

Neighborhood Stabilization Initiative (Integrating into the Equality and Opportunity Fund in 2012)

The Neighborhood Stabilization Initiative was launched in 2008 as a two-year initiative to support effective and timely responses to the mortgage and foreclosure crisis. Given the persistent demands presented by the housing crisis, NSI's original mandate will be extended through the end of 2011 with a focus on mitigating the disparate impacts of the crisis on low-income communities and communities of color. To institutionalize its work more firmly in the Equality and Opportunity Fund, work begun by NSI will be incorporated into EOF's priority of strengthening housing and infrastructure equity beginning in 2012. This emerging priority, building on the success of projects seeded under NSI, will address the ways in which disinvestment in low-income communities and communities of color results in diminished opportunity. (This document outlines NSI's work in 2010 and 2011; the preceding document on EOF includes the housing and infrastructure work that NSI will be a central component of starting in 2012.)

Goals	2010	2011
Prevent foreclosures Promote greater transparency and accountability in loan modifications and improve the legal foreclosure process to avoid unnecessary foreclosures and preserve homeownership for borrowers who can afford to remain in their homes.	\$1.5	\$1
Stabilize the hardest-hit communities Stabilize communities hardest-hit by the foreclosure crisis, with a focus on addressing the needs of low-income renters in foreclosed properties and populations facing multiple barriers to affordable housing and stable employment.	\$2.5	\$1.5
Expand access to fair and sustainable credit Expose and reverse racial inequities underlying the subprime mortgage crisis and expand suitable credit options for lower-income borrowers, immigrant families, and people of color who are both disproportionately impacted by the crisis and the cornerstone of a full and equitable recovery.	\$1	\$1
Grantmaking Total:	\$5	\$3.5

Neighborhood Stabilization Initiative in Context: 2010-2011

The External Climate for Reform

Most industry observers agree that the country has yet to witness the peak in mortgage defaults or foreclosures (or the bottom of the housing market), and early projections of the scope and duration of the crisis have proven far too conservative. While on a national level foreclosure rates already exceed those during the Great Depression, they are nearly three times as high in communities of color. The same neighborhoods that are currently experiencing the highest concentrations of foreclosures are also witnessing the severest contraction in credit availability, resulting in an economic stranglehold.

Supporting the Field

In 2011, NSI will focus its support for the field on a smart transition strategy, renewing support for high-performing grantees. It also will continue to exert a critical role in convening its partners in the field to share information, strategies, and best practices in foreclosure relief and neighborhood stabilization. With reduced grantmaking resources in 2011, NSI will place greater emphasis on philanthropic leadership to leverage its impact and diversify support for the strong and effective cohort of grantees it has developed over the past two years. NSI will work with the Neighborhood Funders Group to launch the first online resource to document, track, and disseminate successful philanthropic investments in foreclosure prevention and neighborhood stabilization. NSI will work with the Annie E. Casey and Ford Foundations to organize a series of funder roundtables on the impact of the foreclosure crisis on communities of color and to develop a national funder collaborative focused on addressing the racial justice dimensions of the crisis.

Collaborating with Other U.S. Programs

NSI will continue to co-fund grants with the Democracy and Power Fund to support grassroots organizing efforts to hold banks and financial institutions accountable for their mortgage lending, servicing, and foreclosure practices. It also will continue to partner with the Criminal Justice Fund to support efforts to create jobs for formerly incarcerated individuals in neighborhood stabilization projects and to convert foreclosed or abandoned properties into housing for people coming out of prison. It will partner with the Transparency and Integrity Fund to support greater transparency through disclosure of data on the use of federal housing recovery funds.

Neighborhood Stabilization and Open Society

The current foreclosure crisis implicates core open society concerns at the heart of U.S. Programs' values and mission. The crisis has been driven by what could be characterized as some of the most "closed" features of U.S. society: deeply rooted racial disparities in wealth and access to wealth-building institutions; feeble legal protections for immigrants and low-income consumers excluded from the financial mainstream; and a lack of government oversight in the financial sector. The confluence of these factors allowed irresponsible and discriminatory lending practices to flourish, with devastating social and economic consequences. The economic crisis is not only impacting communities of color at disproportionate rates, but the country's persistent failure to address systemic racial inequity through public policy threw the whole economy into free fall. NSI work reflects open society values and recognizes that a lasting solution to the crisis will only be achieved if we can restore transparency and accountability to the financial sector and support grassroots coalitions able to advocate effectively for stronger consumer protections, fair lending enforcement, and community reinvestment.

