Democratic Anchorage and Nonprofit Organizations in Governance Arrangements: The Case of Negotiated Community Reinvestment Act (CRA) Agreements

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ABSTRACT

This paper explores the contribution of nonprofits to democratic accountability in community development, self-governance arrangements. New public management (NPM) reforms advocate for decentralized governance arrangements, through which nonprofits can contribute to efficiency and effectiveness in a number of ways. However, what remains less certain is the extent to which nonprofit organizations contribute democratic accountability to governance arrangements. Nonprofits can contribute efficiency and effectiveness through direct responsibility for building the physical infrastructure of communities, through the production of housing, or through the delivery of workforce training or social service programs to improve opportunities for community members. Yet, still other nonprofits pursue democratic functions, through the pursuit of political purposes to empower communities of high need by advocating for rights, lobbying and influencing political agendas. While models have been used to generate empirical evidence on the contribution of public sector to democratic accountability in governance arrangements, there remains a need to expand these models to capture empirical evidence on the democratic contribution of nonprofits.

This paper takes a step in this direction, by moving beyond a nonprofit's legal status to analyze the democratic features of nonprofit organizations that participate in one type of self-governance arrangement, negotiated Community Reinvestment Act (CRA) agreements. Using longitudinal data on nonprofit organizations and CRA agreements, the results from logistic regression suggest that organizations most likely to negotiate CRA agreements are located in areas of high need and pursue political purposes, suggesting an overall contribution to democratic accountability. However, the data also suggest that in this particular policy environment, the capacity of the nonprofit organization also has a significant effect. This finding raises further questions about how the interests represented by smaller, voluntary grass roots organizations are represented by larger nonprofit actors in governance networks.

The article is significant in that it contributes empirical evidence to further an understanding of the democratic features of nonprofit organizations in governance networks.

INTRODUCTION

Nonprofit organizations often play a pivotal and critical role in civil society. For example, the organizing and advocacy efforts of nonprofit, community-based organizations have been identified as an important factor that has influenced the formation of Community Reinvestment Act (CRA) agreements, which fueled reinvestment in low- and moderate income, urban communities (Squires, 1992; 1993). However, as Eikenberry and Kluver (2004) suggest, the reinventing government movement (Osborne & Gaebler, 1997) and New Public Management (NPM) reforms (Kettl, 1997) that emphasize the engagement of nonprofits in direct service delivery and raise democratic and citizenship concerns. Conceptions of governance networks raise a number of questions about accountability, for what and to whom, and to a large extent these concerns have predominantly focused on concerns related to efficiency or effectiveness of networks at the exclusion of understanding democratic sources of accountability (see Sorenson & Torfing, 2005, for an expanded review). Specifically, there remains a need for additional empirical evidence to illustrate whether or not an increased reliance on nonprofit organizations in direct service and program delivery roles reduces the democratic accountability nonprofits provide to governance arrangements. *The central research question of concern in this paper is do nonprofits that engage in negotiated CRA agreements provide democratic accountability to these self-governing arrangements?*

The governance arrangements of interest in this paper are negotiated Community Reinvestment Act (CRA) agreements between nonprofit organizations and lenders. The Community Reinvestment Act of 1977 (CRA) is a policy described as influencing the democratization of credit (Marsico, 2005; Squires 1992; 2003) and dubbed by Fishbein (1992) as "regulation from below". Nonprofit organizations have historically used CRA to negotiate reinvestment responses with lenders. Where once CRA agreement activity was largely classified as the result of organizing and advocacy efforts of community-based nonprofits, policy reforms have fueled the growth of nonprofits with a development mission and focus, raising questions about the democratic contribution of nonprofits to these arrangements and whether or not these functions have been replaced by an emphasis on program and service delivery.

The significance of this paper is that it expands existing models of democratic accountability to understand the contribution of nonprofit organizations based on the purposes and actions they take rather assuming that nonprofits automatically provide democratic accountability. Nonprofit organizations in the arena of community development policy vary along a number of different characteristics (Dreier, 2003; Stoecker, 1996; Taylor & Silver, 2003). Some engage directly in community and economic development, working to build the physical infrastructure of a community and working as nonprofit housing developers or producers. Others have a political orientation and seek to build and empower communities and advocate for rights, yet others directly pursue policy goals through lobbying and activism and mobilization to represent the interests of those typically in need. While all of these purposes result in a tax-exempt legal status under the guise of their nonprofit mission and purpose, it is plausible that some contribute more directly to objectives related to efficiency and effectiveness, where as others make a more substantial contribution to democratic accountability.

To answer the research question, data on CRA agreements were obtained through a Freedom of Information Act (FOIA), yielding a list of over 300 nonprofit organizations with negotiated agreements during 2000-2009 in the largest 100 metropolitan areas in the United States. Data on the characteristics of these nonprofits were obtained from the National Center for Charitable Statistics (NCCS). NCCS data was also used to obtain a random sample of comparable nonprofit organizations without agreements for analysis purposes. Metropolitan level socioeconomic and demographic characteristics from the American Community Survey (ACS) were used to construct measures of need and control for other factors. Metropolitan level data on lender characteristics from the Summary of Deposits (SOD) were used to control for the lending regulatory environment. The results suggest that nonprofits that negotiate CRA agreements add democratic accountability to these networks, evidenced by the capacity to take action, the pursuit of political purposes and representation of communities in need.

SELF-ORGANIZING GOVERNANCE ARRANGEMENTS

Self-governance arrangements are the primary focus of the analysis, and in this paper, governance arrangements are defined as self-negotiated CRA agreements between lenders and nonprofit organizations in pursuit of community reinvestment objectives. A distinguishing characteristic between government and governance perspectives is that the later recognizes the wide potential of actors engaged in the formation and implementation of public policy, shifting away from traditional paradigms focused on the formal actors of government charged with a particular policy function. According to Torfing, S∅rensen and Fotel (2009), "governance networks can be in many different forms, formal and mandated from above, while others are informal and relatively self-grown, some are open and inclusive, and others have a narrow focus on single issues" (p. 285) and are dependent upon "relevant and affected actors from state, market, and civil society, who chose to pool their resources and coordinate their actions in the pursuit of common understandings and shared goals that are deemed to the benefit of the greater public" (p. 284-285). In short, the a priori assumption in this paper is that governance arrangements are not by definition 'democratic' or 'undemocratic', but rather governance arrangements may contain democratic elements, which are contingent upon the actions taken by the organizations in the arrangement and the sources to which they are held accountable.

