependent on grant funds. Moreover, the highest salary at FAHE at that time was only \$45,000/year. King anticipated that FAHE would have difficulty recruiting the talent necessary to lead and manage the network under these organizational constraints

- **Lending Program:** While FAHE's loan portfolio had grown, asset quality was poor. The delinquency rate was around 15% when King started as CFO. Moreover, FAHE promoted itself as "the lender of last resort"

and consequently was taking the loan customers that no one else would take. Conversely, FAHE was not making loans to the stronger customers who were walking through its door. Those persons were referred to USDA programs or to banks. FAHE's lending culture inhibited it from bringing any stronger customers into the portfolio.

- **Value Added and Prioritization:** King observed that FAHE staff was spending most of its time on the weakest members and was delivering the least value to its strongest members. Mean-

Former FAHE President, Dave Lollis, shakes the hand of then President Bill Clinton after introducing him at the signing of the legislation establishing the CDFI Fund.



while, King saw that the national intermediaries—NeighborWorks, LISC, Enterprise, HAC—were developing products and services to add real value to non-profit development organizations. At least two of FAHE's highest-performing members were exploring NeighborWorks affiliation. If FAHE could not deliver technical assistance and capital products that were useful, King feared that FAHE's best members would leave.

In sum, King was concerned that FAHE was becoming irrelevant to the members who delivered the most housing units. Because FAHE's self-sufficiency ratio was low, it was highly reliant on grant support. However, if FAHE could not demonstrate housing production, it would not be able to command continued grant support. Therefore, FAHE's future depended on retaining its high-performing members. As King said,

"The troubled children can suck up all of the time. Our culture as a staff—we wanted to be the Lone Ranger on the white horse riding in and saving the CDCs [Community Development Corporations]. All the while, our brightest and strongest members were neglected."

At King's initiation, FAHE developed a strategic plan in spring 2003 utilizing consultants from the

Opportunity Finance Network (OFN), a national CDFI industry association. The consultants interviewed FAHE members and outside key informants and found that:

FAHE's greatest strengths fell in two realms: advocacy and the power of its membership network. Respondents felt that FAHE was most noted for its advocacy at the state, regional and national levels. Outside informants said that FAHE was respected as "the voice" for the housing needs of low-income families in Central Appalachia. Members stated that FAHE "provides a tremendous service as an advocate at the state and national level." The outside informants identified FAHE's chief accomplishment as its success in building a network of housing providers. FAHE members felt that FAHE's "collective force" was its greatest strength: "Unified, FAHE members accomplish much more than as separate entities, particularly at the policy level."

The strategic plan also addressed FAHE's weaknesses and the directions that the membership wished FAHE to go. The dominant theme was that FAHE needed to "mature" organizationally. One member was quoted as saying, "FAHE started as a movement, and is now becoming an institution." Another felt that "FAHE's

challenge is to adapt faster than its members." FAHE's technical assistance program was singled out as an area that needed to be changed. Members questioned whether it made sense for FAHE staff, as part of its technical assistance, to be driving across a four-state region to do home-ownership and credit counseling, building inspections, and mortgage closings for experienced organizations. One member said, "FAHE acts like a policeman. I'd rather they be more of a teacher, advocate and supporter." Interestingly, the strategic plan found that the greatest threats facing FAHE were internal rather than external. Members and outside observers questioned the ability of FAHE's staff to adapt to a new and changing environment. Overall, FAHE was advised to: improve the efficiency of its operations, including being less hands-on with its members, improving its systems (from lending to accounting), and reworking the staffing structure to better meet member needs.

Through the planning process, FAHE's members identified four areas in which the organization could be most helpful: access to capital, housing expertise, advocacy and credibility, and networking with peers. The membership wanted FAHE to grow and to deliver more value to the

membership. FAHE ultimately selected five strategic goals:

1. Redefine technical assistance to better meet member needs.
2. Expand capital base to ensure adequate access to capital and programs for members with a goal of reaching \$60 million of capital within five years.
3. Promote self-sufficiency through product development and increased efficiency with a goal of reaching an 80% self-sufficiency ratio.
4. Examine and revise governance structure to promote membership participation.
5. Develop a proactive advocacy agenda to expand support for FAHE and its members' programs in Central Appalachia.

In the latter part of 2003, FAHE staff devised work plans around each of the goals and began their implementation.

While the strategic plan set a framework for FAHE's growth, several other events gave it additional shape. King attended the Opportunity Finance Network's annual membership conference

which featured an opening session entitled "Grow, Change, or Die." With grant and subsidy sources declining, non-profit loan funds such as FAHE's would have to become larger, more efficient and more "business-like" in order to survive. They would have to become more self-sufficient through earned revenues and less reliant on grants and other subsidies. The conference crystallized the issues facing FAHE and reinforced King's sense of urgency.

At its 2004 spring membership retreat, FAHE brought Adina Abramowitz (Opportunity Finance Network), David Dangler (NeighborWorks America), and George McCarthy (Ford Foundation) for a panel session on "The Changing Landscape" of community development finance. Abramowitz and McCarthy emphasized how important it was for FAHE to reach scale. Abramowitz described FAHE as having a huge mission but puny solutions. The Central Appalachian region had 100,000 families living in substandard housing. Thirty thousand homes in the region lacked complete plumbing; 22,000 homes did not have an adequate kitchen; and 50,000 units were over-

crowded. Seventeen percent of homeowners and 33% of renters in the region were cost burdened by their housing. Meanwhile, in fiscal year 2004, FAHE members addressed the housing needs of approximately 2,000 families and FAHE made direct mortgages that housed 144 people. As Abramowitz suggested, FAHE's solutions were indeed too small compared to the housing needs of the region.

In fall 2004, King began an 18-month leadership development program at Harvard University's Kennedy School of Government called "Achieving Excellence." Janaka Casper, FAHE's board chair and president of FAHE's largest member organization, had been in the first Achieving Excellence class and insisted that King participate in the second class. Achieving Excellence is sponsored by NeighborWorks America and combines reading, classes, and individual coaching. Participants select a critical challenge facing their organizations and must commit themselves to success against that challenge. The challenge must be transformational, resulting in new innovations, capacity, growth or greater sustainability that significantly changes the organization. King chose increasing FAHE's mortgage run rate to 500 loans per year as his challenge. But beyond this specific challenge, the Achieving Excellence experience enabled King to see how FAHE could be transformed into a performance-driven organization and how the FAHE network could likewise become more performance-driven.

"The troubled children can suck up all of the time. Our culture as a staff—we wanted to be the Lone Ranger on the white horse riding in and saving the CDCs. All the while, our brightest and strongest members were neglected."

Jim King

The themes from FAHE's 2004 spring and annual meetings, the "Grow, Change, or Die" confer-



ence, and Achieving Excellence converged in 2005. In conjunction with Doug Smith, the designer of Achieving Excellence, FAHE launched an 18-month program for its members called "Achieving Your Mission." Although not as rigorous as Achieving Excellence, Achieving Your Mission did require participants to select a transformational challenge and commit themselves to its resolution. It also taught conceptual frameworks and practical tools to accomplish these goals. The program was voluntary; however, 22 members signed up and 14 ultimately completed the program. Even more importantly, FAHE formally adopted a performance challenge based on King's work at Achieving Excellence. That challenge reads:

FAHE will establish a run rate of 500 new mortgages to low-income borrowers and borrowers in distressed counties, while reducing turnaround for a loan origination to closing by 50%, while also increasing productivity of staff to loan volume from eight loans per FTE to 30 loans

per FTE by February 2006. During this period we will achieve a 30 day delinquency rate of less than 5%. We will accomplish this while we continue to meet the mission through advocacy, access to resources, and collaboration among the FAHE Members. At the same time we will facilitate the increase of production/preservation of housing by the Membership. By 2015, we will increase annual production of all housing, to a run rate of 8,000 units.

In addition to the goal of 500 mortgages per year, this performance challenge incorporates several of the issues that King and FAHE members had identified earlier: staff productivity, systems efficiency, and portfolio quality. However, the most significant part of the performance challenge was the run rate goal of 8,000 housing units for the FAHE network as a whole. As King said,

I started Achieving Excellence in fall 2004 and put the 8,000 units run rate on the table. I dreamed that number up. We had to grow, change, or die. Our solutions

Achieving Excellence at Harvard University's Kennedy School of Government in 2004.

were too small. Our 2000 unit run rate had been stagnant for a number of years. What you really want to do is change the way you deliver financing and houses so that it is scalable. The run rate is not a strategic number except that it's four times bigger. So if we take it seriously, we can't just continue what we're doing now; we have to go to something different. So 8,000 represented a number that we need to go to scale.

More than any part of the performance challenge, the 8,000 unit run rate goal has become embedded in the culture of the FAHE staff and board.

The changes between 2003 and 2005 were not uniformly well-received by FAHE staff and members. Even prior to the strategic



FAHE staff, board, and members discuss performance benchmarks and barriers for the Berea Performance Compacts.

plan, King had begun pushing internally to improve systems, increase staff productivity, and instill a culture of accountability and high performance. There was considerable staff resistance to change. When King talked about the necessity for change, many staff responded, "Nothing will ever change around here." Nevertheless, buying into FAHE's new direction became a requirement for all staff and, over several years, FAHE experienced significant staff turnover. The imperative to redefine technical assistance resulted in FAHE eliminating or changing services that did not add real value to its members at this time in their development as organizations or that could not be scaled up. Under King, the homebuyer counseling responsibilities were passed onto the members, inspections responsibilities were passed on to the members and closings were outsourced to local attorneys at considerable cost savings.

A number of FAHE's members also reacted negatively to the new directions. While some saw the shift as a more effective way of achieving FAHE's fundamental mission, many members felt FAHE was sacrificing quality and mission for quantity. Others resisted because they were comfortable with their operations and did not want to make changes. They argued that their organizations were doing all they could and that greater performance was not possible. They voiced skepticism whether change of this magnitude was possible. FAHE responded to these criticisms by seeking to improve opportunities for efficiency and scale across the membership—one example of this effort is the Berea Performance Compacts.

FAHE introduced the Berea Performance Compacts at the spring 2006 membership retreat. The notion behind the performance compacts is that certain FAHE members have developed strong expertise in particular areas and that they can be a resource for other members. Rather than duplicating a service and its supporting infrastructure, members can build off the strengths of fellow members. A FAHE member takes the lead in each compact. FAHE staff provides support as necessary but the leadership must come from the member in charge. Each compact starts with a pilot project, moves into a standardization phase and then the new model or program is rolled out widely to the membership. At the 2006 spring membership retreat, FAHE members formed compacts around five different collaborative opportunities: manufactured housing, loan servicing, multifamily housing development, cooperative purchasing, and volunteer man-

agement. FAHE and eight members originally signed on as parties to these original compacts.

In addition to these broad-level organizational changes, FAHE spent the period 2003–2010 fulfilling the mandates of the 2003 strategic plan. The technical assistance program that members felt added insufficient value was gradually phased out and the capacity building functions have been replaced in three ways. First, FAHE joined NeighborWorks in 2007 and now distributes scholarships to NeighborWorks' national training institutes to members as well as provides access other NWA training and technical assistance resources. Second, FAHE created a consulting subsidiary in 2006. FAHE Consulting helps members design housing and community development projects, apply for funding, manage the construction process, monitor compliance, and meet reporting requirements. Third, FAHE has hired experienced professionals and considerably upgraded the technical expertise of its staff. They have proven valuable as informal advisers and sounding boards to many members.

FAHE has made considerable investments to strengthen systems and infrastructure and to reorganize itself around its principal lines of business. The loan servicing function was broken out as a separate line of business in 2007. FAHE upgraded its technology platform by first purchasing Mitas servicing software in (2007) and then converting to a higher capacity, bank-level system in 2010. Although FAHE had made mortgage loans for more than 20 years, mortgage operations were streamlined and simplified in order to achieve greater volume and impact. FAHE's mortgage

program now operates under the brand name "JustChoice Lending" and sells mortgage products both through its members and directly to the general public.

Similarly, FAHE has also worked diligently to deliver more capital to its members. FAHE's Community Loan Fund (formerly Commercial Loan Fund), which members can access for operating lines of credit and project financing, has grown to a portfolio of \$17 million. FAHE created a federal Low-Income Housing Tax Credit syndication fund in 2006 in partnership with Virginia Community Development Corporation. FAHE Capital can provide equity on multifamily rental projects in Kentucky and is organizing a fund in Tennessee. FAHE has been able to make more mortgage capital available to its members, often by working closely with the four state housing finance authorities. For example, the Tennessee Housing Development Authority (THDA) has a mortgage program called "New Start" through which it provides capital for non-profit organizations to re-lend to first time homebuyers at 0%. However, THDA requires that the non-profit guarantee the loan. Some FAHE members did not have the balance sheet strength to do this. FAHE pledged its balance sheet as part of the guarantee on the THDA loans, thereby enabling its Tennessee members to access 0% mortgage capital.

