

Open Society Institute Neighborhood Stabilization Initiative Program Description

Mission

The Open Society Institute's Neighborhood Stabilization Initiative (NSI) supports effective and timely responses to the national subprime lending and foreclosure crisis. As part of U.S. Programs' Equality and Opportunity Fund, NSI advances the Fund's mission to eliminate barriers that prevent people from participating fully in economic, social and political life and to ensure that the benefits and burdens of society are shared equitably. Because homes are often a family's strongest financial asset, opportunities for homeownership are closely linked to wealth creation and financial security, particularly for African American and Latino households. The current subprime and foreclosure crisis threatens to unwind substantial gains in minority homeownership that the country has witnessed in recent decades. The Initiative supports a range of systemic reform efforts aimed at promoting sustainable homeownership, mitigating the impacts of the current crisis, and preventing its recurrence in the future.

Funding Priorities

NSI supports interventions into the crisis aimed at any of three overlapping goals: 1) preventing foreclosures for homeowners in mortgage distress; 2) stabilizing communities with high concentrations of mortgage foreclosures; and 3) expanding access to fair and affordable credit.

1. Preventing Foreclosures

The principal—and typically most cost-effective—intervention into the foreclosure crisis is to ensure that homeowners who are able to remain in their homes under fair and reasonable loan terms are provided the opportunity to do so. NSI focuses its grantmaking on overcoming two significant barriers to preserving homeownership for borrowers who can afford to remain in their homes.

First, the volume and depth of loan modifications have not kept pace with the escalating crisis. Despite the high costs associated with foreclosure, servicers have been notoriously slow to modify unaffordable loans, and foreclosure actions continue to outpace modifications by a significant margin. In response, NSI supports **innovative efforts to overcome the servicer “bottleneck” in loan modifications**, including research into the legal and economic structure of the servicing industry, advocacy to encourage greater transparency and accountability in the mortgage industry, and the implementation of timely and effective loss mitigation policies.

Second, existing legal institutions and resources in most jurisdictions are inadequate to deal with the scale and complexity of the current foreclosure crisis. Courts are inundated with an unprecedented number of foreclosure filings and borrowers facing foreclosure often are unaware of legal remedies or unable to afford legal counsel. As a result, the vast majority of borrowers facing foreclosure lose their homes and lenders endure costly legal proceedings only to wind up with unwanted and distressed properties. In response, NSI supports **emerging efforts to**

improve the legal foreclosure process (including bankruptcy reform, foreclosure diversion and mediation programs) **and model legal services programs.**

2. Stabilizing Communities

Although improved loss mitigation policies are critical, many borrowers are so overleveraged that loan modifications and other market-based solutions will be unable to keep them in their homes. With credit markets contracting at the same time that more foreclosed properties are going on the market, it is increasingly unlikely that foreclosed properties will be purchased by responsible homebuyers, resulting in a glut of real estate owned (REO) properties, absentee ownership, and vacancies. Each of these outcomes threatens to trigger further cycles of neighborhood disinvestment and abandonment.

In response, grassroots coalitions in a handful of cities are mobilizing to prevent foreclosures from blighting their communities by facilitating the transfer of foreclosed properties to responsible entities, such as new owner-occupants, or to local non-profits to develop as affordable housing. NSI seeks to help **develop and test local models aimed at the productive reuse of foreclosed properties.**

In particular, NSI supports efforts to:

- **Create and adopt sound valuation models** to facilitate efficient transfer of foreclosed properties to local ownership;
- **Protect renters in foreclosed properties** through stronger legal protections, eviction defense, and relocation assistance; and
- **Link neighborhood stabilization to workforce development and broader economic opportunities** for residents of the hardest hit communities through the exploration of supportive housing and the use of transitional employment programs in property rehabilitation and asset management.

3. Expanding Access to Fair and Affordable Credit

Despite federal and state laws prohibiting discrimination in lending, glaring disparities in access to credit between white borrowers and borrowers of color persist. While subprime loans filled the credit void created by historic racial redlining, our current experience with unprecedented rates of foreclosure in minority communities suggests that many of these loans were unsuitable or unaffordable when originated. In the wake of the subprime meltdown, credit has once again dried up in these same communities, leaving scant resources for new borrowers to purchase (or existing owners to rehabilitate) their homes. NSI supports policy research, litigation and advocacy to **expose and reverse the racial biases underlying the current subprime mortgage crisis.** NSI also supports an array of interventions aimed at **expanding sustainable credit options for lower-income borrowers**, including the development of alternative financial products, such as shared-equity or lease-to-own mortgages, and alternative ownership arrangements, such as cooperative housing.

Applications for Funding

To be considered for funding, please submit a complete letter of inquiry as indicated below. Letters of inquiry should be up to four (4) pages in length, including a project budget. Please do NOT submit supporting materials, such as brochures, press clips, newsletters, annual reports, etc.

All letters of inquiry must include:

- Full contact information, including principal contact name, mailing address, phone, fax, and e-mail;
- A description of the organization that would undertake the proposed project;
- A description of the project for which funds are sought, including a specific description of how the project's goals will be achieved;
- A description of the organization's track record in foreclosure prevention or neighborhood stabilization efforts and how the proposed work will advance the organization's broader mission;
- A description of how the project would advance one or more of the NSI funding priorities described above; and
- A preliminary project budget and amount requested.

Incomplete inquiries will NOT be considered.

Deadline

NSI accepts inquiries on a rolling basis. You will be notified within 2-4 weeks that your request has been received. Please allow approximately 1-3 months for a decision on your inquiry, at which time you will receive a letter of declination or an invitation to submit a full proposal.

Eligibility

NSI provides funding for a wide range of policy advocacy strategies including the following:

- Grassroots organizing and mobilization
- Coalition-building
- Public awareness and strategic communications
- Impact litigation
- Policy-driven research and analysis
- Model programs

NSI primarily supports efforts that will have a **national impact**. NSI will consider letters of inquiry from organizations or projects with a local or regional focus only if the proposed activities have a clear and demonstrable potential for replication in other localities or regions.

NSI will consider letters of inquiry from advocacy groups, community groups, scholarly or research institutions, government agencies, associations of elected officials, and nonprofit business associations or initiatives. NSI encourages proposals that reflect **collaboration between groups working on similar issues** or between public and private entities. NSI also strongly encourages proposals from **organizations that are led by (or cultivate the leadership**

of) those most severely impacted by the foreclosure crisis, including low-income individuals, immigrants and people of color.

NSI does NOT provide funding for:

- Direct services that do not also advance one of the advocacy strategies listed above
- Lobbying activities
- Annual fundraising drives
- Projects undertaken by individuals
- Capital costs, including equipment or real estate purchases/renovations
- Film production or post-production

Submission

Please **email** your letter of inquiry and preliminary budget to NSI@sorosny.org. NSI requests that all materials be submitted electronically in Word (.doc), Excel (.xls) or Adobe Acrobat (.pdf) format.