The governance arrangements of interest in this paper are negotiated community reinvestment agreements between nonprofit organizations and lenders from 2000-2009. The Community Reinvestment Act (CRA) of 1977 is a federal Act designed to encourage lenders to meet the reinvestment needs of their community. The design of the CRA legislation provides a great deal of flexibility to lenders and nonprofit organizations to interact and develop their own self-governing arrangements to meet local community reinvestment needs. Although the public sector still plays a pivotal role in regulating lenders under CRA, as jurisdiction falls to the Federal Deposit Insurance Corporation (FDIC), Federal Reserve Board (FED), Office of Thrift Supervision (OTS), and Office of the Comptroller of the Currency (OCC), the case of agreements provides an opportunity to consider the empirical characteristics of nonprofit organizations that enter into self-governing arrangements with lenders to meet CRA objectives.

DEMOCRATIC ANCHORAGE AND NONPROFIT ORGANIZATIONS

The concept of democratic anchorage is used to understand the sources of democratic accountability nonprofit organizations provide in these self-governing arrangements. Figure 1 depicts the relationships between the key concepts. S∅rensen and Torfing (2005) understand democratic accountability in governance arrangements as a function of its democratic anchorage; however, in this paper, the concept of democratic anchorage is expanded to capture the accountability complexities of the nonprofit sector. Specifically, in this paper, democratic anchorage is defined based on the characteristics of the nonprofit organization, including its mission, actions and capacity for action. Specifically, nonprofit organizations are viewed as contributing democratic anchorage to governance arrangements when they pursue political missions and purposes, mobilize in areas of community need and have the capacity to take action.

<Insert Figure 1 About Here>

Torfing, S∅rensen and Fotel (2009) observed that there are multiple sources and degrees of democratic anchorage in networks, and argue that everything ultimately depends upon a "concrete assessment of the form and character of the governance network within question" (p. 296). A network is democratically anchored to the extent to which it comprises some combination of "control by democratically elected politicians, accountable to the territorially defined citizenry, representative of the membership basis of the participating groups and organizations and follows the democratic rules specified by a particular grammar of conduct" (S∅rensen & Torfing, 2005, p. 201; Torfing, S∅rensen, & Fotel, 2009). This definition is valuable in evaluating sources of democratic accountability when public organizations are directly steering governance arrangements as one can systematically evaluate the actions of public organizations to understand the extent to which they establish rules and regulations to monitor actors in the arrangement, adopt processes and practices to encourage participation and representation, and are responsive to the will expressed by citizens through democratic processes. Likewise, public organizations are also granted formal authority to take action. However, this conceptualization is less helpful when expanding to nonprofits involved in self-governance arrangements, as the purposes nonprofits pursue can vary widely, sources of accountability are more ambiguous, and they often lack formal authorization to act.

As noted by Stone and Ostrower (2007) and later emphasized by Koliba, Meek and Zia (2011), nonprofit organizations are the most fluid and contextual members in governance arrangements because they are subject to the organization's mission and the interpretation of the mission by managers, boards of directors, stakeholders and clients as opposed to pure profit maximization or satisfying elected officials or citizens. And, just as nonprofits are more ambiguous in regards to their direct sources of accountability, there are additional factors to consider surrounding the interests nonprofits represent (Haque, 2011). So, the fundamental problem becomes how to systematically evaluate if nonprofits make a democratic contribution or if they are more squarely involved to contribute to the production of a specific good or delivery of a service. This paper seeks to answer this question by determining the extent to which the following factors distinguish a nonprofits entrance into a CRA agreement. Do the nonprofits that participate in governance arrangements mobilize in areas of need? Do nonprofits contribute to these arrangements beyond mere effectiveness or efficiency concerns? And, finally, do nonprofits have the capacity to participate? It is plausible to assume that in different types of governance arrangements and policy environments nonprofits contribute varying degrees of democratic anchorage.

ANTICIPATED RELATIONSHIPS

Nonprofit organizations have long been noted to play an democratic role in society by building social and political capital and often serving a pivotal role of representing the interests of communities of need (Boris & Steurele, 2006; Eikenberry & Kluver, 2004). In many cases nonprofits mobilize to represent and advocate for the interests of citizens, particularly in marginalized communities, forging critical relationships between citizens and the formal policy and administrative players. In this sense, nonprofit organizations contribute democratic anchorage to governance networks when they engage in political action, seek to empower and mobilize communities, and take action in communities of need.

Nonprofits can influence representation through political advocacy. Torfing, S∅rensen and Fotel (2009) suggest that often there is a two-way street between organizations operating in governance networks, the interests represented and the responsiveness of local level political officials. D'Agostino and Kloby (2011) found that nonprofits played an important role in Post-Katrina development, through building relationships between government and citizens through their advocacy and lobbying efforts. However, they also represent a very diversified sector, characterized by organizations that contribute different resources to public issues, represent a variety of missions and goals, serve very different populations and interests and have varying capacities and routes to action, from building the political capacity of a community to fulfilling more of an economic role (Mirabella, 2013). Through political activity, nonprofits can contribute democratic anchorage to governance arrangements through their influence on the political process, and ensuring the reinvestment needs of a community are represented in the policy process.

Nonprofits can individually push for political agendas, lobby political officials and inform public policy debates in regards to reinvestment issues, contributing to the political priorities and shaping the willingness of lenders to engage in agreements with nonprofits in pursuit of these purposes. As Immergluck (2004) found, as political administrations made CRA a priority at the federal level, increased responsiveness of formal regulators has been observed, which in turn encouraged lenders to be more responsive to the needs of community-based groups.

