

ADVANCING HOUSING EQUITY THROUGH COMMUNITY BANKS:

Expanding Access to Affordable Rentals

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New national housing data shows that rental affordability has reached its most strained point in decades, with more households than ever struggling to keep up with rising rents. The latest findings from Harvard's Joint Center for Housing Studies highlight how a growing share of renters are spending unsustainable portions of their income on housing, leaving little room for necessities and pushing many into unstable or overcrowded living situations.

Economic uncertainty has made it increasingly difficult for people to keep pace financially with rising rents. Federal and state housing assistance programs remain deeply underfunded, and the shortage of affordable homes pushes renters into unstable living situations. Addressing these challenges requires sustained investment in affordable housing programs, innovative financing mechanisms, and reforms that unite public and private resources.

Investing in Housing Equity

The federal Low-Income Housing Tax Credit (LIHTC) remains the nation's most powerful engine for creating, preserving, and rehabilitating affordable rental housing. Since its inception nearly 40 years ago, LIHTC has financed more than four million affordable apartments providing stable homes for millions of low-income families, seniors, veterans, farmworkers, Native Americans, and people with disabilities. No other federal, state, or local program matches its scale, reach, or impact.

Despite rent restrictions and tight operating margins, LIHTC properties have consistently maintained high occupancy rates and delivered dependable returns to investors. Yet today, this cornerstone of housing stability faces mounting pressure with proposed reductions in federal housing resources threatening to deepen an already critical shortage of affordable homes.

Programs like LIHTC, Housing Choice Vouchers, and public housing currently support more than five million households, but remain chronically underfunded, further intensifying the housing crisis, particularly for the most vulnerable.

State and Local Support

Solving the housing crisis requires **multi-level collaboration from state and local governments, policy innovation, and sustained investment**. Many are reforming zoning laws to encourage the construction of smaller apartment buildings and accessory dwelling units, increasing the supply of affordable homes. New financing mechanisms are emerging, such as state and local housing trust funds—over 800 of which now support affordable housing projects. However, flexible federal resources remain essential to reinforce these local efforts.

The Unique Role of Community Banks

Due to their strong ties to local communities and flexible lending capabilities, community banks are uniquely positioned to strengthen local housing markets by increasing access to affordable rental housing.

By participating in public-private partnerships (PPPs), community banks can amplify their influence—merging local insights with public resources to boost lending capacity, share risks in underserved markets, reinvest in neighborhoods, and introduce private-sector innovation into public service delivery. These efforts help develop a more resilient, inclusive, and responsive financial ecosystem.

Specifically, community banks can utilize tools like the LIHTC along with flexible financing to fill funding gaps and promote the development of affordable housing—strengthening the economic fabric of the communities they serve.

Benefits for Community Banks:

- **Expanded Lending Capacity:** Public subsidies and incentives enable banks to serve new markets—such as affordable housing—without overextending their capital.
- **Risk and Cost Sharing:** Collaborations with Community Development Financial Institutions (CDFIs) and other partners help distribute risk and reduce costs.
- **Customer Growth and Community Goodwill:** Supporting local development creates jobs, increases demand for banking services, and boosts the bank's reputation.
- **Innovation and Efficiency:** Gaining access to private-sector tools and expertise improves project implementation and service delivery.

Benefits to the Community:

- **More Affordable Housing:** Investment from community banks increases the availability of rental units for low-income households.
- **Stronger, More Stable Neighborhoods:** Affordable housing helps prevent displacement and supports local economic growth.
- **Deeper Community Trust:** Long-term relationships between community banks and underserved populations enhances financial inclusion and resilience.
- **Inclusive, Sustainable Development:** These investments contribute to creating communities that are fair, vibrant, and ready for the future.

The Imperative for Action

As the nation confronts a deepening affordability crisis, community banks have an essential opportunity—and responsibility—to help shape a more equitable housing future. By expanding

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their participation in affordable rental development, leveraging proven tools like LIHTC, and strengthening partnerships across the public and private sectors, these institutions can drive meaningful, measurable change.

Ensuring every family has access to a safe, stable home is not only a moral imperative but a foundation for long-term economic resilience. With sustained commitment and collaboration, we can build communities where opportunity is shared, growth is inclusive, and housing is within reach for all.

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