To summarize, FAHE re-oriented itself around growth, scale, and sustainability between 2003 and 2010. It created a new, performance-oriented culture, built systems and infrastructure, and added expertise to its staff. It set an ambitious goal of 8,000 housing units per year by 2015. While some members were initially con-

cerned by FAHE's new directions, those concerns have largely dissipated and member satisfaction appears to be quite high.

Although these changes are dramatic, it is important to recognize that they are not discontinuous. King built upon a foundation that Dave Lollis and the early FAHE leadership had created. That foundation was the FAHE network, as identified in the 2003 strategic plan, a set of relationships between the FAHE organizations and a unified commitment to bettering Central Appalachia. Without that foundation, the transformation initiated by King would likely not have been possible.

IV. FAHE Today

A. Governance and Membership

FAHE is structured as a non-profit membership organization with 501(c)(3) tax-exempt status. The members are organized into four state caucuses: Kentucky, Tennessee, Virginia and West Virginia. The current board of directors consists of eight representatives from member organizations and five outside directors. Each of the state caucuses elects two persons to represent them on the board. The external board members bring substantive expertise and connections to regional and national partners. The board's roles are governance, fiscal oversight, and generative/strategic thinking.

FAHE's board meets quarterly with board committees meeting as needed. The full membership gathers twice each year, in the spring and fall. The caucuses

play a major role programmatically and in FAHE's governance. Each of the caucuses meets quarterly, prior to the board meetings. Those meetings take up most of a day and are largely informational. FAHE staff present information to the caucuses; caucus members share experiences and discuss issues among themselves. Major policy questions are often considered by the caucuses before they go to the board of directors.

In Fiscal Year 2010, FAHE had 49 member organizations of whom 15 were located in Kentucky, 14 in Tennessee, 13 in West Virginia, and 7 in Virginia. The membership changes somewhat from year to year. FAHE has been consciously trying to grow its membership to bring a higher percentage of total affordable housing production in Central Appalachia under its umbrella. Nevertheless, FAHE is selective in whom it brings into

the network. Members have to be non-profit entities with affordable housing development as a major line of business. Organizations have to be recommended by the state caucuses. They must submit detailed applications with substantial documentation, including past financial audits. Potential members are vetted through a staff and board screening process and then presented to the board of directors for approval.

FAHE charges a membership fee of \$500. However, FAHE requires its member to make an active commitment to the organization. Members sign a contract with FAHE. They are required to participate in state caucus and membership meetings. They are required to submit quarterly production reports and their annual financial audits. If an organization is not fulfilling requirements, FAHE has procedures written into its by-laws for disaffiliating members. In most years, one or more organizations drop out of the network. The most common reasons are that the member has ceased to communicate with FAHE or has chosen to get out of the affordable housing production business.

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B. Staffing and Lines of Business

FAHE has a staff of about 32 persons and is organized around five primary lines of business. Most of the staff is based in Berea, Kentucky; however, the Membership Director (Tom Carew) works out of Morehead, Kentucky and the Director of Commercial Lending (Eric Haralson) operates out of Knoxville, Tennessee. FAHE's lines of business are:

Mortgage Lending

FAHE's mortgage division, JustChoice Lending, consists of four persons: a Homeownership Director, one mortgage originator and two loan processors. The Department is managed by Jon Rogers, who previously had been with the West Virginia Housing Development Fund and has 25 years of experience in mortgage lending. JustChoice will loan directly to homebuyers or through FAHE's members. FAHE will not compete with its members but instead will originate mortgages only in geographic areas or to income segments not served by its members. In addition to its low- and moderate-income customers, JustChoice will make conventional mortgages to borrowers at 80%-140% of area median income (AMI), a customer demographic that many FAHE

members do not serve. FAHE can function as a back-office for members who wish to offer mortgages to their customers but do not have the volume to justify the staffing or the infrastructure expense. FAHE also works with its members in providing unconventional mortgages or packaging a first mortgage with subsidized financing such as a grant, forgivable loan, or a soft second mortgage.

Loan Servicing

FAHE has built a platform capable of servicing up to 10,000 loans and contracts that service to both its members and outside organizations. The department has a staff of four, led by Angie Badgett, whose prior experience had been as a bank commercial loan processor. FAHE recently converted from its Mitas loan servicing platform to Harland Servicing Director™, a bank-quality comprehensive loan servicing package. As of early 2011, FAHE has contracts with nine (9) outside entities with a combined total of about 3,000 mortgages. FAHE's competitive strengths in the loan servicing market are its expertise and flexibility to work with complex mortgage packages, especially ones with second mortgages, grant subsidy or other unconventional features. FAHE also seeks to establish a more personal relationship with borrowers, which FAHE believes

makes it more successful at keeping people in their homes.

Community Lending

FAHE's Community Lending (formerly Commercial Lending) department offers several types of loans to enable its members and other non-profits to initiate and complete real estate development projects. FAHE members can also access operating lines of credit, typically secured by the assets of the organization. The department is headed by Eric Haralson, who has over 30 years banking experience. While most loans have financed housing projects, this product has also been used by FAHE members for community facilities such as daycare centers and even a community coffee shop. The most common loan use is construction financing but FAHE will also lend towards land acquisition, purchase of equipment, or other operating expenses. With its entry into the Low-Income Housing Tax Credit arena, FAHE also provides bridge financing on tax credit deals.

FAHE Capital

FAHE Capital is a for-profit subsidiary, controlled by FAHE, and created in 2004. It syndicates federal Low-Income Housing Tax Credits (LIHTC), providing equity financing for affordable and special needs rental projects in Ken-

tucky. FAHE Capital's first equity fund, the Housing Equity Fund of Kentucky I, was established in partnership with Virginia Community Development Corporation (VCDC) and raised \$17 million in private equity. Those funds were placed into qualifying projects within one year. A second equity fund of \$8.75 million was created in Kentucky—FAHE is working with one of its members, Beattyville Development Corporation, and a for-profit developer to finance an adaptive re-use of an old school. FAHE plans to expand the service into Tennessee. FAHE Capital is managed by Sara Morgan, who has been working in affordable housing since 1992.

FAHE Consulting

FAHE Consulting, LLC is a for-profit subsidiary that offers planning and technical services in housing, neighborhood revitalization, economic development, community projects, and infrastructure investments. The service is offered to FAHE members, local housing authorities, municipalities, and other entities serving Central Appalachia. FAHE Consulting does project planning, grant-writing, and project management whereby the consulting firm acts as staff on behalf of a project partner. It specializes in development projects that utilize state and federal funding programs. FAHE Consulting is managed by Vonda Poynter, who has 26 years of experience in community development consulting.

C. Berea Performance Compact

FAHE started the Berea Performance Compact with eight participating members working in five areas:

- Manufactured housing
- Volunteer services
- Multifamily development
- Loan servicing
- Cooperative purchasing, building materials, and distribution

Each of the five compacts had a designated lead organization with strong competence in that area that could function as an "Aggregator" or "Distributor." FAHE envisioned each of the compacts moving through three stages:

- 1) Pilot, where initial protocols and procedures are identified;
- 2) Standardization, where new programs are tested with initial organizations and systems are refined;
- 3) Rollout, where additional groups are invited to take advantage of the new service being offered.

Of the five original compacts, Loan Servicing, Manufactured Housing and Multifamily Development are still active today. Cooperative Purchasing proved to be impractical and has been discontinued. The Volunteer Services compact ran two pilot projects but the experience was not satisfactory and the lead agency, Appalachia Service Project (ASP), is currently undergoing leadership transition. That compact is dormant. At its spring 2009 membership retreat, FAHE revisited the Berea Performance Compact – challenging whether the initial premises were correct and whether goals needed to

be revised. Out of that meeting, a new Green Building compact was created, and additional organizations signed onto the five compacts. Additionally, 20 organizations committed themselves to utilizing JustChoice Lending. All told, 28 members are now participating in one or more of the Compacts or JustChoice. The Green Building Compact has the most members (13) followed by Loan Servicing and Multifamily (6 each), and Manufactured Housing (5).

Manufactured Housing

Old mobile homes constitute the worst quality housing in Appalachia and they are most often inhabited by those with the least resources: the elderly, disabled or the lowest income. Winter energy bills can be as high as \$500-\$600/month. Nevertheless, in many Appalachian markets, low- and moderate-income people will choose to buy a mobile home rather than a new stick-built house constructed by a FAHE member. The purchase cost of a manufactured home is competitive and the turnaround time can be faster.

FAHE's Manufactured Housing Compact was formulated by Stacy Epperson, formerly the executive director of FAHE member Frontier Housing. Epperson participated in the same Achieving Excellence class with Jim King and assumed the manufactured housing problem as her performance challenge. This led to Frontier Housing partnering with Clayton Homes, the nation's largest mobile home manufacturer. Clayton and Frontier designed a special line of manufactured homes that is ENERGY STAR rated and meets the requirements of the HUD and USDA Rural Development housing programs. These

homes are specifically intended to be distributed and sold by non-profit affordable housing agencies. Frontier Housing has spun off a new non-profit organization, Next Step, to create a national non-profit distribution network for this line of manufactured homes. Next Step's roles are to recruit organizations into the distribution network, train them, and aggregate orders for Clayton Homes.

Thus, this manufactured housing initiative has evolved from the performance challenge of a single organization, to a Berea Performance Compact, to a national distribution channel for a specially-designed product line. However, Frontier continues to play the lead role within the FAHE manufactured housing compact. Next Step is picking the strongest organizations across the country to come into its network. Most individual FAHE members cannot produce enough demand to participate. A FAHE member, for example, might want to purchase three units whereas organizations in New York State might order 90 units.

FAHE set a Fiscal Year 2010 performance goal of four members "setting" 10 manufactured homes. As of June 30th (the end of FAHE's Fiscal Year) six members had either completed or signed up for the manufactured housing training and they had set or ordered five units. FAHE's performance goal for Fiscal Year 2011 is 6 organizations setting 10 manufactured homes.

In summary, the manufactured housing compact has reached a roll-out stage. Next Step is building a national distribution platform and the FAHE manufactured housing compact enables members to access a product they would otherwise be unable to

purchase and deliver. Nevertheless, the total volume of housing produced because of this Compact is small. The low volume is probably not surprising given the newness of the initiative (the agreement with Clayton Homes was signed in 2009) and the general overall economic conditions.

Loan Servicing

The loan servicing compact created the framework by which FAHE became a third party servicer of other organizations' loan portfolios. Loan servicing has essentially matured to the point where it is managed as a FAHE line of business rather than a performance compact. As noted earlier, FAHE services nine (9) external portfolios, of which six (6) are with members, and services about 3000 loans in total. The FAHE early adopters were Frontier Housing and HOMES in Kentucky, and Eastern 8 CDC and ADFAC (Aid to Distressed Families in Appalachian Counties) in Tennessee. By aggregating volume, FAHE spreads costs over a larger number of loans and justify larger investments in technology, human capital, and other infrastructure. One of the primary reasons for servicing organizations outside the FAHE membership is to increase the total volume of loans serviced so that FAHE can capture more scale efficiencies and provide higher quality service at lower cost. With external customers, FAHE has a fixed pricing schedule. With members, FAHE can be more flexible.

Two major lessons have emerged from the loan servicing compact. First, FAHE has reduced the delinquency rates in all portfolios that it manages. With HOMES, a small organization which lacked the staffing to adequately manage its portfolio, the delinquency

rate fell from 22% to 4%. For Frontier, one of FAHE's strongest and most sophisticated members, FAHE brought the delinquency rate down from 5% to 1%. The result has been increased revenues to the members. Frontier Housing, for example, is realizing a \$7,000 increase in monthly cash flow. FAHE can take on the responsibility of collecting on the loans, which the members often find difficult to do. HOMES have been particularly relieved at not having to bear the burden of servicing and collections. As Angie Badgett says, "A lot of people have the ability to pay but they don't because no one's watching."