In addition to directly engaging in the political process, nonprofits have historically been noted as playing a pivotal role in building both social and political capital in the community (Boris & Steurele, 2006; Eikenberry & Kluver, 2004; Putnam, 1993; 2000). Nonprofit organizations can negotiate agreements with lenders through CRA to secure resources to build community organizing and capacity, so that a community can continue to monitor the behavior of lenders and articulate localized needs to lenders and policymakers. Dreier (2003) distinguishes between the different strategies of achieving community empowerment-- community organizing and community development. Organizing is defined as mobilizing people to fight common problems and increase their presence in decision-making. Community organizing efforts were boosted in the mid-1960s by the establishment of community action agencies and the Model Cities program, which encouraged citizen participation in an attempt to increase awareness of key issues as well as inform and influence policy debates and legislation. Community organizing efforts can be directly oriented towards fostering citizen engagement, educating and empowering community members, and include more direct efforts towards building political leadership in a community.

Conversely, it has been cautioned that increasingly, the political nature of community-based organizations has been trumped by a focus more physical development goals and objectives (Dreier, 2003; Stoecker, 1996; Taylor & Silver, 2003). The community development movement began in the late 1960s as neighborhood organizations began to spin off community development corporations (CDCs), nonprofit development organizations that build and rehabilitate commercial and residential property in minority- and low-income communities, with the distinct goal of increasing the supply of housing in communities. Likewise, community development financial institutions began to form in the 1960s, and experienced growth during the mid 1990s due to a number of broader macro-level policy changes including the creation of the CDFI fund, coupled with renewed CRA guidelines that recognized loans and investments in community development organizations as a qualified CRA activity (Coalition of Community Development Financial Institutions, 2010; Immergluck, 2008; Zinman, 2002).

Nonprofits in the current financial services policy environment have also used CRA agreements not only to build communities and change the actions of lender, but have also influenced lenders to invest in partnerships with other community-based organizations, make investments in locally-based community development financial institutions (CDFIs), partner with organizations that provide credit counseling, and provide loans for specific community and economic development projects or activities (Avery, Bostic, & Canner, 2002; Barr, 2005; Campen & Callahan, 2001; Quercia et al., 2001; Schwartz, 1998). Thus, while these may still contribute benefits in regards to efficiency or effectiveness, these actions may also contribute democratic anchorage. Therefore, Hypothesis 1 suggests that nonprofits with a political mission or purpose, such as building political or social capital in a community or engaging in lobbying activities, will be more likely to enter into a CRA agreement with a lender, providing a greater degree of democratic anchorage.

H_1: Nonprofits that pursue political purposes will be more likely to negotiate CRA agreements than those that do not.

Nonprofits also contribute democratic anchorage by mobilizing to represent community needs. Mobilization for need is an important factor in identifying the extent to which the actions of nonprofits represent the needs of the community. Nonprofits contribute democratic anchorage by mobilizing in areas of need to direct resources or encourage lenders to take action to meet these needs.

Since the mid 1990s, and particularly through the mid 2000s, the reinvestment challenge facing a number of low-income, urban communities was not necessarily access to credit, but access to equitable, or lower-priced, credit. As headlines and news reports documented the subprime crisis, the rampant availability of higher-priced or subprime credit has been blamed for the current economic crisis. The two main mortgage credit markets are commonly referred to as prime and subprime. Prime markets, which offer credit at a lower interest rate, typically serve middle- income individuals with good credit. The prime market typically serves "A" borrowers whose credit scores are above 650 (Renuart, 2004). The subprime market provides credit, offered at a higher price, to borrowers with an A- to D rating, based on credit scores.

Subprime lending has a strong correlation with borrower-specific characteristics, such as minority status and education levels, as well as neighborhood characteristics such as low-income, predominantly minority, and urban communities (Courchane, Surette, & Zorn, 2004; Department of Housing and Urban Development, 2000). For example, the Department of Housing and Urban Development (HUD) (2000), assessed subprime lending in five cities (Atlanta, Baltimore, Chicago, Los Angeles, and New York) and found subprime loans were over three times more likely in low-income neighborhoods than in high-income neighborhoods, and five times more likely in black neighborhoods than in white neighborhoods. Based on individual borrower racial characteristics, black and Hispanic mortgage holders pay more for mortgages—Krivo and Kaufman (2004) found that both groups have home loans with higher interest rates when compared to whites and are 1.5 to 2.5 times more likely to pay interest of 9 percent or more.

In a number of cases, lenders and community-based groups have negotiated lending agreements to increase access to prime, or more inexpensive forms of credit, in low-income or traditionally underserved communities. For example, in Massachusetts, community-based groups, city and state government officials, and lenders negotiated the SoftSecond mortgage program, which combines a conventional home mortgage with a subsidized second to help low-income homebuyers qualify for a mortgage at a lower interest rate (Callahan, 2007). Other responses include provisions for homeownership counseling, opportunities for wealth creation by combining mortgage loans with matched savings accounts, relaxed underwriting standards, ongoing lender involvement in assessing community credit needs and lender commitments to matched market share lending in low-income and minority communities (National Community Reinvestment Coalition, 2005). As the issue facing these communities has changed from one of lack of access to lack of access to prime markets, informal actors, lenders and community-based groups, have mobilized not only to pursue increased access to credit for low- and moderate- income communities, but also in response to concerns surrounding the cost of credit in these communities. Thus, Hypothesis 2 suggests that nonprofits that enter into negotiated agreements will be more likely to be located in areas of reinvestment need, thus contributing community representation to the governance arrangement.

H_2: Nonprofits located in communities with reinvestment need will be more likely to negotiate CRA agreements than their counterparts in communities without need.

