

# Oregon Public Banking Alliance

*Our Money, Our Future* [www.oregonpublicbanking.com](http://www.oregonpublicbanking.com)

## Public Banking & Affordable Housing

### ***How can public banking support affordable housing?***

A state public bank could play a vital role in addressing the affordable housing crisis by providing low cost, high-impact credit for socially beneficial and economically just forms of development. A variety of potential financial vehicles should be explored including construction loans, bond loans, and mortgage loans, which will be made in partnership with local community banks, credit unions, and CDFIs.

Other potential solutions would be offering flexible terms and extensions on lines of credit to affordable housing developers, enabling them to acquire properties and place them into permanently affordable cooperative housing arrangements and community land trusts.

### ***Can public banks help mitigate the housing crisis?***

A state public bank could support working-class neighborhoods and communities by creating loan instruments to finance rental assistance programs.

The task force could explore making special loan assistance available to ensure that future housing development linked to publicly funded transit investments supports people of color to stay in and improve their neighborhoods.

In times of crisis, public banks could be called upon to make capital available to localities immediately (similar to the Bank of North Dakota) and fund rental assistance programs to prevent evictions and foreclosures and prevent homelessness before it begins.

Another possibility could be long-term multi-unit mortgage financing, allowing local governments and nonprofits to acquire thousands of units of existing housing and permanently remove them from the for-profit segment of the local housing market.

### ***Could a state public bank emulate older models to overcome the push for austerity in challenging economic times?***

Despite Congress having passed two major infrastructure bills in the last year, over \$2 trillion in much-needed infrastructure is still unfunded, according to the American Society of Civil Engineers (ASCE).

One of the main infrastructure needs in Oregon today is our lack of affordable housing. Oregon could

leverage a Public Bank's power to help build public housing at dramatically lower costs, eliminating the issue private developers continually raise: that it's not sufficiently profitable to build affordable housing.

One model to explore in a task force would be FDR's publicly-owned Reconstruction Finance Corporation (RFC). It was not actually a bank; it got its liquidity by issuing bonds. "The RFC ... was allowed to borrow money from the Treasury and the capital markets, and then invest in relief and mobilization efforts that would eventually generate a return for taxpayers, all while skating past austerity hawks determined to cut or freeze government spending."

### ***Would providing public financial vehicles offer a balance to market forces that have driven housing supply to private equity?***

In 2012 and 2013, investment firms began to buy up single-family homes that were in foreclosure, many of them in bulk directly from banks. More recently, as housing prices shot through the roof, similar investors branched out into new build-to-rent neighborhoods and scooped supply in tight markets with all cash offers. Meanwhile, in the apartment market, private equity has been steadily increasing its stake as well, replacing more traditional real estate holding companies. A recent report by ProPublica finds that private equity firms now dominate among the top 35 largest owners of apartment buildings- and private equity may have its sights on the short term rental market as well.

In contrast, with a public mandate and lower cost of capital, public banks could allow under-resourced regions to create additional credit to spur the development of affordable housing, while also generating funding streams that compete with private equity for existing supply.

For more information, we visit us online at: [www.oregonpublicbanking.com](http://www.oregonpublicbanking.com).

For specific questions or concerns, please contact:

- Madeline Merritt, OPBA Chair  
[chair@oregonpublicbanking.com](mailto:chair@oregonpublicbanking.com)
- Kelie McWilliams, Rural Engagement Project  
[kelie@ruralengagementproject.com](mailto:kelie@ruralengagementproject.com)