The second observation is that organizations hesitate to outsource loan servicing even if the business case is compelling. Outsourcing entails risk. Organizations are concerned about the staffing implications—letting their loan servicing staff go versus re-deploying them to other tasks—and whether FAHE will treat their borrowers properly. Some organizations know their "loans are a mess and don't want anybody to see it." While FAHE is much more flexible than other third party loan servicing entities, its loan servicing operations is nevertheless based on standardization and systematization to be more efficient and reduce errors. Interestingly, the non-member clients are usually more comfortable with standardization than the FAHE members. Finally, for some members, many of the borrowers pay in person, allowing the organization to maintain a more personal relationship.

Multifamily Development

Most FAHE members develop single family housing for homeownership; comparatively few build multifamily rental units. With the

Boodry Place in Morehead, Kentucky developed through the multi-family performance compact by Frontier Housing and Community Housing Partners.



federal Low-Income Housing Tax Credit program, developing multifamily units has become an expensive, specialized skill. The concept behind FAHE's multifamily compact was for less-experienced organizations to leverage the capacities of experienced developers. FAHE has one member, Community Housing Partners (Christiansburg, VA), that is one of the largest non-profit multifamily housing developers in the southeastern United States. FAHE also has two lines of business that can assist members with multifamily development. FAHE Consulting can help with project design and funding applications while FAHE Capital can provide the equity financing.

The multifamily compact has resulted in four projects thus far, by Frontier Housing in conjunction with Community Housing Partners, Foothills Community Action Partnership, Kentucky River Community Care, and Beattyville Development Corporation. Frontier Housing, Community Housing Partners and Beattyville Development Corporation are longstanding FAHE members. The other two utilized FAHE Consulting and FAHE Capital to develop their projects and joined FAHE during or after those projects were completed.

It would be fair to conclude that FAHE has not yet been successful in moving more of its members

to attempt multifamily housing. Aside from Community Housing Partners, most of the multifamily housing produced by FAHE has come from FAHE's public housing authority members who have access to other sources of financing. The overall economic environment and the unfavorable market for Low-Income Housing Tax Credits have been other factors accounting for slow adoption of the multifamily housing strategy. However, a more prevalent factor is that many FAHE members fundamentally believe in homeownership and are less committed to rental units as a housing solution for their constituencies.

Green Building Compact

The Green Building Compact was organized at the spring 2009 membership retreat. A number of FAHE members were increasingly interested in doing more with green construction techniques. Energy efficient construction is one approach to keeping the cost of housing affordable. Fourteen FAHE members are participating in the Green Building Compact. This compact has a goal of doubling the production of units that meet a green standard in 24 months.

Access to standards and certified inspectors is limited in Central Appalachia's rural communities. By

coming together, FAHE members are spearheading research, standardization, and innovation around green building techniques that best suit the region's unique environment.

The primary work of the Green Building Compact so far has been around certification, standards, and inspection. There are several different certifying organizations for green construction that require that a building receive a third-party inspection in order to be certified as a "green" building. Central Appalachia suffers from a shortage of qualified inspectors. Thus, eight FAHE members have been trained and approved as inspectors by the Building Performance Institute (BPI). Each can perform the third-party verifications for other FAHE members.

The Green Building Compact has still not fully formulated its strategy and activities. Ultimately, King hopes that the Compact can create a chain of value from design and production through inspection, appraisal and financing. At this point, it is unclear whether there is a central aggregator or distributor role as there have been in other of FAHE's compacts.

D. Performance and Financial Results

Several of FAHE's financial and performance indicators are reported in Figure 1 below.

The indicators show steady growth between 2002 and 2010. Its membership has increased by 50% between 2002 and 2010 and the total units produced by its members have more than doubled to 4,300 units in 2010. This growth has occurred in spite of the economic recession and the depressed housing market.

FAHE's growth has been particularly strong in its raising and deployment of capital. The dollar volume of its mortgage originations more than tripled between 2002 and 2010 and commercial lending originations (loans to non-profit developers) quintupled

to \$14 million in 2010. Meanwhile, total capital under management by FAHE has more than quadrupled, from \$24.8 million in 2002 to \$108 million in 2010. Total assets on FAHE's balance sheet have grown more slowly, from \$24.8 million to \$42.7 million. FAHE's ability to leverage in outside debt has been constrained by the amount of net worth (equity) on its balance sheet. However, FAHE has compensated by substantially increasing the amount of off balance sheet capital it manages, from \$0 in 2006 to almost \$60 million in 2010.

Two of FAHE's newer lines of business have also demonstrated growth. The loan servicing department now stands at about 3,000 loans in portfolio. The 30-day delinquency rate ticked upward from 1.7% in 2008 to 2.6% in 2010, a consequence of the faltering economy. Nevertheless,

delinquencies now are less than half the 5.4% rate in 2006 and less than 40% of the 7.0% delinquency rate in 2004. Meanwhile, FAHE Consulting was able to raise \$12 million of community development funding for its clients in 2008 and \$15 million in 2010.

The one area where FAHE has not shown consistent improvement is financial self-sufficiency. The self-sufficiency ratio nearly doubled from 2002 to 2008 but then fell from 73% in 2008 to 58% in 2010. A major contributing factor is that FAHE has not generated as much lending income as budgeted over the last two years, in large part because of the recession.

Figure 1
Financial and Performance Indicators

	2002	2004	2006	2008	2010
Members	33	38	43	43	50
Units	2165	2488	2000	3800	4300
Total Assets	24.8	28.2	31.6	38.6	42.7
Off Balance Sheet	n/a	n/a	n/a	27.5	58.6
Self-Sufficiency	38.60%	43.10%	71%	73%	58.20
Capital Under Management (\$ mill.)	24.8	28.2	31.6	66.1	108
Mortgages originated, #	63	68	50	159	209
Mortgages (\$ mill.)	2.6	3.1	2.8	11.3	13.8
Community loans (\$ mill.)	2.6	4.9	4.9	6.3	14
Loan Servicing, #	875	955	977	2178	2970
30-Day Delinquency	6.53%	7%	5.40%	1.70%	2.60%
Loan Servicing Contracts	n/a	n/a	n/a	4	9
FAHE Consulting-funds raised (\$ mill.)	n/a	n/a	n/a	12	15

V. Lessons

FAHE's ability to help its members increase their production of affordable housing is what prompted the research represented in this report. FAHE's members are quite diverse in size, organizational type, and capacity but they share a common mission of producing affordable housing for low- and moderate-income people in Central Appalachia. FAHE's value proposition can be summarized as:

FAHE enables its members to produce more and better quality affordable housing solutions at less cost or with greater efficiency, as seen in Figure 2.

In this section, I will analyze how FAHE adds value to its members and extract some of the lessons on why it has been successful.

A. The Underlying Model

An analysis of FAHE begins with an understanding of its underlying institutional model. The problem of increasing performance in times of limited subsidy is not new. Two common structures to increase scale of impact in the community development field have been intermediaries and voluntary industry associations. FAHE is unusual among community development organizations in that it combines the governance and participation features of an industry associa-

tion with the functions and services of an intermediary.

The intermediary model is most often associated with three large national organizations—the Local Initiatives Support Corporation (LISC), Enterprise Community Partners, and NeighborWorks® America. LISC and Enterprise are, arguably, the purest expression of the intermediary model.¹ Starting in the 1980s, LISC and Enterprise organized a network of local field offices to support community development and affordable housing in selected target areas. These intermediaries share several characteristics. First, they are funder-driven. Their national boards of directors are dominated by major foundations and financial institutions, and their local advisory committees have, at most, limited representation from community-based organizations. Second, the local offices are selective in the organizations they support. Chosen organizations generally meet two criteria: they must operate in communities of high need and they must evidence the capacity (or at least the potential) to deliver results. Third, selected organizations received core operating support, access to capital for their development projects, training, technical assistance, and other resources to build their capacities. Thus, intermediaries

supply the resource most greatly valued by community development organizations—access to money. However, a contract—explicit or at least implied—exists between the CDCs (Community Development Corporations) and the intermediary. If a CDC's performance is unsatisfactory, the intermediary can terminate the relationship.

In contrast to the community development intermediaries, CDC and affordable housing developer associations are voluntary, membership-based organizations. They fit within the tradition of industry and trade associations in the for-profit world. While they do have membership criteria, they are much more open and less selective than funder-driven intermediaries. Unlike intermediaries, the membership determines the agenda. Community development associations most commonly fulfill three functions: policy/advocacy, information sharing, and capacity building through training and technical assistance. Occasionally, one sees other functions such as a limited central services suite or joint fundraising. Community development industry associations generate some of their funding from dues and user fees, but they are largely dependent on philanthropic or public support.

While intermediaries and industry associations each have their merits, neither model has proven fully satisfactory. The national intermediaries have helped drive greater production from non-profit housing developers; a recent census of community development organizations estimated a national run rate of 100,000 units per year.² However, there is the question whether non-profit housing production is starting to plateau—how much more production can the intermediaries extract from their stable of CDCs? And there has been the on-going issue of community control versus funder control. The community development movement, including the fledgling housing organizations that founded FAHE, originated with a philosophy that local organizations should dictate local solutions. On the other hand, while industry associations

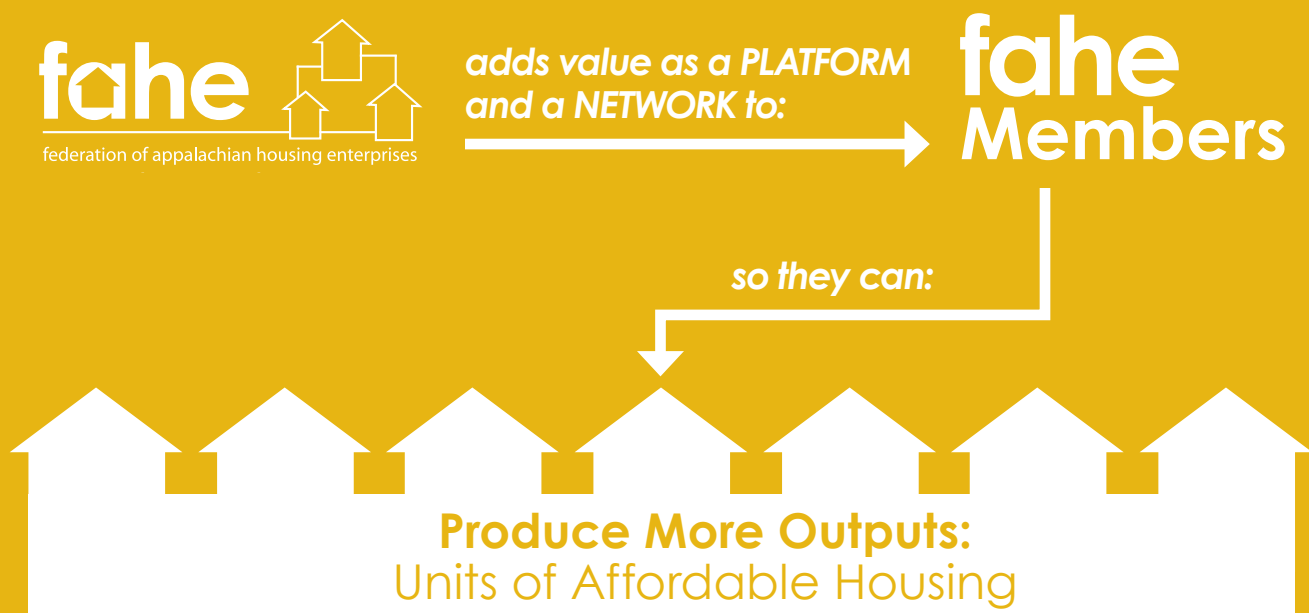
have been able to influence the flow of resources to affordable housing organizations, they lack the tools and leverage to meaningfully influence their members at the operations and production level. Other than information, they cannot help their members solve business problems that constrain productivity and efficiency.

FAHE combines elements of the intermediary model and the industry association model. Like the intermediaries, FAHE is selective in its membership and serves the functions of aggregating and redistributing financial resources. Like the industry associations, FAHE is controlled by its membership and has policy advocacy as one of its major roles. However, FAHE is able to consistently add value to its members in ways that go beyond most intermediaries and member associations.

B. Diverse Members

FAHE has effectively supported affordable housing production despite significant differences within its membership. FAHE's membership policy allows three types of organizations to become part of the network: non-profit organizations, public housing authorities, and community action agencies. The members come from four states and staff size ranges from two-person to over 100 employees. Some organizations have joined FAHE in the last several years while others have a 30-year association with FAHE. Some serve single counties; others are active in multiple states. While most are exclusively affordable housing organizations, some serve a wider range of human needs. The majority specializes in single family ownership housing but a few concentrate on multifamily rental units.

