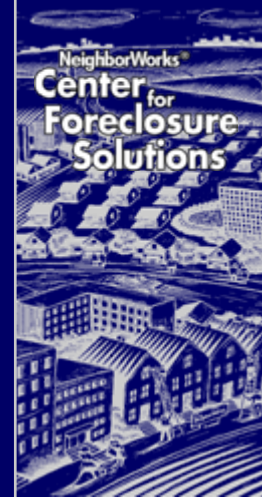




# Community Stabilization: The Post-Foreclosure Crisis in Our Communities

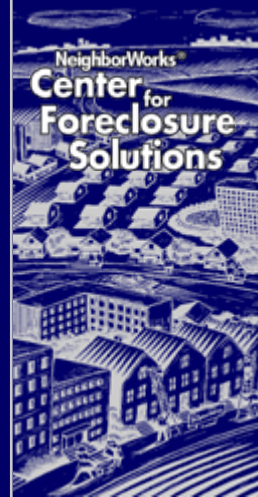
NeighborWorks<sup>®</sup> America

Sarah Greenberg  
National Homeownership Programs  
July 23, 2008



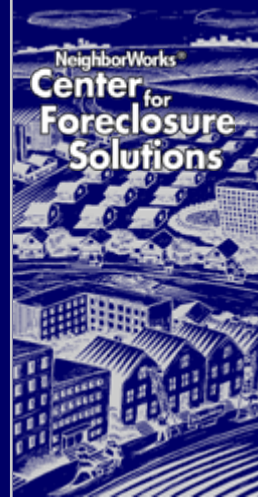
# NeighborWorks® America

- Creates opportunities for people to live in affordable homes, improve their lives and strengthen their communities
- Congressionally chartered with statutory board:
  - Board of Governors for the Federal Reserve
  - Office of Thrift Supervision
  - National Credit Union Administration
  - US Dept of Housing & Urban Development
  - Office of the Comptroller of the Currency
  - FDIC
- Provides financial support, technical assistance, and training for community development efforts around country



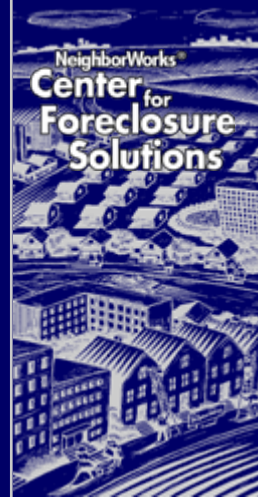
# The NeighborWorks® Network

- 232 independent housing and community development nonprofit organizations
- All 50 states, Puerto Rico and D.C.
- Resident engagement; locally tailored solutions
- \$12.25 billion invested in America's communities
- 111,000 families have become homeowners
- 638,000 families have been counseled about the home buying process



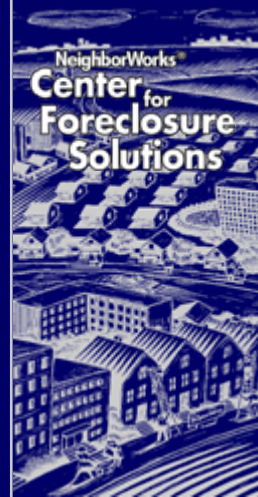
# NeighborWorks® Center for Foreclosure Solutions

- Began as pilot in 2005
- Now the nation's leading nonprofit foreclosure mitigation program
- Training for foreclosure counselors
- Public outreach, educational, and awareness campaigns
- Sustainable programs in cities and states with high foreclosure rates
- Post-foreclosure and neighborhood stabilization solutions