However, a concern that emerges in the literature is that in today's financial services environment, the potential of nonprofits to contribute democratic anchorage to self-governance arrangements may depend upon the resource capacity of the nonprofit organization. The concern suggests two considerations for democratic anchorage. First, the extent to which nonprofits can negotiate agreements with resource rich and powerful private lenders, and secondly, the extent to which these larger, nonprofit organizations have usurped smaller, voluntary forms of organizing.

Voluntary forms of organization have often been espoused as being critical to democracy (Eikenberry & Kluver, 2004; Putnam, 1993; 2000; Salamon, 1997), with concerns that the marketization of nonprofits may erode some of the more democratic contributions of nonprofit organizations, as they conform to isomorphic pressures, striving to pursue resources, become removed from their organizing functions, and become more professionalized or directly engaged in not only advocacy efforts but also service delivery (DeFilippis, Fisher, & Shragge, 2010; Rathgeb Smith, 2012; Salamon, 1997; Sandberg, 2012; 2013). Yet, at the same time, given changes in the external environment and changing paradigms in community development practice, nonprofit organizations have found ways to gain the capacity to grow and develop into broader-based community based development systems that engage in collaboration and joint action with other nonprofits in order to pursue broader political and social change (Saegert, 2006; Sites, Chaskin, & Parks, 2007). As Sites, Chaskin and Parks (2007) argue, what drives community organization is not just the social mission, but also the ability for organizations to cross social divides, cross spatial and political boundaries, and cross sectoral boundaries to form comprehensive community initiatives. And, as Glickman and Servon (1998) argue and Saegert's (2006) model suggests, the ability for organizations to do this successfully requires capacity, in the form of resources, organizational, programming, networking and political.

CRA activism, in its infancy, was largely driven by nonprofits resembling voluntary forms of association. Many of the groups and organizations that were fighting on behalf of the reinvestment interests of communities emerged during the high point of community activism, identified by DeFilippis, Fisher and Shragge (2010) as occurring in the 1960s and mid-1970s. The inclusion of local, neighborhood-based community based groups and nonprofit organizations in CRA regulation originated through local, direct organizing efforts by community-based groups in Chicago, between National People's Action and South Shore Bank (Pogge, 1992) and brought nonprofit organizations representing the concerns of citizens into the process. This agreement largely influenced the passage of formal CRA legislation at the federal level in 1977, which included provisions for the public to provide comments to regulators regarding the performance of lenders in their community.

However, the growth of lenders and the relaxation of regulatory standards enabled lenders to operate across states and merge to create larger, national entities. In turn, this moved much of the CRA decision making away from the local community, concentrating it into the headquarters of financial service institutions located in other states, out of the reach of local community-based groups (Ashton, 2008; Joint Center for Housing Studies [JCHS], 2002). At the same time, CRA standards were relaxed for smaller banks, those most likely to be closer to local communities. This created a need for nonprofit organizations to formalize and grow their efforts and networks in order to negotiate with lenders (JCHS, 2002) and represent the interests of low-income, urban communities in these arrangements. As policy changes influenced the growth and expansion of the financial services arena, so too, was growth and formalization perceived as a necessary strategy among community-based groups and organizations.

In a policy environment characterized by large, powerful, resource-rich private entities, further removed from the community, the ability of nonprofits to mobilize and contribute democratic anchorage depends on their ability to gain the capacity to take action. Without such capacity, their ability to represent the interests of the communities CRA targets is likely to suffer. Therefore, Hypothesis 3 suggests that nonprofits with greater capacity will be more likely to negotiate CRA agreements.

Hypothesis 3: Nonprofits with greater capacity will be more likely to negotiate CRA agreements.

In the next section, the methodological approach is presented, which details the sources of data and the operationalization of the dependent, independent and control variables used in the analysis.

METHODOLOGICAL APPROACH

A logistic regression model with panel data was estimated to test the hypotheses, to determine what can be said overall about the democratic anchorage contributed by nonprofits in these governance agreements.

Data Sources. Data were obtained from the following sources: American Community Study (ACS), the Federal Depository Insurance Corporation's (FDIC) Summary of Deposit data (SOD) (lending and regulatory characteristics), and the National Center for Charitable Studies (NCCS) (characteristics of nonprofits). Annual data on CRA agreements from 2000-2009 were obtained through a Freedom of Information Act (FOIA) request from regulators, resulting in 336 agreements with detailed information on the purpose of the agreement, and linkable to identifiable nonprofit organization negotiated in the largest 100 metropolitan statistical areas in the United States.[i]

The data provided in the CRA agreements were used to link each nonprofit organization negotiating an agreement to the nonprofit's employee identification number (ein), which was then used to link to organizational level data on the nonprofit in the NCCS database for each year. To construct the panel data set, the NCCS 2000 data was used to obtain a random sample of nonprofit organizations without agreements but reporting the same National Taxonomy of Exempt Entities (NTEE) general classification code as those with agreements. NTEE codes are derived from the NTEE system, which is used by the Internal Revenue Service (IRS) and the NCCS to classify nonprofit organizations (NCCS, 2013). This created a cross-section of nonprofit organizations for the analysis from the classification codes, some with agreements, some without. To capture the time element, annual data were obtained for each organization for each consecutive year until 2009, yielding a panel data sample of 6,430. For some years and for some organizations, the NCCS data available for a particular year was the same as the previous year, and therefore data by year was aggregated into 5 periods, 2000-2001, 2002-2003, 2004-2005, 2006-2007 and 2008-2009. For some organizations, in one year they had an agreement and in another year they did not. All organizational level data were then linked to data at the metropolitan level (MSA) including data on housing and socioeconomic characteristics available through the ACS, general nonprofit sector characteristics and lending and regulatory characteristics from the SOD.

CRA Agreements. The dependent variable used for the analysis is a binary variable, indicating whether or not an organization negotiated a lending agreement, valued at 1 if an organization negotiated a CRA lending agreement. To test the hypotheses, the organizational factors presented in the previous section were regressed onto the dependent variable to understand the extent to which these factors predicted an agreement.