Figure 2
FAHE Value Proposition



This diversity creates an obvious challenge: how does an intermediary add value to 49 organizations with such different needs? FAHE's experience illuminates several points. On balance, the diversity of a four-state membership offers more advantages than disadvantages. Politically, regional and national policy advocacy is enhanced by a four-state membership. FAHE can engage eight U.S. senators instead of two and four House delegations instead of one. The cross-state learning opportunities are another advantage. A number of FAHE members comment on how much they learn from colleagues who work in other states. They see how things are done differently, including how other state housing agencies operate. Also,

Appalachia itself creates a bond of commonality. A FAHE member in eastern Kentucky often has more in common with its counterparts in Appalachian Tennessee, Virginia and West Virginia than it does with housing agencies in western Kentucky.

Rather than state boundaries, the geographic differences among FAHE members that matter most are the population density, overall economic strength, and degree of isolation of the members' service territories. These factors affect local housing markets and the capacities and resources available to FAHE members. The service areas of FAHE members can be divided into three categories (Figure 3):

- **Isolated, Persistent Poverty**

County: The heart of Appalachia, where FAHE members serve poor people living in poor counties. Needs are arguably the greatest here and the challenges of poverty are most severe. These counties tend to have the least local capacity and often are losing population so there is little housing market strength to build upon. Consequently, there are multiple challenges to scaling up production and it is harder to reach aggressive run rate goals.

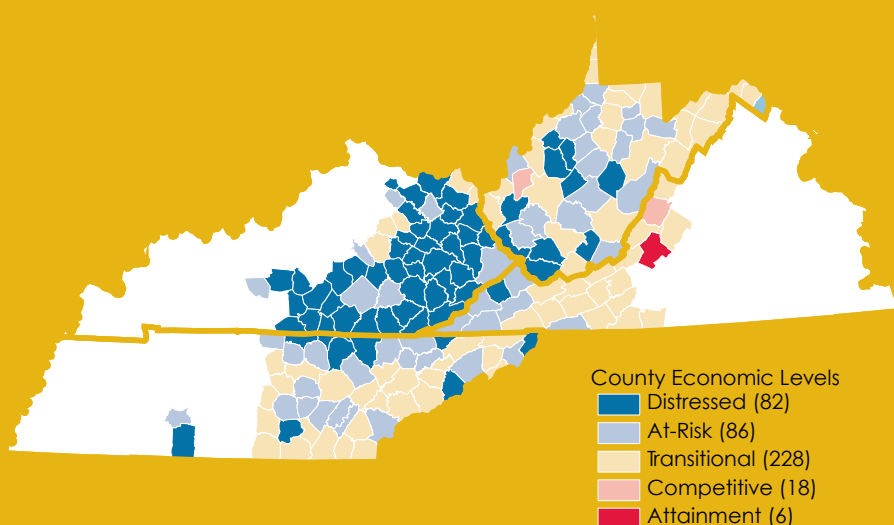
- **More Affluent Rural Counties:**

FAHE members serving poor people in more affluent rural counties. These counties are anchored by a small city with some economic vitality: e.g., Morehead, Kentucky or Morgantown, West Virginia. These more affluent areas will tend to be more urbanized, have more resources, and greater local capacity. While poverty exists and housing needs are real, poverty is not all-pervasive. The area has a stronger housing market and more local resources for a housing organization to work with.

- **Metropolitan Areas:**

FAHE has members located in two cities with over 100,000 people (Knoxville and Chattanooga, Tennessee) and three other cities with populations of about 50,000 (Johnson City and Kingsport, Tennessee and Charleston, West Virginia). The housing issues in these cities bear more of a resemblance to the housing problems of major urban areas. These cities may require different housing solutions, with multifamily rental production assuming greater importance than it does in isolated rural counties.

Figure 3
Central Appalachia Economic Status by County



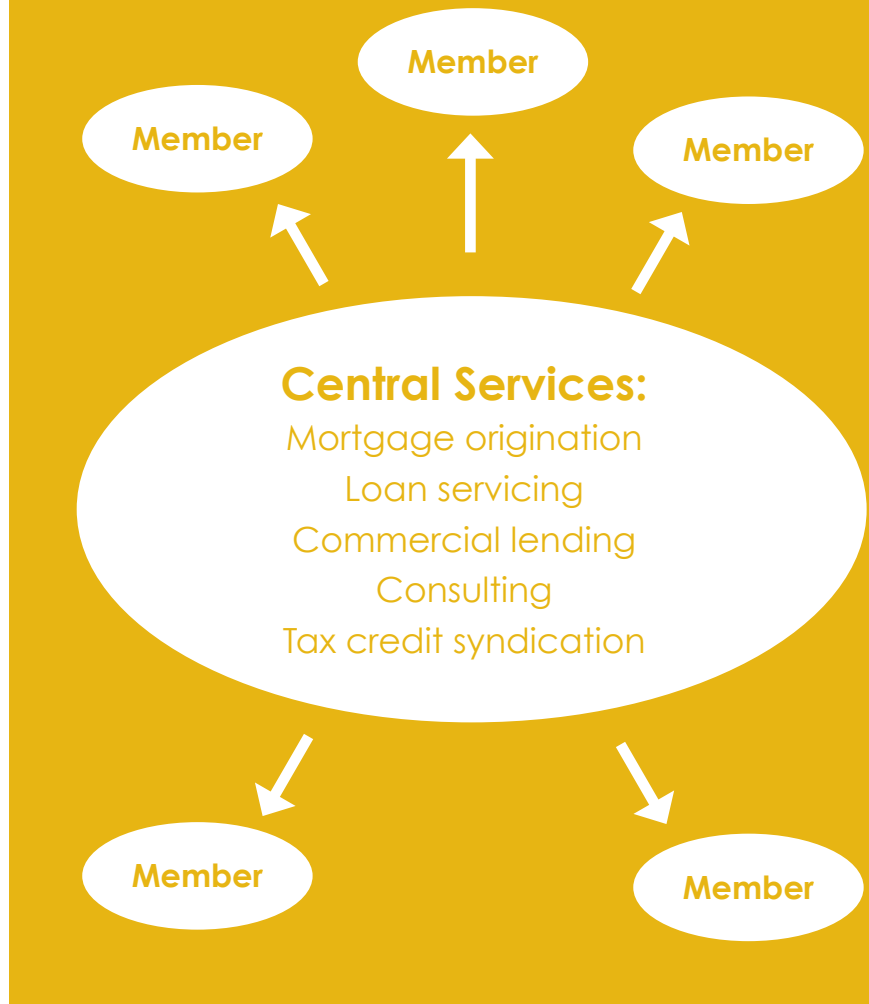
Aside from geography, the other major difference among FAHE members is the type of organization and, by extension, the breadth of its services. The early FAHE members tended to be single-purpose organizations that were more similar in size. The FAHE of today contains a greater variety of organization types, including many that serve multiple purposes, with a much wider range of sizes. FAHE's growth (from 30 organizations in 2000 to 49 in 2010) has made the network more diverse in this regard. While the net growth has been almost 20 members, the change is actually more dramatic as 27 new members have been added while eight organizations have left the network.

The greater homogeneity of members in the earlier years may have contributed to a stronger level of trust and a cohesive network culture. However, arguably, the most important qualities that preserve the cohesiveness of the FAHE network are the commitment of members to learn and improve and their willingness to share. These qualities cut across organizational types, size, and geography. FAHE can effectively serve organizations that want to become better at producing housing. It cannot add value to organizations that lack that commitment. Similarly, as will be discussed later, FAHE's ability to add value is enhanced by the willingness of its members to share their knowledge with others. These qualities of commitment and sharing are more significant than the differences suggested by size, geography, or organizational type.

C. Platforms and Networks

FAHE is best understood as a membership organization that

Figure 4
FAHE as Platform



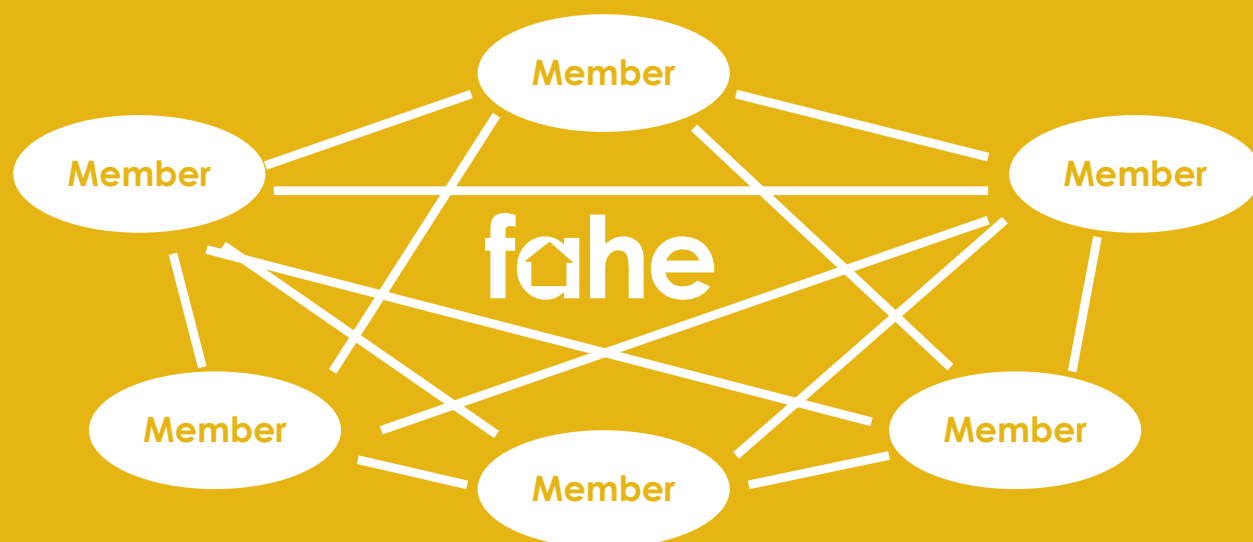
adds value to its members as a "Platform" and a "Network." Platforms are centralized services delivered by staff to members, often on a fee basis. FAHE's platform consists of its five lines of business—JustChoice Lending, loan servicing, commercial lending, FAHE Consulting, and FAHE Capital. Platforms usually have a "hub and spoke" structure, as seen in Figure 4.

By centralizing services, platforms capture more volume and accelerate the learning curve. As volume increases, businesses

are able to reduce the per-unit cost of making and delivering the product. Through repetition, the organization learns better, faster, and cheaper ways to make the product.

Lower cost and greater volume yield greater profitability which makes possible more investment in technology, equipment, human resources, and other infrastructure that further lowers cost, propelling additional growth. FAHE's use of the words "aggregator" and "distributor" to describe the roles of the Berea

Figure 5
FAHE as Network



Performance Compact lead organizations suggests their roles in increasing volume. FAHE's loan servicing department is a classic example of volume leading to scale efficiencies.

The value of FAHE as a network is evident in the many different ways members help each other, formally and informally. Recall that when it did strategic planning in 2003, FAHE's "success in building a network of housing providers" was cited as its greatest accomplishment. Member-to-member assistance can be as simple as a phone call to answer a question or it can be much more formal such as contracting with one member to provide a service that another member does not have the staffing to do in-house. Networks have a "spider web" structure, as seen in Figure 5.

Most member associations have the effect of promoting some member-to-member assistance. However, FAHE is unusual in the amount of value members receive through member-to-member assistance and the degree to which FAHE creates a supportive environment and actively facilitates member-to-member assistance. Similarly, the national intermediaries have not been able to inculcate the strong culture of member-to-member assistance that FAHE has.

These network relationships date back to FAHE's earliest years where there was an unusual amount of information sharing and mentoring among FAHE members. However, the Berea Performance Compacts have pushed the network to a higher level of joint venturing and partnering. There are now more business relationships between

members—outsourcing, joint ventures—rather than just information sharing.

Not surprisingly, some organizations gravitate more towards the FAHE network and others towards the FAHE platform. As a very general pattern, the newer members engage more with the platform. They choose to join FAHE because of specific services FAHE offers such as access to capital, loan servicing, JustChoice Lending, tax credit syndications, and project development assistance from FAHE Consulting. Many of the older members take less advantage of the platform but derive great value from the network. However, these patterns are far from absolute. There are older members that take full advantage of the platform and newer members have become very engaged with the network.