# Foreclosure Outlook

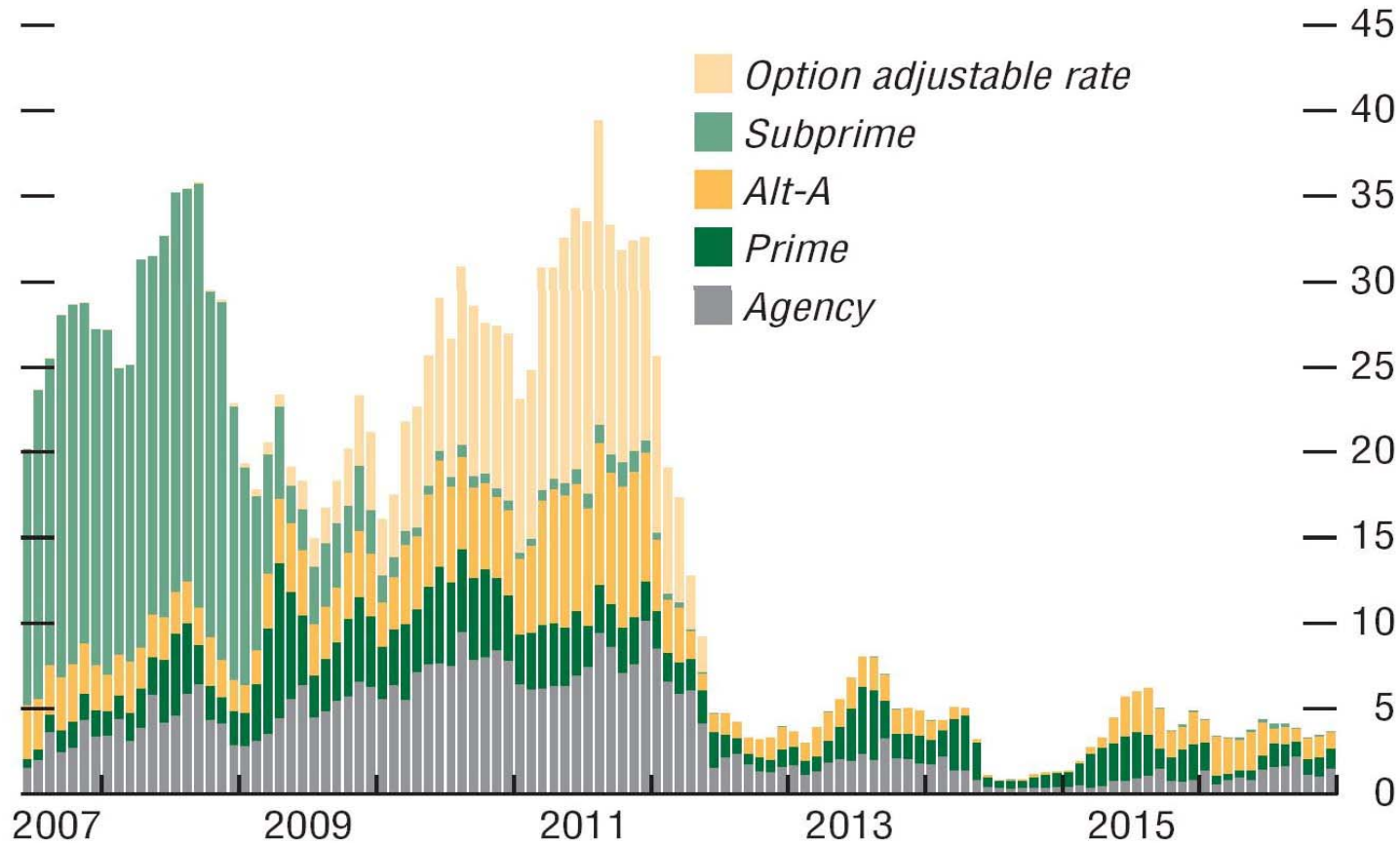
- 1 out of 5 sub-prime loans issued during 2005-2006 projected to fail (Center for Responsible Lending)
- 43% of loans originated in 2006 will result in foreclosure (Fitch)
- 2.6 million homes will be lost in 2008-2009 (CRL)
- 1 in 483 households received a foreclosure filing in May (RealtyTrac)



# Foreclosure Outlook



**Figure 1.7. Monthly Mortgage Rate Resets**  
(First reset in billions of U.S. dollars)



Source: Credit Suisse.



# Effects of Foreclosure

- Nearly 8.5 million homeowners had negative or no equity in their homes at end of March (Moody's)
  - Estimated to increase to 12.2 million or almost 1 out of 4 homeowners by end of June
- For first time in 40 years, homes in United States are on average worth less today than they were just the year before
- More than \$736 billion in housing wealth has already been lost
- More than \$1.14 trillion will be lost by end of 2008 and another \$748 billion in 2009 (The Joint Economic Committee)



# Financial Impact

- 0.9 - 1.44% loss in value for each home within 1/8 mile of foreclosed home (Immergluck)
  - 44.5 million homes will lose value because they are near a subprime foreclosure (CRL)
  - **\$223 Billion loss in neighborhood wealth and \$4.5 Billion lost in local tax revenue (CRL)**