Political Purpose. Political purpose was operationalized in two ways: engagement in the policy process through lobbying efforts and using the organization's self-reported purpose. To capture the nonprofits direct engagement in the political process, data on the organization's lobbing activity was obtained.

Specifically, the total amount of dollars nonprofits spent on lobbying is used and is logged to address concerns related to skewness. To operationalize the organizational purpose of the nonprofit, a binary variable captures if the organization reported itself as an organization with a purpose or orientation towards political action or community capacity building. The variable is created using the subdivisions of the nonprofit's NTEE code, which range from A to Z. Based on a review of NTEE codes, organizations with the following codes are classified as having a political purpose or orientation: all organizations declaring a primary purpose related to civil rights, social action and advocacy (Code R); organizations with a primary purpose related to community improvement and capacity building (Code S, with the exception of organizations pursuing an economic development purpose); and organizations engaged in alliances and advocacy related to a housing and shelter purpose (Code L01).

Community Need. Community need is measured at the metropolitan area, through the creation of measures representing the reinvestment burdens faced by low-income and minority groups. The variables selected are those related to contemporary community reinvestment concerns and the target population of CRA regulation, as summarized in the previous section. These variables include the overall percentage of low-income residents in a metropolitan area, the overall mortgage denial rate in the metropolitan area, and the overall percentage of high cost loans to minority borrowers.

Organization Capacity. Several different measures were used to capture the size and capacity of nonprofit organizations including total revenue, net assets, and salary expenditures. Total revenue and net assets were measures to capture the fiscal resources available to a nonprofit organization, and salary expenditures were used to capture the human resources available to a nonprofit organization, with the assumption that nonprofit organizations with greater salary expenditures have paid staff that can coordinate organizational action. A strong correlation between the variables exists and due to concerns over multicollinearity, the salary expenditure data is used to operationalize organizational capacity. However, for robustness purposes, the model is also estimated using the revenue and asset values (logged).

Control Variables. Control variables capture any other time, metropolitan or lending characteristics that may influence agreement outcomes. Time variables include the year in which an organization negotiated an agreement to capture any potential macroeconomic effects as well as effects from the economic crisis. The regulatory environment surrounding CRA is captured by the number of lenders in a metropolitan area regulated by a particular agency, the Federal Deposit Insurance Corporation (FDIC), Federal Reserve Board (FED), Office of Thrift Supervision (OTS), and Office of the Comptroller of the Currency (OCC), as it is anticipated that these variables could have an effect on the likelihood an organization negotiates an agreement (Immergluck, 2008). Variations in the metropolitan area in which the nonprofits are located are controlled for by the total population in the metropolitan area; the log value of owner occupied housing in the metropolitan area; and finally, the number of nonprofit organizations in the metropolitan area is included to control for the overall strength of the nonprofit sector.

RESULTS

Logistic regression is used to estimate the models and test the hypotheses. The regression coefficients are converted to odds ratios for interpretation purposes. Z-tests and confidence intervals for individual coefficients are presented, and model summary statistics are presented to represent the estimated standard deviation of the random intercept (sigma_u), the estimated residual intraclass correlation of the latent responses (rho), and the overall significance of the model (Rabe-Hesketh & Skrondal, 2008). Coefficients are determined to be significant at the p.=.05 level of significance and marginally significant at the p.=.10 level. Table 1 presents the descriptive statistics of the variables of interest for the analysis. Table 2 presents the untransformed coefficients (coef), standard errors (s.e.) and probabilities (p) of the key variables of interest for two model specifications, one base model including just the controls (Model 1) and one adding the factors of interest (Model 2). Based on the model summary statistics, the inclusion of the organizational factors of interest improved the overall model fit as evidenced by a lower log likelihood value, and the statistics are presented in the note accompanying Table 2. Table 3 reports the transformation of the parameter estimates to odds ratios. A value below 1 suggests a factor reduces the odds an organization enters into a negotiated agreement, whereas a value above 1 suggests the factor increases the odds an organization enters into a negotiated agreement.

Overall, 336 organizations negotiated agreements during the years 2000-2009, representing about 5% of the sample. In general, the average amount spent on salary compensation by nonprofits in the sample is $4,798,837, with a logged mean of about 9, as presented in Table 1. In regards to total amount of dollars spent on lobbying, the average amount of dollars spent on lobbying for the sample overall is about $3,200.00, with a logged mean of .22. About 7% of the sample represents organizations that have a political purpose. In regards to need factors, the average mortgage denial rate in the sample is 17%, the average percentage low-income population is 40% and the average percentage of high cost loan originations to minority borrowers is about 77%.

As presented in Table 2, prior to adding the independent variables of interest, the majority of the control variables have a significant, positive effect on the likelihood an agreement was negotiated. The exceptions include the type of regulators. Specifically, the number of lenders subject to regulation by the OCC does not have a significant effect. Conversely, as OTS regulation in a metropolitan area increases, the likelihood of a negotiated agreement decreases, marginally significant (p.=.060 [CI:-.004-.000]). When adding the variables of interest, the significance of some of the control variables changes, suggesting that the organizational and need factors account for some of the variance.

Hypothesis 1: Political Purpose. The results suggest that the total lobbying dollars spent by the nonprofit does not have a significant effect on the likelihood of negotiating an agreement. While the direction of the effect is positive, suggesting that more lobbying dollars increases the likelihood of an organization having an agreement, the effect is not statistically significant. This suggests that the nonprofits negotiating agreements do not spend more dollars on lobbying for particular purposes or issues than their counterparts.

The organization's self reported mission is also used to test the relationship between political mission and a negotiated CRA agreement. The results suggest that organizations that negotiate agreements are significantly more likely to pursue a political or organizing mission, (p=.000 [CI: .739-

1.604]). Specifically, the magnitude of this effect is large, with an odds ratio of 3.226 (CI: 2.094-4.970), which suggests that the percent change of odds of a nonprofit with a political mission negotiating an agreement is about 2.2 times greater than one without a political purpose, holding all other factors constant. This suggests that nonprofits with a mission focused on community organizing, civil rights, and advocacy and building alliances, are more likely to negotiate agreements than nonprofits without those foci. Taken together, these two findings suggest that although nonprofits negotiating agreements may not spend more resources on lobbying, they are more likely to pursue political missions and purposes.