The platform has the most value for organizations willing to adapt or re-engineer their business models to take advantage of FAHE's lines of business. This is most evident with several of FAHE's smaller members who can enhance their productivity by outsourcing many of the development and lending functions to FAHE.

The Berea Performance Compact adds an interesting twist to the network/platform distinction by melding the two together. In the BPC, the lead organizations, by functioning as "aggregators" and "distributors," function as a platform. In other words, platforms do not necessarily have to be housed and delivered by FAHE central staff. Thus, by organizing a distribution channel for affordable, high-quality manufactured housing, Next Step acts as a platform for other FAHE members. Similarly, Community Housing Partners has the potential to be a platform for multifamily housing development for FAHE organizations. As Doug Smith says,

"What's interesting about the FAHE spider web is that each node is a group (member organization). We know that some groups are awfully good at some things. In theory, they could benefit from volume. They could take advantage of volume to convert volume into learning curve effects and industrial notion of scale. Another interesting point is that every node has the potential to be a retail outlet. If we can get groups to become local retail outlets, then the network has the promise of scale effects."

Randolph County Housing Authority

Some of the larger and more sophisticated organizations also take advantage of both the platform and the network. The experience of the Randolph County (WV) Housing Authority is representative. In the beginning, the Housing Authority only gained value through the network. Karen Jacobson, its executive director, said:

"We originally joined FAHE because the previous executive director wanted to expand outside of the narrowly HUD-defined version of a housing authority. She saw FAHE as a place where she could see more entrepreneurial organizations, have her approaches valued, and have people to bounce the ideas off. She complained that outside of that, there was not much that FAHE was providing. FAHE did not have good lending programs and the development programs were difficult to use. FAHE suffered from its own entrepreneurialism. They were talking 10 steps ahead of what they were doing; it was a lot of talk but didn't turn into much on the ground. That's completely changed. The re-organized FAHE and its management team put into place a very production-oriented, efficient, customer-oriented organization. And they try to listen and respond."

Randolph County Housing Authority now borrows project financing and has an operating line of credit from FAHE's commercial lending department. FAHE's flexibility has been crucial in completing the financing for several of the Housing Authority's projects. The Housing Authority originates mortgages through FAHE's JustChoice Lending and sends its staff to NeighborWorks training institutes. FAHE's demonstration project originating the "502" loans for USDA Rural Development has worked particularly well for the Housing Authority. Jacobson says, "The 502 program is a perfect marriage of the product that meets our customer needs, the intermediary that makes it flow, and the capacity grants [which gives us a revenue stream]. The customer gets served well and it gives us sustainability for our organization."



Foothills CDC

Foothills CDC in Maryville, Tennessee builds and sells about 15 homes per year yet has only two full-time employees. It succeeds because, as executive director Kelly Spears says, "We outsource almost everything." Foothills has a construction manager, a part-time bookkeeper, and a businessman with developer experience who only works several hours a week. Foothills manages the construction process but contracts out the actual construction. Its clients can finance their home purchases with 0%-3% loans from the state's "New Start" mortgage program; the below-market interest rate can reduce the monthly mortgage by as much as \$150/month. Without FAHE's guarantee of Foothills' mortgages, Foothills could not participate in that program with the Tennessee Housing Development Authority. Moreover, FAHE services those mortgages through an arrangement with the THDA. As Spears says, "FAHE offered services that made us able to grow and increase our capacity. They fill a lot of gaps."



D. Trust and Sharing

FAHE's ability to deliver value to its members is dependent on trust. Stacy Epperson of Frontier Housing and Next Step said:

"The biggest difference between FAHE and other associations is deep, deep trust. That trust enables us to have open and honest dialogue about issues. The reason there's trust is because we're in an underserved area and the core group that started FAHE figured out that many voices together was better than one. So there's a rich, 30-year history of 'One Voice.' This tradition has been passed onto new generations of FAHE leaders as a core cultural belief system for this organization."

Scott McReynolds, executive director of Housing Development Association in Hazard, Kentucky, speaks to another FAHE cultural value—that of sharing. "Trust is when you give valuable information to another organization that you would normally see as your competitor, even though it might put you at a disadvantage."

This level of trust is invaluable and rare in community development networks and associations. Trust enables the member-to-member assistance work. It makes collaboration among members possible and it is equally important to the success of central services. Because they want to see their clients served well and respectfully, non-profits are often reticent to turn functions over to an outside party. Angie Badgett, head of FAHE's loan servicing department, says

"There are a lot of members who would like us to do their loan servicing but are afraid of it. Every-

body has a problem of letting it go. We have to earn their trust. Finally I talked to one executive director and said, 'Let me do this for a couple of months; I promise we'll be good to your borrowers.' And once we did, he's been happy."

The culture of trust goes back to FAHE's founding. FAHE's tagline, "Strength in numbers," states that organizations can do more acting together than they could individually. Epperson speaks about the practical necessities for Appalachian organizations to work together. "It's because we have access to little resources, individually. You quickly figure out that if you will do better if you're part of FAHE." Cultivating friendship and trust relationships were a priority for FAHE's early leadership. Dave Lollis noted that many competing housing organizations were being created in the late 1970s and early 1980s, and that there was a "lot of backbiting." Not surprisingly, when FAHE was started, some housing organizations in Kentucky chose not to join the federation, preferring to go it alone. This self-selection also contributed to the culture of trust because the organizations least inclined to share were not part of the early network.

The commonality of Appalachia—geography, culture, poverty—helped the culture of sharing to transcend state boundaries. FAHE, in a sense, competes with statewide housing associations. But many members found they had more in common with FAHE organizations in other states than they did with in-state organizations located outside of Appalachia, in places like: Louisville, KY; Richmond, VA; or Memphis, TN. Bonds were created across state lines because a FAHE member in Kentucky faced very similar prob-

“Trust is when you give valuable information to another organization that you would normally see as your competitor, even though it might put you at a disadvantage.”

Scott McReynolds

lems as its sister organizations in Tennessee, Virginia, and West Virginia. Community Housing Partners in Southwest Virginia is the largest housing producer in the FAHE network. Janaka Casper, its president, recalls:

Dwayne Yost at Kentucky Mountain Housing came to speak to our board. We were trying to figure out how to do housing differently. We were using CETA funds at the time. FAHE and the Kentucky groups mentored us. They were more than willing to share information. We aspired to be more like some of those groups. That was our connection; we saw it as a way to learn from other groups that we saw as more advanced.

In those real early days, there were some other groups in Virginia. But this area, southwestern Virginia, did not have many housing groups. We had to go east to see any peer groups. When you did that, culturally—it changed a little bit. We could learn from some of those groups, but Virginia didn't have as developed a community development network.

Casper alludes to another factor that facilitated FAHE's culture of sharing—FAHE's process of collective learning. To a great extent, FAHE members taught themselves the methods

to finance and build affordable housing, and then to create subsidized mortgage packages with which to sell them to low-income homebuyers. The members, in effect, were participating in a collective learning process. They shared house plans, construction techniques, and knowledge of funding sources, rules, and regulations. Organizations would get stuck on the same problem and they would share their solutions with each other. This history of sharing knowledge was critical to forming the culture of trust.

Although this point is difficult to verify, FAHE's culture was also influenced by a common set of religious values. FAHE began in affiliation with CORA, the Commission on Religion in Appalachia, and many of the early members were started by Protestant and Catholic religious institutions. These organizations had a set of shared beliefs and values that probably made it easier to form trusting relationships.

Lastly, the four state caucuses differ in cohesiveness. Members of the Kentucky caucus have the closest relationships with one another. Many of its members have been with FAHE for a long time and have been the core of FAHE's leadership. Some describe FAHE as a “family.” The other state caucuses are not as

close-knit. Nevertheless, the Tennessee, Virginia, and West Virginia members generally describe their FAHE caucus relationships as tighter than those within other state-wide networks to which they belong.

E. The Culture of Performance

The FAHE culture has changed over the last eight years towards a stronger commitment to performance. The culture of performance does not displace the culture of trust; instead, the two complement each other. Some of the dimensions of the performance culture are:

- **Results:** The measure of an organization is its results; activities and success are judged in terms of results.
- **Solve the Problem:** Adina Abramowitz's observation was that FAHE had tiny solutions to huge problems. The 8,000 unit run rate goal is large enough to be meaningful relative to the dimensions of the housing problem of Central Appalachia. The performance culture demands that FAHE members critique their activities and adopt strategies and tactics that are scaled to the needs they are serving. Organizations cannot be satisfied with what they do unless their outputs are commensurate with need.
- **Accountability:** With the Berea Performance Compacts, FAHE tried to establish a culture of accountability. Organizations are expected to do what they say they will do. FAHE will push organizations to do more and do better. Organizations are expected to commit to targets and are held accountable to them.

Whereas the culture of trust and sharing goes back to FAHE's origins, the culture of performance was deliberately engineered by Jim King and a handful of staff and board members. The origi-



nal impetus for this change came from King, who challenged the FAHE membership to do more.

"I wasn't comfortable with the level of impact we were having. It wasn't big enough to be relevant to the region. I wanted to see more impact. We were doing a great job but it wasn't enough."

King's first step was to demand more accountability from the FAHE staff.

While King demanded performance from the beginning of his tenure, the culture of performance became better defined as a result of his participation in Achieving Excellence. Achieving Excellence teaches an approach based on the notion that organizations must focus on outcomes and not activities. In Doug Smith's judgment, most organizations "concentrate their efforts on

Doug Smith, architect of Achieving Excellence, coined the phrase "Berea Performance Compacts."

the pursuit of activities instead of outcomes. As a result, they rarely set or achieve performance results that matter.”¹³ Organizations that confuse activities with goals “get lost . . . they travel in circles.”¹⁴ Thus, high performing organizations must set clear goals that meet five criteria: specific, measurable, aggressive/achievable, relevant, and time-bound. FAHE’s goal of reaching a production rate of 8,000 housing units per year by 2015 meets these criteria.

The performance culture represented a fundamental shift for FAHE in three ways. First, the performance culture goes beyond setting performance standards and measuring against those standards. The core of the culture is to ask hard questions and thereby expose the truth. Staff and members are encouraged to dig deeper and probe. They must ask, “Why can’t we be producing more? What can we do differently in order to produce more?” The performance culture pushes people and organizations outside their normal comfort zone.

Second, the performance culture melded to the precepts of “Grow, Change or Die,” which led to different concepts of financial and mission performance. If subsidy becomes scarce (as “Grow, Change or Die” premises), then organizations should strive to be more efficient, more self-sufficient, and more adept at leveraging subsidy with conventional financing. They must learn to accomplish more with less subsidy. Many of the larger and more successful CDFIs have responded by expanding into higher-income customer segments, or creating product lines that generate surpluses that cross-subsidize their work with lower-income people.

They might cut staff as they improve operating efficiencies or outsource non-core functions. These changes are often interpreted as compromising mission for profitability. FAHE members who define their mission as serving the “poorest of the poor” may resist changes that lead to greater self-sufficiency, even if it means being able to grow and serve more people. Others resist outsourcing—for example, loan servicing—if it means releasing a staff person. For some organizations, these notions contradict fundamental beliefs about what a non-profit organization is and how it should operate.

As would be expected, some organizations have fully embraced the performance culture, others have not, and many fall somewhere in-between. Two rounds of Achieving Your Mission, involving a total of 22 members, have influenced some organizations towards this mode of thinking. Achieving Your Mission created a common language and conceptual framework around performance for FAHE members. FAHE’s staff is fully aligned with the performance culture, which also influences members. Performance culture principles are embedded in FAHE’s strategic plans, work plans, quarterly staff reports to board, and monthly dashboards to management. While progress towards a performance culture is difficult to measure, some observers note that the conversations within FAHE have changed, that there is an acceptance of performance culture principles that was not present in 2003. Doug Smith described the difference:

“When FAHE first introduced the Berea Performance Compacts, there was a lot of nervousness

about it, even though it was voluntary. Organizations that weren’t participating thought they would be disfavored. When we asked about their concerns, their concerns were alternative ways of talking about deeper anxieties: ‘will I be punished if I don’t participate?’ A person might say, ‘This can’t work because of XYZ,’ but they were really expressing anxiety.

In spring 2009, we had the check-in on the Berea Performance Compact. In the room, we had a variety of member groups, some had not participated in the Compact and some were entirely new groups. Later, I said to Jim, ‘Did you notice the difference in the tenor of the conversation? It was all about problem-solving. The nervousness wasn’t there.’ Organizations are asking now ‘Do I lose my relationship with my client?’ [if they outsource loan servicing to FAHE] whereas two years earlier, they would ask ‘Does this mean you’re stealing my client?’”