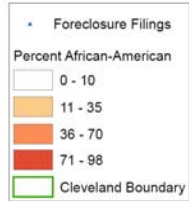


# Cleveland, OH: An Example

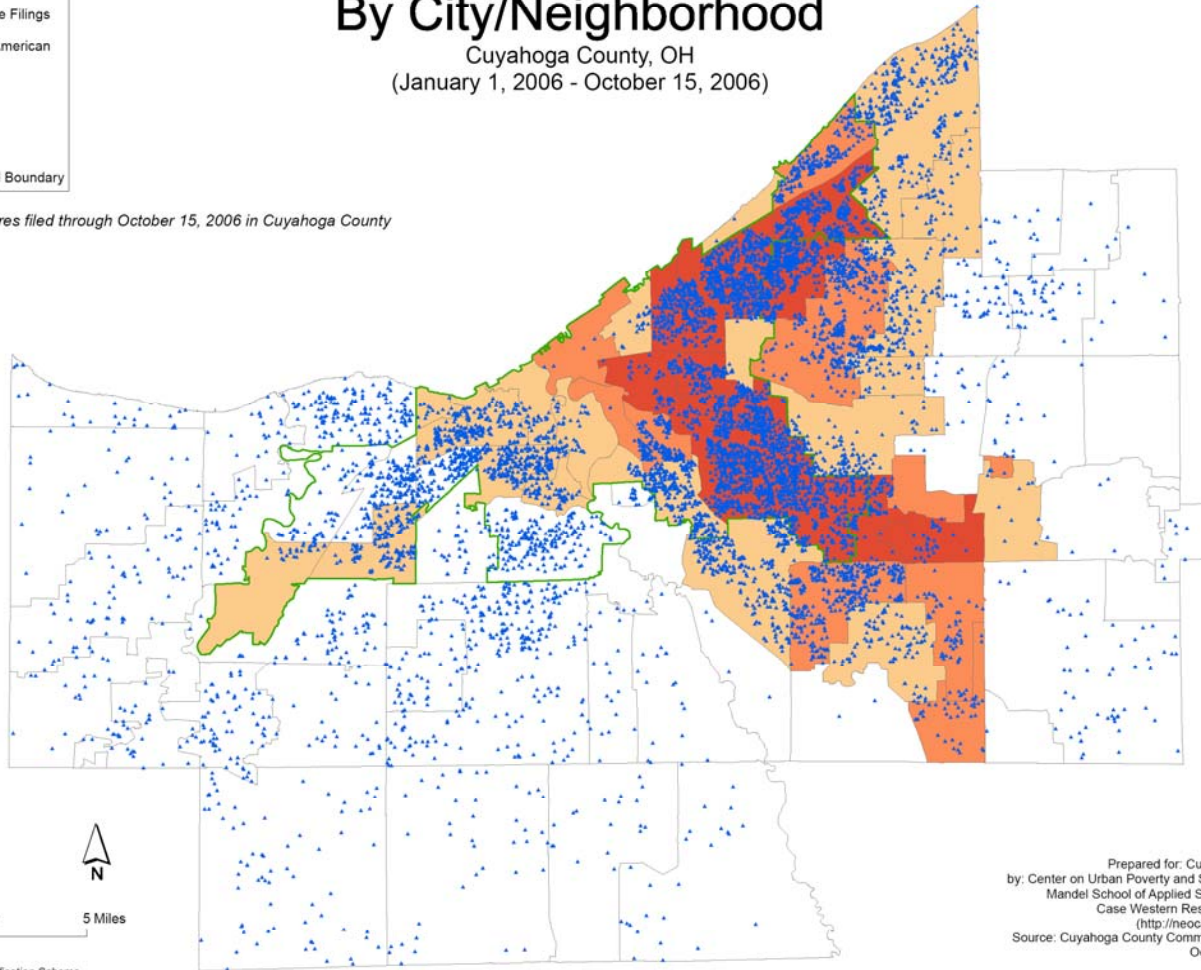


## Foreclosure Filings By City/Neighborhood

Cuyahoga County, OH  
(January 1, 2006 - October 15, 2006)



9,102 foreclosures filed through October 15, 2006 in Cuyahoga County



Natural Breaks Classification Scheme

Prepared for: Cuyahoga County  
by: Center on Urban Poverty and Social Change,  
Mandel School of Applied Social Sciences,  
Case Western Reserve University  
(<http://neocando.case.edu>)  
Source: Cuyahoga County Common Pleas Court  
October 17, 2006