Hypothesis 2: Community Need. Significant relationships are found between the percentage high cost loans to minority borrowers in a metropolitan area, the percentage total low-income population, and the mortgage denial rate. Specifically, the percentage of high cost loan originations to minority residents has a positive, significant relationship with the likelihood of negotiating an agreement (p.=.000, [CI: .045-.098]). The percentage of low-income population in a metropolitan area is also positively related to the likelihood of negotiating an agreement and significant (p.=.041 [CI: .006-.284]). Finally, mortgage denial rate has a positive, significant effect on the likelihood that an organization negotiates an agreement, (p.=.003 [CI: .030-.141]).

The coefficient on the percentage of high cost loans to minority borrowers translates to an odds ratio of 1.074 (CI: 1.050-1.103). This suggests that as the percentage of high cost loans in a metropolitan area increases the odds of a nonprofit negotiating an agreement increases by about 7%, when holding all other factors constant. The coefficient on the percentage of low-income population translates to an odds ratio of 1.156 (CI: 1.006-1.328), suggesting that as the percentage of the low-income population increases, the odds of a nonprofit negotiating an agreement increase by about 16%, holding all other factors constant. Finally, the coefficient for the mortgage denial rate translates to an odds ratio of 1.089 (CI: 1.030-1.151), suggesting that as the mortgage denial rate increases, the odds of a nonprofit negotiating an agreement increases by about 9%, holding all other factors constant. In sum, nonprofits that negotiate CRA agreements are located in metropolitan areas characterized by greater reinvestment need.

Hypothesis 3: Nonprofit Size and Capacity. As mentioned previously, due to concerns over multicollinearity, the total salary compensation is used to capture the organization's capacity for action. It is included in the final model due to improvements in the overall model fit statistics, namely a lower log likelihood value. Specifically, nonprofit organizations that were more likely to negotiate agreements with lenders were those that spent more money on professional staff and personnel (p.=.000 [CI: .155-.229]). The odds ratios of 1.211 (CI: 1.168-1.257) suggests that as a nonprofit spends more dollars on staffing resources, the odds of negotiating an agreement increases by about 21 percent, holding all other factors constant. For robustness purposes, total revenue and net assets were entered independently into the model, after dropping salary expenditures, and the direction and significance of the effects of each were the same as salary expenditures. Overall, this suggests that organizations with greater expenditures on paid staff, perhaps larger and more professionalized, are also those that are more likely to negotiate agreements.

DISCUSSION AND CONCLUSION

The purpose of this paper was to determine if nonprofits contribute democratic anchorage to self-governance arrangements, using the case of negotiated CRA agreements. Participation in CRA negotiations is driven by nonprofits that pursue purposes focused on broader social or political change in communities of need and have greater capacity for action. The findings suggest that these arrangements contribute democratic accountability to self-governance arrangements with private lenders, rather than merely enhancing the efficiency and effectiveness of the outcomes. In the larger scheme of things, the findings suggest that despite an increased role and reliance on nonprofits to be involved in direct program and service delivery, it still appears that nonprofits in the community development realm still make a valuable democratic contribution in governance arrangements.

The analysis lends support to research that suggests the need to consider the unique features of governance arrangements (Torfing, S∅rensen & Fotel, 2009), but also suggests the need to consider the unique nature and contribution of nonprofit organizations to these arrangements. For example, in this analysis, the self-governing arrangements are between nonprofit organizations and private lenders, which poses a unique set of challenges for evaluating democratic accountability. In this type of self-governance arrangement, the private lenders are subject to market-based forces of accountability (Koliba, Meek & Zia 2011), and the nonprofit organizations are subject to more ambiguous sources of accountability (Stone & Ostrower, 2007). Thus, it becomes necessary to extend the conceptualization of democratic anchorage to consider how the characteristics of nonprofit organizations influence democratic accountability in self-governance arrangements.

In short, the nonprofits engaged in these arrangements seek to build and strengthen the political capacity of communities to enhance future representation and mobilize to engage lenders to respond in areas of high need. However, what may have changed is the nature of the nonprofits that are able to contribute democratic anchorage to these arrangements. In this case, the nonprofits that negotiate agreements also have greater capacity, suggesting that more localized, grass roots organization with direct ties to a particular community or completely composed of local residents or volunteers may lack the capacity to enter into these agreements. While these smaller, localized groups and organizations are important conduits to the democratic process, as policy environments become more decentralized and are characterized by more powerful actors, their contribution to governance arrangements may be through larger nonprofit organizations, which supports previous studies and models that call attention to the need for capacity (Glickman & Servon, 1998; Saegert, 2006).

In the particular case of CRA, characterized by a growth of lenders further removed from local communities, nonprofit organizations with greater capacity are more likely to negotiate agreements. Given that in this particular analysis, the nonprofits with more resources are the ones that mobilize around CRA, the increased reliance on resources does not necessarily discount the ability of larger nonprofits to contribute democratically to these arrangements. However, it does suggest an area that requires more research. On one hand, nonprofits with greater capacity may be subject to a number of different accountability forces such as board members, other funders, as opposed to those smaller, informal voluntary associations composed of local community members (Borris & Steurele, 2006; Putnam, 1993; Walzer, 1995). What this means is that the representation provided by nonprofits with greater capacity in governance arrangements may be less certain, and less reflective of the needs of all of the communities that they represent.