FAHE hosted a “Green Nuts and Bolts” training as part of the Green Building Compact. Sharing best practices spurs friendly competition among the Members to take good ideas to the next level.



F. Collegiality and Generative Thinking

Another benefit from the FAHE network is collegiality and support from fellow members. Collegiality and support are clearly related to trust and derive from many of the factors discussed above.

There are several dimensions to the collegiality experienced by a number of FAHE members. First, many of the members are represented by their executive directors at FAHE functions and, as a result, FAHE is largely an organization for executive directors rather than for program staff or board members. Thus, for many of the executive directors, FAHE became a kind of informal peer support network. As the cliché goes, “it’s lonely at the top,” and other executive directors are often the

only ones who understand another executive director’s challenges. However, collegiality at the executive director level has another positive consequence; it encourages and makes possible cooperation and sharing at the program staff level. A program staff person cannot drive inter-organization cooperation without buy-in from the executive director. The relationships formed among FAHE executive directors set a tone for collegiality at other levels of the organization.

Second, the culture of collegiality and support arises in part because an organization is concerned with Appalachia and not simply the one or several counties that comprise one’s service area. This commitment to Central Appalachia, and not just organizational self-interest, sets a context for collegiality and support. However, the interviewees talked

about inter-organization support and cooperation in terms of their friendships. Scott McReynolds said: “The premium benefit we get from FAHE is the networking, the relationships we get through FAHE. The other folks that do what we do who we’re good enough friends with to call.”

Finally, some of the FAHE organizations talk about a dynamic of friendly competition among members. One organization may find a new innovation which then prompts another organization to improve on it which in turn prompts the first or even a third organization to find an even better way. All new innovations are then shared because the ultimate intent is not to “one-up” other members, but to participate in shared learning and improvement.

The relationships formed among FAHE executive directors set a tone for collegiality at other levels of the organization.

G. Ownership

At FAHE's 2010 fall membership meeting, David Lollis articulated the values that underlay FAHE's founding. One was that;

"FAHE is nothing more and nothing less than its member groups. What we meant was that the groups created FAHE; FAHE did not create the groups."

Another value was that FAHE would be governed as a federation with the members sitting on the board of directors. A third value was that FAHE's agenda had to be dictated by its members. Lollis said, "The ideas that we started, the programs, the activities we were involved in came from the groups and were designed by the groups."

Although FAHE has grown and changed over three decades, it has largely remained true to these values. The founding values gave the member groups a sense of ownership of FAHE and their belief that FAHE exists to serve their interests. FAHE was, in effect, founded by the members. Although FAHE was never formally structured as a member-owned cooperative, it operates on many of those principles. FAHE's interests were tightly aligned with the interests of its members.

Over the longer term, one of the greatest threats to FAHE would be if members begin to feel that

FAHE is not "their" organization or that FAHE's foremost priorities were not aligned with their own. Several "structural" steps have the potential to move FAHE away from that sense of ownership. Until 2005, all FAHE organizations with "full" memberships had a board seat. The new governance structure, whereby only 8 of 49 members sit on the board of directors, leaves 41 members one step removed from direct governance of the organization. FAHE has also brought in five outside persons onto the board. While those directors have broadened the board's expertise, they could potentially dilute that sense of ownership. This governance change underscores how important the state caucuses are. The caucuses are the most important connection point between FAHE and its members and they are the vehicle by which all members can actively participate in FAHE's governance.

FAHE's self-sufficiency goals depend on FAHE growing its fee-for-service lines of business, including

loan servicing, direct mortgage lending, and consulting. Those goals bear the potential risk of taking FAHE in directions that do not necessarily align with members' interests. In loan servicing, FAHE solicits non-members as clients in order to build volume. The launch and growth of FAHE's Just-Choice Lending program elicited concerns among some members that FAHE would be competing with them for borrowers. Consequently, FAHE is careful not to make mortgages in areas served by members. Similarly, the bulk of FAHE's consulting projects have been for non-member clients. In each of these areas, FAHE must manage the tension between its own self-sufficiency goals and the interests of its membership.

Thus, FAHE can succeed in business terms but fail if the core members lose their sense of ownership. Loss of ownership has not become a major issue within FAHE because FAHE is sensitive to the issue and because of the underlying trust between the members and FAHE staff.

Dave Lollis (left) explains the historic importance of the member's sense of ownership in FAHE's culture.



H. Leading the Transition

The differences between the “old” FAHE and the “new” FAHE reflect the leadership styles of their two executive directors, Dave Lollis and Jim King. Lollis is a classic charismatic, inspirational leader. King described Lollis as follows:

“Dave is a charismatic leader. He’s at heart a community organizer. He’s a good front person, very good on Capitol Hill, and he thinks about the people on the outside. Dave is a connector. He connects to other people and he connects them to each other. In a time of crisis, he’d stand up and say, ‘We’ve spilled blood together before and we’ll get through this.’”

In contrast to Lollis, King is usually described as business-oriented, methodical, persistent, and deliberate. One can generalize that Lollis, the community organizer, created the FAHE network and that King, the systems builder, constructed the FAHE platform on top of the network. In the process of building the platform, FAHE has been able to retain, if not enhance, the network. The challenge for King has been to put disciplines and systems into place without compromising the strengths of the network.

While King led the change, he had allies on his board and staff. On his board of directors, Janaka Casper of Community Housing Partners was part of the first class of Achieving Excellence and Stacy Epperson was a member of the second class along with King. The three shared a common understanding of the performance culture and how FAHE as both organization and network could become more performance-

oriented. At the staff level, King had recruited two of his former colleagues at Linder Associates—Pam Johnson who is now FAHE’s Chief Operating Officer, and Sara Morgan who is now the Chief Investment Officer—to join him at FAHE. They became his primary support as he tried to change systems and culture within FAHE. Thus, a small core group of board and staff members collaborated with King in making the changes happen.

As the transition from the old to the new FAHE started, a common refrain from staff and some board members was that change of that magnitude would never happen. Thus, one of King’s central tasks was demonstrating that change, in fact, was possible. He felt that the change would have to start with him, and then he would have to show that FAHE as a member service organization could change. King could then legitimately ask and expect FAHE members to change and they, finally, could make change possible in their communities. Thus, there was a succession starting with King but ultimately demonstrating that change could happen in communities.

For King, personally, there were several influences that helped him develop his leadership and management style. One of the most influential was the book *Leadership on the Line* by Ron Heifetz and Martin Linsky. The book’s message is that leadership and management are not the same. Management makes decision within the authority that it has; leadership entails making decisions outside the boundaries of one’s authority and leaders are at-risk when they do that. Often, leaders are fired. King found this message to be personally transformational. But the most impor-

tant value for King was, “I learned boldness. I got past the fear of taking a stand. I had ideas that matched the vision that I had.”

As the performance culture started to take hold, the staff response went from “Nothing will change” to “He said this will change and he means it.” Internal accountability was reinforced so that when changes were made, no “back-sliding” was allowed. King’s reflection is that, “It is hard to take people from non-performing environment and have them become performers. Very few people make that leap.” While all staff had the opportunity to meet new standards of performance, most were not comfortable with the new culture. In fact, in addition to Johnson and Morgan, Susan Smith Mullins and Jenna Urusky are the only staff persons who remain at FAHE since 2003 when King took over as President. Thus, the staff has been almost completely rebuilt.

When King issued the performance challenge of 8,000 housing units annually to the FAHE members, he also encountered resistance. King pledged to increase resources of dollars and training to members and to make FAHE a stronger value-added resource to members. While not all of FAHE members have fully bought into this performance-driven philosophy, many organizations have.

I. The Intermediary Role

FAHE's first funding was to administer a job training grant on behalf of several organizations and it has continued to function as an aggregator and re-distributor of funds. This is the classic role of community development intermediaries. FAHE is one of few member-driven community development associations in the country which performs this intermediary function at scale. More commonly, the intermediary role is carried out by entities which are controlled by funding organizations. In this sense, FAHE is more like a member-owned financial cooperative.

FAHE has been able to grow the intermediary role partly through its relationship with state housing finance agencies (HFA). The emergence of state HFAs in late 1970s and early 1980s gave impetus to significant program development and funding for and with the FAHE members. Lynn Lullien, FAHE's second executive director, had been one of the first employees of the Kentucky Housing Corporation and later served two stints as its executive director—he observed:

“As a director of a housing finance agency, I saw that we did not have the funds or the personnel for offices all over the

state. In my mind, our role was to support the FAHE groups—not just financially, but also by designing programs that fit the needs of their populations. The partnerships between FAHE and the housing finance agencies have done well.”

FAHE performs the classic intermediary role: a large institution, such as an HFA, can make one large grant (or loan) to a single organization rather than many small grants to multiple small organizations.

FAHE's ability to deliver financial resources varies by state, again depending on the housing finance authority. Its value is probably strongest in Tennessee, where FAHE enables its members to access 0%, 30 year mortgage capital from the state's New Start program. FAHE, in effect, guarantees the loans and services the loans for the State. In Kentucky and Virginia, FAHE receives federal HOME dollars that are passed through to members. In Kentucky, FAHE also accesses non-profit housing production and repair program dollars that are unrestricted and very useful, as well as funds from the Appalachian Regional Commission, on behalf of its members. In West Virginia, FAHE has managed a limited funding relationship with the state HFA at times, but the funding has not been recurring.

More recently, FAHE initiated a demonstration project with USDA's Section 502 Direct home mortgage program. The 502 program offers subsidized, low-interest rate mortgages, as low as 1%, for applicants at or below 80% of area median income. These mortgages had always been originated by USDA staff. However, USDA staff has been cutback at a time when Congress doubled appropriations for the 502 program through stimulus dollars. In FAHE's demonstration program, members have been trained to package and deliver completed loan packages to local USDA offices for their approval. FAHE reviews those packages before their submittal.

These resources constitute a very high value-added opportunities for members, since most FAHE organizations could not have accessed them independently. However, a central application also requires mutual accountability and a level of trust. Other community development associations have struggled to create the necessary accountability and trust to make central applications viable.

These resources constitute a very high value-added opportunities for members, since most FAHE organizations could not have accessed them independently. However, a central application also requires mutual accountability and a level of trust.

J. The FAHE-Member Relationship

The intermediary function, the platform, and the network result in a relationship between FAHE and its members that is different than most community development intermediaries or most industry associations. FAHE treats membership much more seriously than other CDC or housing associations. The FAHE membership is selective with clear standards. Potential members have to go through a rigorous application and vetting process. A recent member described the initial application as “very cumbersome. We probably submitted 700 pages.” The state caucuses discuss the merits of a potential member before making a positive or negative recommendation to the FAHE board. After approval by the FAHE board of directors, new members are introduced to the full membership at one of its two full membership meetings. Existing members must renew their memberships annually, at which time they must submit their most recent audit and annual report, financial statements, IRS Form 990, minutes from two prior board meetings, proof of general liability insurance, and more.

Thus, FAHE is rigorous and can be characterized as a high commitment/high value-added membership organization. In contrast, most voluntary CDC and non-profit housing associations are lower commitment/lower value-added. The major community development intermediaries offer the higher value-added, but their control is “top-down.” Unlike the major intermediaries, FAHE's foremost commitment is to its members. The intermediaries are more beholden to their funders

and investors—governmental, private sector, and foundations. Their loyalties and interests are more divided.

FAHE will go to great lengths to assist members in trouble. One long-time member in Kentucky suffered from poor financial management which eventually got completely out of control. Its long-time executive director resigned and was succeeded by its construction manager who had no prior financial experience. With many bills 90 days past due and its electrical service “red tagged” to be shut off, the new executive director's initial reaction was to close down the organization. Instead, FAHE immediately provided \$50,000 of emergency cash and FAHE's commercial lender spent several days helping the new CEO untangle the financial situation, devising a plan to pay off vendors and old debt, and issuing a new line of credit. Within the FAHE network, Elmer Parlier, Vice President for Housing at Kentucky Highlands Investment Corporation, became an advisor and mentor to the new CEO. Parlier has served as president of two companies, chief financial officer of three companies, and has had a great deal of experience with turnarounds.