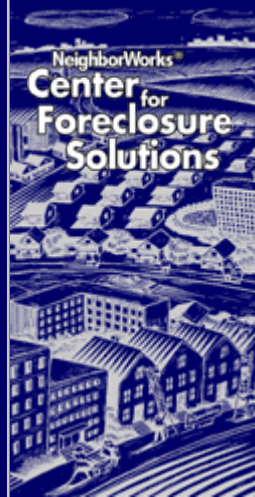
# Community Impact

- Loss of property value
- Increased crime, vandalism and fire
- Increased strain on municipal services coupled with declining tax base
- Increasing homeless population
- Negative effects on children
- Environmental hazards
- Loss of local businesses and services
- Increasing unemployment
- Abandoned pets



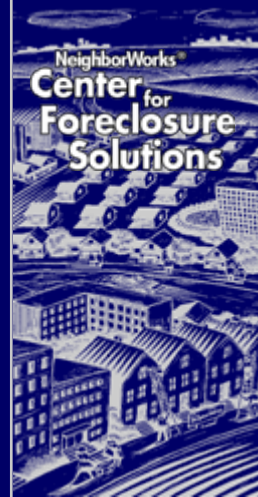
# Real Estate Owned (REO)

- In 2007, 4 out of every 1,000 homes in the U.S. became REO
- REO properties are particularly concentrated in inner city communities – 9.2 REO per square mile (ICIC)
- REO issues:
  - Insufficient market demand
  - Rapid declines in value
  - Fiduciary responsibilities
  - Valuation questions
  - Holding costs
  - Title problems



# National Responses

- Congressional legislation to stabilize communities
  - H.R. 3221: Foreclosure Prevention Act of 2008
    - \$4 billion in CDBG funds (grants) to entitlement jurisdictions to purchase and rehab properties
    - Proposed tax credit of up to \$7,000 for homeowners buying foreclosed properties
  - H.R. 5818: Neighborhood Stabilization Act of 2008
    - Authorizes HUD to make grants and loans to states for the purchase and rehab of foreclosed properties
    - \$15 billion, half grants/half loans



# Municipal Responses

- Limited state and local initiatives to enable acquisition of vacant and distressed REO properties:
  - Accelerated foreclosure proceedings
  - Spot blight takings
  - Housing court violations
  - Vacant property registration requirements
  - Increased fines and liens
  - Land banks
- Municipal programs to finance the acquisition and rehab of empty homes
- Pending legislation against REO owners



# Nonprofit Responses

- Acquisition/rehab/resale or rental programs
- Purchase/rehab lending
- HUD ACA programs
- Community land trusts
- Property and construction management
- Real estate brokerage
- Nonprofit mortgage brokers
- Rent- or lease-to-own programs
- Advocacy
- Citywide or regional partnerships



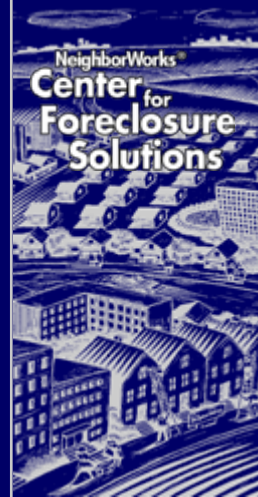
# NeighborWorks & The Federal Reserve

- Recently signed an MOU to support community stabilization efforts
- Working with the HOMI program & internal task force
  - Community Stabilization website
  - Regional convenings with local nonprofits and government officials
  - 2-3 courses for the NTI that can be turned into place-based training and online offerings
  - Development of tools such as case studies, best practices, and publications
  - Research and data



# National Community Stabilization Trust

- A partnership between Enterprise, the Housing Partnership Network and LISC
- Proposed Goals:
  - Facilitate acquisition and transfer of REO property for the purposes of returning stock to affordable rental and ownership housing stock
  - Finance local initiatives that support NCST objectives
  - Negotiate standard discounted valuation and first look privileges with servicers
  - Working with a Servicer Advisory Task Force convened by the OCC





# Questions & Answers



Foreclosure affects more than just you.  
It affects your whole family.

A million families will face losing their homes  
this year. Call today for real help and guidance.  
Because nothing is worse than doing nothing.

1-888-995-HOPE

For More Information:  
**Sarah M. Greenberg**

**National Homeownership  
Programs**

[sgreenberg@nw.org](mailto:sgreenberg@nw.org)

[www.nw.org](http://www.nw.org)