Conversely, the community development literature suggests that nonprofits are often able to gain capacity because they have secured the political and networks necessary to be heard (Glickman & Servon, 1998; Mayer & Keyes, 2005). As a result, they gain capacity by garnering additional public resources and support through city governments to represent the interests of their communities and build relationships across spatial and political boundaries (Sites, Chaskin, & Parks, 2007). Thus, it is also possible that nonprofit organizations that have invested in fiscal and human resources have employed strategies and processes to ensure they are meeting the localized needs of communities and that they engage the smaller, voluntary organizations in the process. For example Ramanath (2009) and Bordt (1997) found that nongovernmental organizations use different tactics to respond to ensure that they remain legitimate in the eyes of their members. The use of quantifiable organizational factors can provide broad insight on the dominant patterns or contributions of nonprofits in a particular policy environment or type of governance arrangements; however, this may not be enough as the findings in this study raise a new set of questions. Rather than determining if democratic accountability is enhanced through voluntary or more formal nonprofits with more capacity, the question becomes how do these different types of nonprofits intersect in a given space and time to ensure democratic accountability? Discourse analysis and other qualitative approaches can complement the use of quantitative data by providing greater insight on the practices and processes in which high-capacity nonprofit organizations authentically represent the interests of smaller, voluntary groups and organizations in governance arrangements.

In drawing these conclusions there are a number of limitations to note. First, to measure political purpose and representation, a deductive approach and secondary data sources are relied upon, and as such, the constructed measures are limited by these data and a priori assumptions. Secondly, the analysis captures resource and organizational capacity, and assumes the capture of resources and organizational capacity are related to their ability to effectively network and navigate the political arena to secure resources to engage in broad-based community initiatives. However, future research should further explore the political and programming capacity of nonprofit organizations (Glickman & Servon, 1998).

Finally, the nonprofits that negotiate agreements are not more likely to be involved in purposeful political lobbying than organizations that do not mobilize around CRA, suggesting that they do not pursue this avenue to influence or shape the broader policy environment to a greater degree than other nonprofit organizations. However, there are plausible explanations for this that deserve further research. This may suggest that all nonprofits participate in lobbying efforts to some degree, but the total dollars spent on these efforts is not as meaningful as understanding the specific targets or number of venues targeted. Secondly, lobbying efforts may also need to be understood in conjunction with the totality of nonprofit organizational strategies that seek to influence the policy process. Thus, continued research is necessary to understand the democratic anchorage contributed by nonprofits in governance arrangements by considering the multitude of ways in which nonprofits contribute to the political process and the processes and practices in which they engage to ensure individual community representation in larger organizations.

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Figure 1. Relationships between nonprofit organizations, democratic accountability and anchorage in self-governance networks.

