Name of Organization: Center for New York City Neighborhoods

Tax Status: 501(c)(3) public charity

Purpose of Grant: General support

Previous OSI Support: $2,050,000

Organizational Budget: $7,500,153 (2009)

Project Budget: N/A

Sources of Support: New York City Council; New York City Department of Housing Preservation and Development; New York State Division of Housing and Community Renewal; Rockefeller Foundation; Robin Hood Foundation; Ford Foundation; Altman Foundation; United Way of New York City; Paulson & Co.; Freddie Mac; corporate funders (partial list)

Amount Requested: $2,000,000

Amount Recommended: $2,000,000

Term: Two years ($1,000,000 per year beginning March 1, 2010)

Description of Organization:

With start-up support from OSI and the City of New York, the Center for New York City Neighborhoods, Inc. (CNYCN) was created in 2007 to address the local repercussions of the national foreclosure crisis by serving as an intermediary between funders, community-based organizations, homeowners, banks, government and other stakeholders. Through comprehensive citywide program that includes legal services, housing counseling, and consumer education, CNYCN pursues multiple strategies to assist those at risk of losing their homes to foreclosure, both homeowners and renters alike.

Description of the Program for Which Funding Is Sought:

CNYCN requests general operating support.

Rationale for Recommendation:

CNYCN's work advances the Equality and Opportunity Fund's overarching goal of lifting barriers that prevent people from participating fully in economic, social, and political life. It also advances EOF's specific goal of challenging structural racism and supporting proactive efforts to demonstrate the shared stake all members of society have in racial equity and inclusion. The

current subprime and foreclosure crisis threatens to undo substantial gains in minority homeownership and wealth-building that the country has witnessed in recent decades. This is particularly true in high-cost cities such as New York, where African American and Latino borrowers disproportionately relied on subprime loans to bridge the affordability gap to achieve homeownership.[1] CNYCN targets its foreclosure prevention and neighborhood stabilization in New York City neighborhoods with both high rates of minority homeownership and high concentrations of subprime loans falling into distress.

Further, CNYCN advances the Neighborhood Stabilization Initiative's goal of stabilizing communities hardest hit by the foreclosure crisis and its specific grantmaking priorities of: 1) preventing foreclosures by overcoming the bottleneck in loan modifications; 2) improving the legal foreclosure process and representation of borrowers in foreclosure proceedings; 3) facilitating the transfer of foreclosed properties to productive local ownership; 4) protecting the rights of renters in foreclosed properties; 5) linking neighborhood stabilization to broader economic opportunities for low-income residents; and 6) expanding access to fair and affordable credit for lower-income borrowers and borrowers of color.

In order to demonstrate how coordinated local foreclosure prevention strategies can stem the rising tide of foreclosures and keep distressed borrowers in their homes, OSI helped launch CNYCN in late 2007 through a unique partnership with the City of New York, peer foundations and financial institutions. The original concept was to create an independent, single-purpose entity that would serve as the "central nervous system" of foreclosure prevention efforts throughout New York City. Through a combination of grants, trainings, technical support and advocacy, CNYCN would streamline and improve service delivery among various non-profit sectors (housing counseling, legal services and financial education) and increase the capacity of community-based providers in high-need areas.

Within its first year of operation, CNYCN already has made tremendous strides in accomplishing its core mission. CNYCN and its partners provided one-on-one housing counseling and legal services to over 4,800 families and reached an additional 15,000 households through community outreach, counseling classes or community workshops. In addition, CNYCN launched the city's first comprehensive foreclosure hotline, creating a single point-of-contact to connect homeowners and renters in foreclosed properties with local services. Although it is too soon to quantify the numbers of homes "saved" as a result of these ambitious efforts, we do know that CNYCN and its partner organizations succeeded in submitting over 1,300 loan modification applications for distressed New York City borrowers in its first year, and that these applications resulted in much deeper and more affordable modifications than we have seen at the national level. Through its recently expanded research and communications capacity, CNYCN has begun to identify key determinants of participant success, aimed at both improving outcomes within the CNYCN network and creating a set of best practices in foreclosure prevention that can be exported to other cities struggling with high rates of foreclosure, but not as far along in developing a coordinated local response.