The outlook for a second group in Kentucky is less hopeful. This organization has defaulted on credit obligations with private investors and governmental agencies. FAHE's primary goal in intervening is to preserve the affordable housing units that have been created. Using its position as a creditor, FAHE is attempting to gain concessions from other creditors so that the multifamily rental buildings can continue as affordable units. FAHE also hopes

to preserve the affordable housing development capacity that had been built up over time. Given the small size and remoteness of the service territory, it is not likely that a completely new organization could form to replace it.

These two examples illustrate FAHE's commitment to its members and the resources it can bring to bear. FAHE's role in project financing and in extending operating loans to members enables it to intervene in ways that conventional membership associations cannot. The financial information that members must submit annually, such as annual audited financial statements, gives FAHE a means for tracking the health of its membership. Delinquencies on project and operating loans to FAHE provide other clues to members' financial stability. Over time, FAHE has become more rigorous with risk management, including conducting formal risk assessments of all members and more regular check-ins by the commercial lending staff. These directions illustrate how seriously FAHE treats its relationship with members as compared to other industry associations.

In 2008, JustChoice Lending, FAHE's mortgage division, was recognized as one of Kentucky Housing Corporation's top lending partners.

K. Full Utilization of FAHE Services

The ultimate measure of FAHE's effectiveness is the extent that it enables members to increase output, productivity, and capacity. While FAHE has had significant success in this regard, not all members take full advantage of the value that FAHE has to offer. Most FAHE members participate in and benefit from FAHE's advocacy, and a significant number receive HOME funding through FAHE or are able to access other state and federal resources through FAHE. About two-thirds of members borrow operating or construction financing from FAHE. However, fewer members utilize FAHE Consulting, FAHE Capital, JustChoice Lending, and Loan Servicing.

An obvious reason for any underutilization of FAHE resources is that the services FAHE offers might not fit the needs of a particular member. While this is true in part, a deeper analysis suggests that a member's decision to use FAHE's services is also conditioned by factors of urgency, risk, and an organization's willingness to adapt its business model. Members that are strongly motivated to serve more people and have a bigger impact on the housing problems in their service territory



are more likely to seriously consider the full scope of FAHE's offerings. Conversely, organizations that are fully satisfied with their level of performance will not. Jim Collins and Jerry Porras describe this sense of urgency in their book *Built to Last: Successful Habits of Visionary Companies*:

The critical question asked by a visionary company is not, "How well are we doing?" or "How can we do well?" or "How well do we have to perform in order to meet the competition?" For these companies, the critical question is "How can we do better tomorrow than we did today?" They institutionalize this question as way of life—a habit of mind and action.⁵

The second factor in the decision is risk. Most organizations and most people do not like big changes. Change can be scary. Taking on a new line of business (such as multifamily rental projects) or outsourcing key functions to FAHE (such as loan servicing) entails risk. At a minimum, change of this magnitude can take an organization out of its

normal comfort zone. Frequently, an organization will have to modify a business model that has worked at least moderately well in the past, and in some cases, an organization must re-think its core values as well. Many of the methods for improving the productivity of subsidy—raising fees and interest rates, leveraging subsidy with market rate debt, making mortgages to higher income people in order to generate income that can cross-subsidize lower-income borrowers—are not a comfortable fit for organizations that have historically served only the poorest of the poor. Are they willing to make that trade-off?

FAHE has been fortunate in that some organizations have been willing to be the "early adopters" with some of its newer products and services. If they have a successful experience, then other members are more willing to take the leap. In this sense, FAHE's network "feeds" the platform. Familiarity and trust through the network make possible wider spread utilization of a new service.

Housing is a good starting point for community change because it is visible, has ripple effects, and lends itself to second, third, and subsequent projects. A positive first experience reinforces the confidence and capacity to do another project.



The Crystal Creek subdivision in Beattyville, Kentucky was the starting point transforming a community.

L. The Larger Change Strategy

Jim King can articulate a theory of change for FAHE that goes beyond the technical aspects of affordable housing and, instead, emphasizes the role of community leadership. In King's theory, systemic change develops from the ground up. While a regional intermediary like FAHE can provide expertise and resources, the real change process starts at the community level when local people engage on an issue important to them. Once a community identifies a problem and makes basic choices towards its resolution, then FAHE can bring resources and expertise to help the community address the problem successfully. Local leadership and FAHE must concentrate on effectively utilizing local resources and assets and on making visible progress over the short-term. Longer term goals of community or economic change are secondary at this point. The first project must be successful in order to demonstrate that change as possible.

Housing is a good starting point for community change because it is visible, has ripple effects, and lends itself to second, third, and subsequent projects. A positive first experience reinforces the confidence and capacity to do another project. While FAHE members start with housing, they sometimes spill over into other areas of need. Particularly in the smaller counties and service areas, FAHE sees members partnering in sectors outside of housing. The problems of poverty are interlinked—housing, education, jobs, and health care. Thus, the partnerships that FAHE members develop are similarly varied: so-



Jim King accepts the 2009 Wachovia NEXT Award for Opportunity Finance in recognition of FAHE's innovation and bold strategy in becoming the largest provider of community investment capital in highly distressed Central Appalachia.

FAHE sees members partnering in sectors outside of housing. The problems of poverty are interlinked—housing, education, jobs, and health care.

cial service agencies (such as child care or adult day care), rural health care organizations, municipalities, public utilities (such as a water or sewer commission), churches, workforce programs, and even university partnerships.

FAHE's role in promoting collaboration and networking helps to create a stronger regional force on behalf of affordable housing. FAHE must simultaneously support local activity and involvement while maintaining a larger network of organizations within the region and nationally. It must create a political base in order to influence state and federal policy and to access regional and national financial resources that can support a localized process of community change.

VI. Conclusions: FAHE and Collaborative Business Models

At one level, FAHE assists its members by providing cost-efficient services and by creating forums where members can interact and work together. At a deeper level, FAHE has created a structure that is designed to overcome isolation, to find strength in numbers, and to recognize and reward performance. It has cultivated a web of partner relationships and has sought to instill a mindset that “We can do better,” and “We can solve our problems effectively.”

Moving forward, a major question is how the FAHE model can be replicated. At the beginning of Section V “Lessons,” I described FAHE as incorporating elements of community development intermediaries and industry associations. However, the institutional model that FAHE most resembles is the collaborative business association, a model that is not common in the non-profit sector. The most relevant work in the community development field has been research by the Aspen Institute Economic Opportunity Program (EOP) on the “Pursuit of Scale and Sustainability for Non-profit Organizations.”⁶ EOP investigated ten cases in the non-profit and for-profit worlds where an organization or product has been able to dramatically increase in scale. The examples ranged from private sector cases

such as the Visa Credit Card and Unified Grocers to CDFIs such as ACCION and The Reinvestment Fund. In the process, EOP uncovered several collaborative business models—cooperatives, networks, and other alliances between businesses in a particular industry facing common problems and competitive pressures.

EOP studied three collaborative business models intensively, two from the for-profit sector and one non-profit association:



- Unified Grocers is a wholesale co-operative and distributor serving over 3,000 independent grocery stores in the western United States.



CCA Global Partners®

- CCA Global Partners started as an association of independent carpet and flooring retail stores and now has 15 distinct business-

es. Its purpose is to “empower entrepreneurs and independent business owners by providing resources and innovation that create sustainability, growth and effective competition in today’s evolving marketplace.”



- The Housing Partnership Network (HPN) is a peer alliance of about 85 high performing non-profit housing developers. HPN, a 501(c)(3) non-profit organization, is probably the closest analogue to FAHE in the community development arena.

All three of these collaborative business associations offer a suite of services that help their members better compete in their markets. To varying degrees, they enable their members to lower cost of operations, access management talent and specialized expertise, and provide higher quality products or services while allowing members to retain local control and ownership.

EOP distilled its findings on collaborative business models into ten factors which dictate their success or failure, as shown in Figure 6. Interestingly, FAHE scores positively on all ten factors.

1. **Initiators:** FAHE was created by a handful of committed housing activists.
2. **Ownership:** The founders insisted that the members “own” FAHE.

3. **Management:** In the transition to the “new” FAHE, management became much more professional.

4. **Membership:** FAHE membership is by invitation and is intentional, rather than open.

5. **Entity Type:** FAHE is an operating entity with distinct lines of business.

6. **Representative:** Most members are represented by their CEOs. Of the recent organizations that have not integrated well into FAHE, many have been larger, multi-purpose organizations where the CEO did not make an active commitment to FAHE.

7. **Revenue Stream:** FAHE's lines of business generate fee and interest revenue that accounts for most of its income.

Figure 6
Collaborative Business Models: Success Factors⁶

	What Doesn't Work	What Works
1. Initiators	Large Groups	A Few Leaders
2. Ownership	Third Party	Members Own
3. Management	Amateur	Professional
4. Membership	Anyone	By Design
5. Entity Type	Trade Association	Operating Entity
6. Representative	Anyone	CEO or Principal
7. Revenue Stream	Donations	Earnings (inc. fees)
8. Driving Rationale	Weak	Strong
9. Value Proposition	Nice to Have	Must Have
10. Relation to Members	Non-Responsive	Very Responsive

8. **Driving Rationale:** Members find a strong rationale for being part of FAHE.

9. **Value Proposition:** Members derive value through the network or the platform or both. Organizations that do not find a strong rationale for FAHE membership drop out.

10. **Relation to Members:** FAHE works very hard to be responsive to its members and to design programs, products, and services that can add the most value for its members.

The Aspen research on collaborative business models does not speak directly to the issue of organizational culture. This case study has shown the role of FAHE's culture in making the network and the platform possible. The lesson from FAHE is that network and organizational culture has to be intentional, just as the choice and design of products and service has to be intentional. To some extent, FAHE's culture was the product of unique circumstances—the nature of social activism of Appalachia in the late 1970s

and 1980s. But FAHE's culture was also the product of its leadership and the values they expressed. "Strength in numbers" meant working together and helping each other. FAHE was founded on the social value of cooperation. It grew and became more effective on the business values of performance, customer responsiveness, and value-added. FAHE today is the amalgamation of both of these cultures.

Final Thoughts

One factor which does matter is the level of participation by the executive director. In this sense, size and the distinction between single- and multi-purpose organizations matter, because the executive directors of large, multi-purpose organizations are less likely to actively participate in FAHE. They send their program staffs instead.

Over the longer term, there is a question whether the culture of trust, sharing, and collegial

support will continue. As FAHE has grown to include additional larger multi-purpose (rather than housing-specific) organizations, more organizations send program staff to FAHE meetings rather than their executive director. The consequence can be less member-to-member cooperation. Over the longer term, there can be a gradual erosion of the culture of sharing, trust, and member-to-member assistance that has made FAHE special. Also, a number of FAHE members have undergone leadership change in which the new leadership has maintained the spirit of trust and sharing. Stacy Epperson was cited as an example of a second generation leader who completely bought into the FAHE culture. While it is possible to communicate the culture, it is also possible for the culture to be lost if attention is not paid to it.

What matters most is the willingness to share.

The difficulty is establishing the culture in the first place.

Footnotes

1 The NeighborWorks® model is somewhat different. NeighborWorks® members attach more to a national organization, albeit one which provides support partly through regional field offices, rather than to a local intermediary office.

2 National Alliance of Community Economic Development Associations. *Rising Above: Community Economic Development in a Changing Landscape*. June 2010. www.naceda.org

3 Douglas K. Smith. *Make Success Measurable!* John Wiley & Sons: New York, 1999) p 1.

4 *Ibid.*

5 James C. Collins and Jerry I. Porras, *Built to Last: Successful Habits of Visionary Companies*, New York, Harper Business Essentials, 1994. p 185.

6 Kirsten Moy, Aspen Institute Economic Opportunities Program "In Pursuit of Scale and Sustainability for NonProfit Organizations" (PowerPoint presentation). October 2007

Appendix

CASE STUDY: BEATTYVILLE, KENTUCKY FAHE as an Agent of Systemic Change in Central Appalachia

COMMUNITY CHALLENGES:

In the early 1990's, Beattyville, Kentucky's Mayor, Charlie Beach, recognized the need to bring more jobs into his town. This Lee County community nestled in the Appalachian foothills is surrounded by the National Boone Forest and is not "on the beaten path." At the time, Lee County had the dubious honor of being one of the "top" poorest counties in the nation. With no new construction or housing starts for over 10 years, the unemployment rate was double the state average at the time and the educational average was half the state averages. The City of Beattyville had a population of just around 1,100 people and Lee County had merely 3,000.