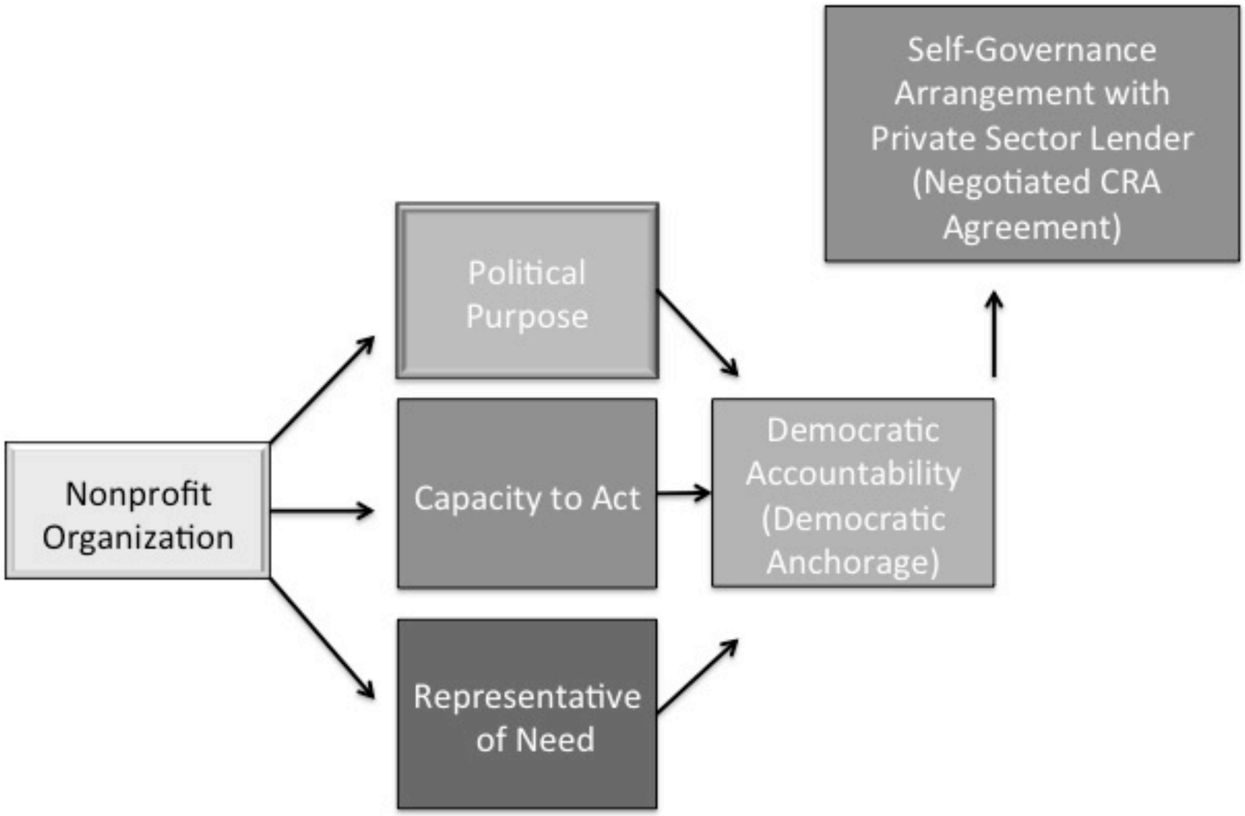

Table 1. Descriptive Statistics

Variable	Overall Sample (N=6425)				Agreement (N=336)		No Agreement (N=6089)	
	Mean	sd	Min	Max	Mean	sd	Mean	sd
Agreement	0.052	0.223	0.000	1.000	--	--	--	--
Organization Factors								
Capacity (log)	9.016	6.212	0.000	22.112	13.143	3.592	8.788	6.247
Total Lobbying (log)	0.223	1.531	0.000	13.900	0.590	2.451	0.203	1.462
Political Purpose (1=Yes)	0.073	0.260	0.000	1.000	0.161	0.368	0.068	0.252
Community Need								
Percent High Cost Loans to Minorities	77.402	11.682	37.272	91.876	83.912	8.376	77.042	11.734
Percent Low Income Population	40.124	1.368	21.471	41.206	40.281	1.366	40.116	1.368
Mortgage Denial Rate	17.103	3.666	9.346	23.961	18.761	4.072	17.012	3.621
Control Variables								
Log Hous Costs	13.111	0.906	11.272	15.090	13.611	0.897	13.083	0.899
# Nonprofits	5743	5444	185	23259	7238	4767	5661	5468
2002-2003	0.200	0.400	0.000	1.000	0.140	0.347	0.203	0.403
2004-2005	0.200	0.400	0.000	1.000	0.039	0.193	0.209	0.407
2006-2007	0.200	0.400	0.000	1.000	0.045	0.207	0.209	0.407
2008-2009	0.199	0.400	0.000	1.000	0.693	0.462	.172	0.378
#FRB Reg	188	233	0	1090	204	195	187	235
#FDIC Reg	359	362	2	1412	362	283	359	366
#OCC Reg	676	682	12	3130	826	601	668	685
#OTS Reg	219	225	0	785	238	170	218	228

Table 2. Factors that Predict if a Nonprofit Negotiates a CRA Agreement.

	Model 1. Control Variables Only			Model 2. Organization & Need Factors				
Agreement (1=Yes, 0=No)	Coef.	s.e.	p	Coef.	s.e.	p	95% Conf. Interval	
Organization Factors								
Capacity	--	--	--	0.192**	0.019	0.000	0.155	0.229
Total Lobbying	--	--	--	0.036	0.033	0.271	-0.028	0.100
Political Purpose	--	--	--	1.171**	0.220	0.000	0.739	1.604
Community Need								
Percent High Cost Loans to Minorities	--	--	--	0.072**	0.014	0.000	0.045	0.098
Mortgage Denial Rates	--	--	--	0.085**	0.028	0.003	0.030	0.141
Percent Low Income Population	--	--	--	0.145**	0.071	0.041	0.006	0.284
Control Variables								
Housing Costs	0.491**	0.157	0.002	-0.137	0.166	0.411	-0.463	0.189
# Nonprofits	0.000**	0.000	0.000	0.000**	0.000	0.011	0.000	0.000
2002-2003	0.493**	0.251	0.049	0.470**	0.252	0.062	-0.024	0.964
2004-2005	-1.349**	0.359	0.000	-1.074**	0.363	0.003	-1.785	-0.364
2006-2007	-1.526**	0.372	0.000	-1.2828*	0.379	0.001	-2.024	-0.539
2008-2009	1.671**	0.275	0.000	2.182**	0.288	0.000	1.617	2.746
# FRB reg	0.001**	0.001	0.006	0.001*	0.001	0.058	0.000	0.002
#FDIC reg	-0.003**	0.001	0.000	-0.000	0.001	0.806	-0.001	0.001
# OCC reg	0.000	0.000	0.860	0.000	0.000	0.362	-0.000	0.001
# OTS reg	-0.002*	0.001	0.060	-.006**	0.001	0.000	-0.008	-0.004
cons	-10.311**	1.912	0.000	-17.367**	3.323	0.000	-23.880	-10.854
/lnsig2u	0.219	0.267		-0.592	0.487			
sigma_u	1.116	0.149		0.744	0.181			
rho	0.275	0.053		0.144	0.060			
N=6425, 1286 groups, average 5 obs per group								

Note: Model 1 Statistics: Log Likelihood, -1039.853, Wald chi2 (10), 356.81, p.=.000, Likelihood ratio test of rho=0, 23.49, p.=.000; Model 2 Statistics: Log likelihood=-889.117, Wald chi2(16)=404.27, p.=.000, Likelihood ratio test of rho=0, 5.29, p.=.011.

* *denotes significant at the p.<.05 level; * denotes marginally significant at the p.<.10 level

Table 3. Transformation of Coefficients to Odds Ratios.

Variables	Odds Ratio	s.e.	p	95% Conf. Interval	
Organization Factors					
Capacity	1.212**	0.023	0.000	1.168	1.257
Total Lobbying	1.037	0.034	0.271	0.972	1.105
Political Purpose	3.226**	0.711	0.000	2.094	4.970
Community Need					
Percent High Cost Loans to Minorities	1.074**	0.015	0.000	1.046	1.103
Mortgage Denial Rates	1.089**	0.031	0.003	1.030	1.151
Percent Low Income Population	1.156**	0.082	0.041	1.006	1.328
Controls					
Housing Costs	.872	.145	.411	.629	1.208
# Nonprofits	1.000**	0.000	0.011	1.000	1.000
2002-2003	1.599*	0.403	0.062	0.976	2.621
2004-2005	0.342**	0.124	0.003	0.168	0.695
2006-2007	0.278**	0.105	0.001	0.132	0.583
2008-2009	8.860**	2.553	0.000	5.037	15.583
#FED reg	1.001*	0.001	0.058	1.000	1.002
# FDIC reg	1.000	0.001	0.806	0.998	1.001
# OCC reg	1.000	0.000	0.362	1.000	1.001
# OTS reg	0.994**	0.001	0.000	0.992	0.996
N	6425, 1286, 5 obs per group				

* *denotes significant at the p.<.05 level; * denotes marginally significant at the p.<.10 level

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[i] The year 2000 was chosen because prior to 2000, lenders and nonprofits were not required to report agreement data.