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[1] *See, e.g.*, Michael Powell & Janet Roberts, *Minorities Affected Most as New York Foreclosures Rise*, N.Y. TIMES, May 15, 2009, at A1.

While CNYCN's most significant achievements during its start-up year lie within its core program work—connecting renters and homeowners in properties facing foreclosure with needed services to save their homes—it has also embarked on several innovative projects aimed at testing new models of community stabilization and achieving lasting reforms in the mortgage lending industry. These special projects include:

- Establishing a model **foreclosure diversion program** in the New York City court system that requires face-to-face meetings between borrowers and lenders to achieve affordable loan modifications as an alternative to foreclosure. CNYCN continues to fund legal service providers to help borrowers effectively negotiate with their lenders during settlement conferences and monitors the effectiveness of the diversion program in preventing unnecessary foreclosures.
- Developing strategies to acquire foreclosed properties in New York City from lenders and servicers, rehabilitate them, and sell them as **affordable homeownership opportunities** for qualified owner occupants. With an initial $500,000 capacity-building grant from Living Cities, CNYCN was able to leverage $24 million in public funds and $32 million in private debt to create a $56 million facility to finance these efforts.
- Supporting innovative efforts to design and launch **workforce development** programs in neighborhoods with concentrated foreclosures to simultaneously create job opportunities and prevent blight. With grant support from CNYCN, Wildcat Service Corporation employed 60 hard-to-serve individuals to maintain and care for public spaces and distressed properties in Jamaica, Queens last year. Work crews also helped CNYCN and the City identify abandoned or distressed properties for more intensive intervention and remediation. CNYCN will continue to partner with Wildcat to expand this project into four additional New York City neighborhoods in the upcoming year.

The relationship between the CNYCN and U.S. Programs' Neighborhood Stabilization Initiative has proven to be a dynamic and fruitful one. Early lessons learned from CNYCN and its provider network helped shape NSI's grantmaking strategies by giving staff unique insight into the challenges and opportunities of foreclosure prevention and neighborhood stabilization on the ground. For instance, the supported work pilot originally conceived and tested in Jamaica, Queens became the foundation for a subsequent grant to the Local Initiative Support Corporation to expand the concept to neighborhoods with concentrated foreclosures in four cities. And we continue to learn from our close relationship with CNYCN about emerging challenges. For example, the proliferation of predatory "rescue" scams targeted at distressed immigrant borrowers and borrowers of color reported by CNYCN providers has led us to refocus attention on this growing national problem. We plan to recommend grants in upcoming dockets that tackle this problem head-on through a combination of public education, media campaigns, private litigation and public enforcement.

OSI's early investment in CNYCN has yielded significant returns. Through an initial two-year commitment of $2 million, OSI helped leverage an additional $10 million in public and private funds to prevent foreclosures in New York City. Our investment also helped to enlist private and public sector partners in a common effort to generate innovative policy solutions to the mortgage and foreclosure crisis. Although results are already beginning to show, the crisis continues to wreak havoc on low-income communities and communities of color, not just in New York City, but across the country. In the coming months and years, we are likely to see foreclosures

increasingly driven by unemployment and reduced wages, as well as by a new wave of resetting option ARMs and rising defaults on risky Alt-A loans.[2] Foreclosure prevention strategies will need to evolve in response to the changing nature of the crisis. Continued support from OSI will help ensure that CNYCN is able to rise to the challenge.

For these reasons, staff recommends a two-year $2,000,000 general operating support grant to CNYCN.

[2] *See, e.g.*, John Leland, *Loans That Looked Easy Pose Threat to Recovery*, N.Y. TIMES, Aug. 26, 2009, at A12.