

**JAPA Book Review: Financing low-income communities:  
Models, obstacles, and future directions.**

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The book is an edited compilation of chapters written by scholars in several fields relevant to community development finance (e.g., Urban and Environmental Policy and Planning, Law, Economics, Business, Housing, Financial Management). These multiple perspectives provide a well-rounded approach to the issue of low-income families' access to basic financial services, affordable credit, and investment capital all of which, the editor posits, are integral to healthy communities.

The book is divided into three sections: personal asset creation, the roles and challenges of financial institutions within community development, and evaluating progress of Community Development Financial Institutions (CDFIs).

The first section begins with Daniel Schneider and Peter Tufano's piece on assets and the effects of asset holding, who saves and holds assets, and how U.S. saving rates and wealth holdings compare internationally. By discussing these three central questions, the authors arrive at the core of the disparities of wealth and asset holding between low and high-income households. The following chapter by Janeth M. Hogarth, Jane Kolodinsky, and Marianne A. Hilgert addresses a key component of economic well-being: financial education. The authors postulate that financial education leads to secure families. They assert these families in turn, should be better able to contribute to vital, thriving communities furthermore foster economic community development. The authors emphasize that the importance of obtaining financial education is increasing as the onus of retirement savings and social security continues

to shift from employers to employees. The authors conclude that education is a necessary but not sufficient condition for efficient financial marketplaces. Financial education, they argue, serves as a foundation for community economic development strategies. This first section concludes with Lisa Servon's analysis on microenterprise development. The author identifies microenterprise development strategies as currently relevant to asset creation in the U.S. today (i.e., loss of secure, well-paid, middle-class jobs; downsizing and outsourcing trends; parents' need to balance working and care-giving roles; aging of the population; immigration growth; changes in the safety net; decline of many rural economies; and emergence of niche markets). The author then points out a clear divide in the objectives of microenterprise development programs (poverty alleviation and economic development) and the importance of identifying which side of the divide a microenterprise development program lies to evaluate its success.

The second section of the book is comprised of four chapters centered on the institutions involved in financing low-income communities. The first two chapters describe the role of Community Development Financial Institutions (CDFIs) and the financing organizations that comprise them: Community Development Loan Funds (CDLFs), Community Development Venture Capital Funds (CDVCs), Community Development Banks, and Community Development Credit Unions. The fifth chapter, by Julia Sass Rubin, focuses on the first two, and characterizes them as unregulated financial institutions able to take more risks and be more innovative while serving low-income communities. The author further depicts the economic and political challenges CLDFs and CDVCs are facing such as the economic slowdown that began in the first quarter of 2001 and George W. Bush's administration's approach to Community

Reinvestment Act policies. The author ends the discussion with a call for states to make capital available for community economic development and encourage public policies that encourage private investment. The following chapter by Marva E. Williams speaks to the need of the second two forms of CDFIs (Credit Unions and Community Banks). They serve as an alternative between the mainstream banking system and informal credit from high-cost lenders and they offer services that range from financial service provision and lending to education and alternatives to payday loans with the intent of helping their community members achieve financial security. The seventh chapter, by Rachel G. Bratt, recounts the history of affordable housing institutions in the U.S. The author pinpoints housing as critical to household, neighborhood, and societal well-being and further presents conservative, liberal, and progressive-critical views to federal intervention in housing. The highlight of the chapter is the author's list of observations when promoting homeownership for low-income households. The eighth and final chapter in this section is written by Kathleen C. Engel and Patricia A. McCoy on predatory lending. After describing the characteristics of predatory lending the authors go through the history and potential alternatives to combat its proliferation.

The last section, evaluating progress, contains a chapter written by Robinson Hollister which reviews past evaluation attempts as well as methods of evaluating outcomes (in most cases) or impact (limited to instances when a causal link between CDFI activity and a measured impact has been established). This final chapter is an appropriate closing to the issue at hand and provides a reflection on all previous chapters by discussing evaluation methods.

The book provides a useful overview for community developers since it presents a diverse array of topics that relate to financing development for low-income communities. A limitation of the book is that the authors equate community development with economic development. While this may be the most common interpretation of development, as planners we must cultivate a more inclusive understanding of the types of development that exist (social, cultural, human). Furthermore the authors neglected to identify corporations/ businesses as one of the major players in the triad of interests at play (government, individual, corporate) in economic development.

## **References**

Rubin, J. S. (2007). *Financing low-income communities: Models, obstacles, and future directions*. New York: Russell Sage Foundation.

