

### The Organization

Frontier Housing, a community based, nonprofit organization that addresses the housing needs in Appalachian northeastern Kentucky, serves 8 counties in the region (Bath, Carter, Elliott, Fleming, Menifee, Morgan, Rowan, and Wolfe). The organization, which is located in Morehead, was established in 1974 and has produced more than 400 homes for low-income families in Eastern Kentucky. In addition to building the homes, Frontier provides the financing, making unique financing options available to make the homes for affordable. Pre- and post-homeownership counseling, credit counseling, and advocacy efforts are other services that are provided by Frontier. Frontier is also involved in the acquisition and rehabilitation of homes to make them available to the families that they serve. The organization also provides some rental assistance, however, there concentration is in providing homeownership opportunities.

Frontier Housing administers a specially designed homebuyer program which combines public and private funds for creative loans that meet the needs of low-income households in its service area. Frontier provides loans with interest rates as low as one percent for a term of 30 years and families pay a maximum of 29 percent of their monthly income towards housing costs. The organization also manages its own construction company which builds modest, well-designed, low-maintenance, and energy-efficient homes. Participating families get very involved with the process of building their home, contributing 200 hours of labor, or "sweat equity" to further lower the cost of the home.

### Community Context

Frontier's entire eight-county service area is considered rural and five of the eight counties are indicated as "designated distressed" in FY2005 by the Appalachian Regional Commission<sup>1</sup> (ARC). The median income for

the service area is \$24,411, significantly less than the state's median income of \$33,672, or the national median income of \$41,994. The instability of the state's economy has caused the unemployment rate to rise. In 2003, the unemployment rate in the eight-county service area was 9.5 percent, compared to the state's rate of 6.5 percent and the national rate of 5.8 percent for the same time period. The service area is also plagued by high poverty rates. While the national poverty rate is 12.4 percent, some of the counties in Frontier's service area have poverty rates as high as 35.9 percent. The entire service area has a poverty rate of 24 percent, which is nearly twice the national rate and significantly higher than the state's rate of poverty, which is 15.8 percent.

While quality housing has become more readily available in some rural areas, many families in Eastern Kentucky still live in homes with serious deficiencies, that are unsafe, overcrowded, with no air conditioning or heat, and no running water. According to the 2000 Census, 884 occupied households in Frontier's service area are overcrowded, 889 have incomplete plumbing, and 632 have incomplete kitchens.

These numbers demonstrate a need for continued access to safe, decent, and affordable housing. However, these statistics do not include an even greater number of households in the service area that occupy homes with faulty electricity, leaky or collapsed roofs, and insufficient heat and insulation. A quick observation of the service area would reveal the number of aging mobile homes and frame houses that clearly should not be occupied by anyone.

According to the National Low Income Housing Coalition's "Out of Reach" study, a study of the growing disparity between wages and rent, indicates that workers in Frontier's service area would have to earn between 185 percent and 248 percent of the current Minimum Wage to be able to afford a three-bedroom rental unit at the area's Fair Market rent. For families who are receiving a social security, SSI, or who are working low-paying jobs, this makes rental housing inaccessible or unaffordable. While the "Out of Reach" study utilizes the Fair Market Rent for a three-bedroom of \$495 to \$598, actual

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<sup>1</sup> The Appalachian Regional Commission (ARC) was established by Congress in 1965 to support economic and social development in the Appalachian region. It is a unique partnership composed of the governors of the 13 Appalachian states and a presidential appointee representing the federal government.

costs for many rentals in the service area tend to be much higher.

### Project Completed

In 2001, Frontier Housing received a \$100,000 Rural Housing and Economic Development capacity building grant. This grant is being used to build 35 single-family homes for low-income families in Frontier's service area. Funds from this grant have also been used for developing a specialized database loan processing and homeownership counseling activities; establishing satellite offices; hiring a pre-development manager (this staff person focuses on land acquisition); expand their homeownership counseling activities; acquire loan servicing software; upgrade existing computers; and staff training.

The construction of the 35 single-family homes began in 2002 and will be completed in 2005. Frontier has collaborated with a number of organizations to complete this venture. They are, Sarah's Place Women's Resource Center, Inc., Will Lender & Associates, and Federal, State, and local officials. The leveraging and in-kind resources for this project total approximately \$200,000.

### Community Impact

It is difficult for Frontier to assess the community impact of this project but one obvious impact is the increase in the availability of affordable housing to its constituents. Also, in FY03, Frontier served 51 people, which is the highest number of people that the organization has served in a fiscal year.

### Organizational Impact

As a result of working on this project, the employees of Frontier Housing have become skilled at focusing on strategic planning and looking internally to understand fully the services that the organization can provide before going out into the community. Frontier's contribution to the community has also made the organization more visible, as more members of the community, as well as the entire service area become aware of the work that the organization has been involved in. This has also allowed the

organization to be more aware of its capabilities and the number of lives that the work of the organization has changed.

The organization has also found ways to work more strategically as it gains more experience in housing development. The upgraded computers have also increased the efficiency of the work done by the employees. Frontier has also had the opportunity to develop new partnerships with organizations and government. They have also gained more access to funding for operational support.

### Outcome Measures/Leverage

- Number of housing units constructed - 25
- Number of jobs created - 1
- Increase in program accomplishments as a result of capacity building assistance – 1 employee hired; upgrade of computers has increased efficiency of work; new database has increased efficiency of work
- Increase in organizational resources as a result of assistance (e.g., dollars leveraged) - \$200,246 in dollars leveraged

### Lessons Learned

The employees at Frontier have learned many lessons from being involved in this project. They have learned how to serve their clients better. They have also learned to assess their constituents better before developing counseling sessions or trainings for them. Frontier has now started to conduct focus groups for financial literacy to obtain an understanding of what people already know and what they would like to learn.

Frontier has also learned not to underestimate their clients. They have discovered that the clients are often extremely ambitious and can accomplish almost any goal that is set by them. Frontier has also learned that they can be more successful in housing development if they identify and maintain a portfolio of land, as opposed to obtaining land as the need arises. They have also discovered that the development of their new database has simplified many procedures in their organization.

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