Mayor Beach knew that to improve this scenario, people needed jobs. To create employment opportunities, he started with the traditional model of attempting to bring in "big industry" into the county, but quickly learned that big industry wouldn't come because the infrastructure needed to support development simply was not in place—in particular, there were virtually no standard housing units available for purchase or rent, and the tax base was not sufficient to support basic services like fire protection and trash removal.

COMMUNITY SOLUTIONS:

Mayor Beach approached FAHE's staff and on our advice, initiated the development of a mixed income subdivision. In order to take on the development of this subdivision, they needed a developer who would oversee construction, provide families with financial counseling, and help them identify and

commit to affordable finance. With FAHE's support, the Beattyville Housing & Development Corp (BHDC) was created to fulfill this role—a private, non-profit corporation that helps Beattyville residents connect with opportunities and achieve long-term success as homeowners or renters of the counties. With a fee-based, sustainable business model and outstanding leadership, FAHE Member BHDC became an established partner for success, catalyst for change and leader in their community and the surrounding counties.

LASTING COMMUNITY ASSETS:

With the support of FAHE staff and the newly created BHDC, the following projects are just a few examples from many that demonstrate how the community of Lee County overcame seemingly insurmountable barriers over the last 10 years to create lasting community assets:

- **CRYSTAL CREEK SUBDIVISION**—The City of Beattyville submitted an application in 1992 for Community Development Block Grant (CDBG) Funds to provide for the infrastructure (roads, utilities, sidewalks) for a 30 unit mixed income subdivision. Since the successful development of the mixed income subdivision (which has increased the city's tax base by approximately \$4.5 million), the city has now developed lasting infrastructure and new housing stock.



- **LEE COUNTY MEDICAL CLINIC**—The City of Beattyville partnered with Kentucky River Community Care, a non-profit mental health care organization, to construct a health care facility to serve Lee County residents.
- **LEE COUNTY WATER TRANSMISSION AND STORAGE TANK PROJECT**—The construction of transmission line for treated water from the site of the water treatment plant to the water storage tank site included the construction of two 300,000 gallon water storage tanks. The County partnered with the City of Beattyville as the utility owner for the implementation of the project. The project was completed with CDBG, Economic Development Infrastructure Funds from Kentucky Infrastructure Authority, and funds from the City of Beattyville. Area benefit for low and moderate income persons was 57%.



- **BEATTYVILLE WATER TRANSMISSION PLANT**—The City of Beattyville constructed 2.0 MGD water treatment facility with acquisition of property, clearance, road construction, facility construction and connection to water transmission mains.
- **RED BUD**—FAHE Member Kentucky River Community Care Inc. (KRCC), a private nonprofit Community Mental Health Center dedicated to improving the health and wellbeing of the people of Eastern Kentucky, built 32 two-bedroom rental units on four scattered sites in Breathitt, Lee and Wolfe Counties for households earning less than 50% of AMI. These new homes have been made available to people with special needs including low-income AMI; substance abuse; Mental Retardation/Development Disabilities; brain injury or domestic violence and second to low-income households. All units were rented the day the project received its certificate of occupancy. Funding for development of this project came from FAHE's Housing Equity Fund of

Kentucky I, LLC through syndication of Low Income Housing Tax Credits, State Affordable Housing Trust Fund dollars, and Federal Home Loan Bank Affordable Housing Program Grant.



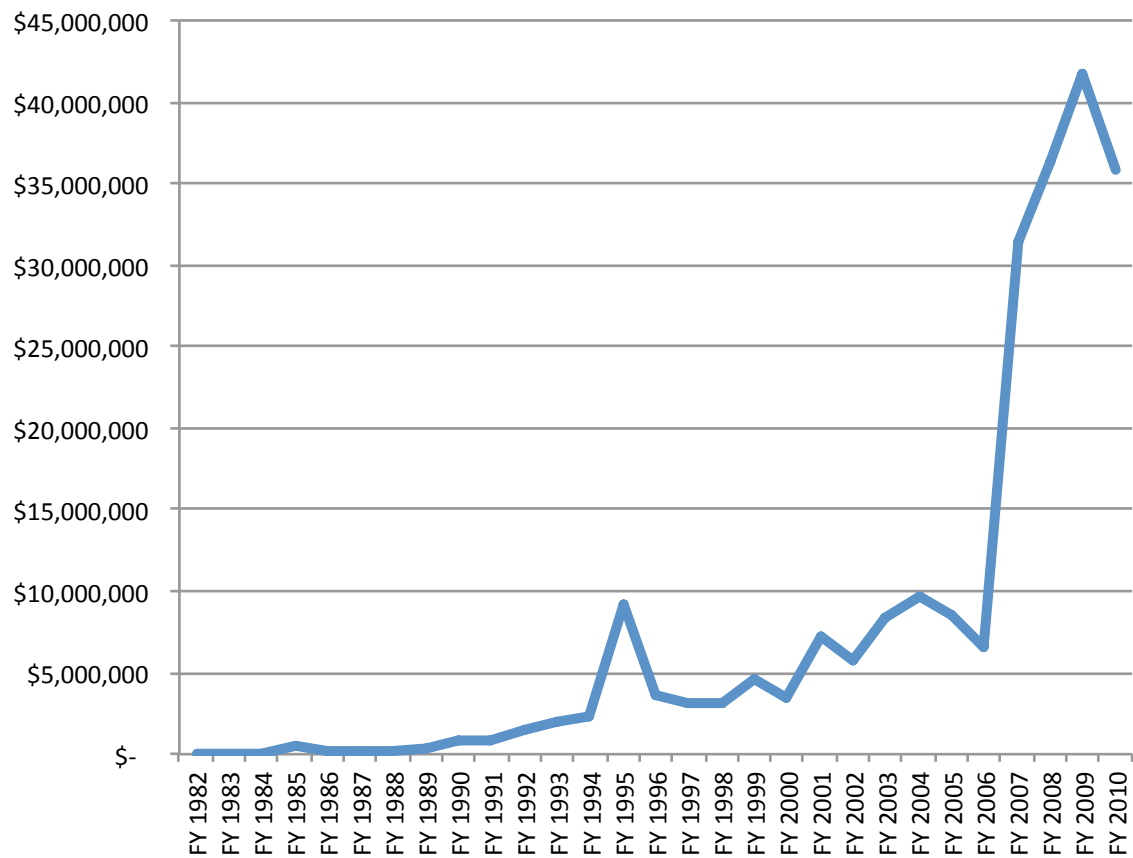
- **WEST PLACE**—BHDC worked with a local contractor to construct two duplexes in Beattyville on property sold to BHDC by the City of Beattyville at below market price during the summary of 2007. All units were occupied within less than one month. Each unit has washer/dryer hookups, meets Energy Star Standards, has an outside storage space and rents for \$358 per month to families below 80% of HUD area median income. Funding for this project came primarily from Kentucky Housing Corporation through the HOME Investment Partnership Program and State Affordable Housing Trust Fund Program.
- **BEATTYVILLE SENIOR APARTMENTS**—The City of Beattyville will be partnering with BHDC to purchase and renovate the old school building into 18 senior apartment units. The apartments will provide affordable housing to persons 55+ years or older who have a household income at or below 60% of area median income as determined by HUD. The building was constructed in 1926 and has been approved by the Kentucky Heritage Council for listing on the National Register. The sources of funding for the project are Community Development Block Grant Funds, Affordable Housing Trust Fund, Federal and State Historic Tax Credits and Low Income Tax Credits.



FAHE Total Financing 1982-2010

	Families	Loans	Loans Closed	Equity Placed	Projects Funded	Direct Financing	Leverage	Total Financing
FY 1982		3	\$26,800			\$26,800	\$26,800	\$53,600
FY 1983		5	\$36,800			\$36,800	\$36,800	\$73,600
FY 1984		7	\$58,000			\$58,000	\$58,000	\$116,000
FY 1985	18	22	\$556,081			\$556,081	\$602,696	\$1,158,778
FY 1986	7	16	\$263,543			\$263,543	\$281,671	\$545,213
FY 1987	6	19	\$254,694			\$254,694	\$270,232	\$524,926
FY 1988	5	19	\$234,245			\$234,245	\$247,193	\$481,438
FY 1989	10	25	\$333,990			\$333,990	\$359,887	\$693,876
FY 1990	56	56	\$809,673			\$809,673	\$877,006	\$1,686,679
FY 1991	63	63	\$762,775			\$762,775	\$824,929	\$1,587,703
FY 1992	93	65	\$1,125,713		\$364,000	\$1,489,713	\$2,749,619	\$4,239,332
FY 1993	99	99	\$1,936,119		\$-	\$1,936,119	\$2,094,093	\$4,030,212
FY 1994	183	62	\$2,084,451		\$205,000	\$2,289,451	\$4,319,123	\$6,608,575
FY 1995	475	74	\$3,168,802		\$6,078,476	\$9,247,278	\$3,321,597	\$12,568,875
FY 1996	269	87	\$2,786,278		\$819,000	\$3,605,278	\$3,881,021	\$7,486,299
FY 1997	431	108	\$3,075,988		\$-	\$3,075,988	\$4,656,729	\$7,732,717
FY 1998	387	89	\$3,158,738		\$-	\$3,158,738	\$5,393,106	\$8,551,843
FY 1999	365	114	\$4,559,077		\$-	\$4,559,077	\$7,110,832	\$11,669,910
FY 2000	391	68	\$3,231,307		\$200,000	\$3,431,307	\$6,238,362	\$9,669,669
FY 2001	449	86	\$5,498,793		\$1,782,000	\$7,280,793	\$17,942,234	\$25,223,026
FY 2002	596	99	\$5,274,146		\$424,000	\$5,698,146	\$22,411,415	\$28,109,561
FY 2003	561	107	\$5,998,040		\$2,417,014	\$8,415,054	\$36,813,229	\$45,228,283
FY 2004	616	111	\$7,941,616		\$1,669,311	\$9,610,927	\$37,856,277	\$47,467,204
FY 2005	388	86	\$7,428,880		\$1,082,864	\$8,511,744	\$22,368,902	\$30,880,646
FY 2006	311	69	\$6,555,920		\$-	\$6,555,920	\$23,300,855	\$29,856,775
FY 2007	423	152	\$15,561,742	\$6,530,000	\$9,390,377	\$31,482,119	\$44,902,218	\$76,384,337
FY 2008	748	185	\$17,640,098	\$6,519,021	\$12,139,854	\$36,298,973	\$48,141,430	\$84,440,403
FY 2009	1392	272	\$26,054,679	\$-	\$15,605,183	\$41,659,862	\$32,217,386	\$73,877,248
FY 2010	758	725	\$26,860,445	\$4,765,040	\$4,282,000	\$35,907,485	\$67,731,818	\$103,639,303
Total	9100	2893	\$153,277,432	\$17,814,061	\$56,459,079	\$227,550,572	\$397,035,459	\$624,586,031

FAHE Direct Financing 1982-2010



FAHE Members

KENTUCKY

- Appalachia Foothills Housing Agency
- Beattyville Housing and Development
- Bell-Whitley Community Action
- Christian Appalachian Project
- Christian Outreach with Appalachian People Inc.
- Community Ventures Corporation
- Foothills Community Action Partnership
- Frontier Housing
- Housing Development Alliance
- Housing-Oriented Ministries Established for Service
- KCEOC Community Action Partnership, Inc
- Kentucky Highlands Investment Corporation
- Kentucky Mountain Housing Development
- Kentucky River Community Care
- Low Income Housing Coalition of East Kentucky
- People's Self-Help Housing

TENNESSEE

- Aid to Distressed Families of Appalachian Counties
- Appalachia Habitat for Humanity
- Appalachia Service Project
- Blount County Habitat for Humanity
- Chattanooga Neighborhood Enterprise
- Clinch-Powell RC&D Council
- Creative Compassion
- Crossville Housing Authority
- Eastern Eight Community Development
- Foothills Community Development Corporation
- Kingsport Housing and Redevelopment Authority
- Knox Housing Partnership
- Knoxville Leadership Foundation
- Woodland Community Development

VIRGINIA

- Appalachian Community Action and Development Agency
- Clinch Valley Community Action
- Community Housing Partners
- HOPE, Inc
- People Inc. of Virginia
- Total Action Against Poverty

WEST VIRGINIA

- Fairmont Housing Authority
- HomeOwnership Center
- Housing Authority of Mingo County
- Housing Connections
- Mountain CAP
- Randolph County Housing Authority
- Religious Coalition for Community Renewal
- SAFE Housing and Economic Development
- Southeastern Appalachian Rural Alliance
- Southern Appalachian Labor School
- Woodlands Development Group



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