Variations from 2010 to 2011 (Transition of NSI into EOF)

As projects seeded during NSI's rapid-response phase are completed or gain support from other funders, NSI's grantmaking budget will be scaled down from \$5 million in 2010 to \$3.5 million in 2011. By 2012, NSI's remaining work will be fully absorbed into the Equality and Opportunity Fund. Grants will continue to be made to some existing NSI grantees in 2012 through EOF's racial justice, immigrant rights, or economic security allocations, as appropriate. As NSI transitions into EOF's permanent portfolio, NSI will focus its grantmaking on renewing support for high-performing and effective national grantees, adding a limited number of grants to support innovative foreclosure-relief efforts and winding down grants in Baltimore and New York City.

During NSI's transition phase, there are significant opportunities to leverage the past investments and grow expertise and leadership in the field through strategic communications and convenings. In 2011, NSI will focus its program development activities in three areas: 1) philanthropic advocacy and strengthening funder partnerships; 2) the development and dissemination of best practices and lessons learned from past and current investments; and 3) targeted research and topical convenings that address emerging issues in neighborhood stabilization. This work represents a modest increase in EOF's program-development budget.

Goals	Lead Grantees	2010 Accomplishments and Program-Development Activities
<p>Prevent foreclosures</p>	<ul style="list-style-type: none"> • Baltimore Homeownership Preservation Coalition • Center for New York City Neighborhoods • Civil Justice • Lawyers’ Committee for Civil Rights • National Coalition for Asian Pacific American Community Development • National Consumer Law Center • National Fair Housing Alliance • The Reinvestment Fund 	<ul style="list-style-type: none"> • U.S Treasury adopted regulatory rules requiring lenders to report the race and ethnicity of borrowers receiving loan modifications and to comply with fair lending laws. • Advocates helped shape and improve foreclosure mediation programs in more than 25 states and localities. • Grants in Baltimore and New York City leveraged thousands of pro-bono and low-bono hours of legal assistance for borrowers facing foreclosure.
<p>Stabilize the hardest-hit communities</p>	<ul style="list-style-type: none"> • Corporation for Supportive Housing • Local Initiatives Support Corporation • National Community Stabilization Trust • National Housing Law Project • National Law Center on Homelessness & Poverty • Urban Institute • Young Elected Officials Network 	<ul style="list-style-type: none"> • HUD adopted and enforced deeper affordability and transparency requirements in the federal Neighborhood Stabilization Program. • Advocates provided “teeth” to a new federal law recognizing the rights of tenants in foreclosed properties by educating tenants and preventing unlawful evictions through litigation. • Grantees developed model workforce programs in five cities that create jobs for formerly incarcerated individuals, formerly homeless people, and at-risk youth in neighborhood stabilization projects.
<p>Expand access to fair and sustainable credit</p>	<ul style="list-style-type: none"> • Center for Responsible Lending • Center for American Progress • National Community Reinvestment Coalition • National Council of La Raza • National People’s Action • PICO • United for a Fair Economy 	<ul style="list-style-type: none"> • Successfully advocated for regulatory reforms that eliminated some of the worst abuses in subprime lending. • Initiated cutting-edge impact litigation aimed at eliminating “discretionary pricing policies” that unfairly steer borrowers of color into higher-cost loans.

Continuing Challenges

The volume of home foreclosures continues to rise nationally, with the greatest losses continuing to be felt by communities of color. The federal government's response to the crisis has been "too little, too late," focusing on temporary and voluntary loan modifications that fail to address the realities of underwater loans or overcome industry intransigence. Data on federal loan modification programs and other relief efforts remain unavailable to the public or watchdog groups. Foreclosure "rescue" scams have proliferated, targeting lower-income seniors, borrowers of color, and immigrants, and further stripping wealth out of the hardest-hit communities.

New home loan originations have virtually disappeared in communities that have experienced the highest rates of foreclosure, making it difficult for would-be homeowners to purchase properties out of foreclosure. The credit crisis has been compounded by growing unemployment, leading to rising defaults, foreclosures, and evictions from multi-family rental buildings that constitute the principal source of housing for low-income households in urban areas. Concentrated foreclosures lead to an array of negative spillover effects, including rising crime, declining school quality, and further disinvestment and foreclosures in surrounding properties.

Longstanding racial disparities in lending have only increased as a result of the mortgage crisis. The same policy tools and public institutions that have been most effective at promoting minority homeownership and asset building—including the Federal Housing Administration and Community Reinvestment Act—are under attack.

2011 Forecast

Strategies

- Support innovative foreclosure mediation and diversion programs that provide borrowers with an opportunity to negotiate directly with lenders under the supervision of a court
- Support advocacy and, where necessary, litigation to increase transparency in federal housing recovery efforts with a focus on disclosure of loan modification data
- Support a coordinated national response to foreclosure rescue scams through a combination of education, advocacy, and enforcement

Impact

- Decreased unnecessary foreclosures; more borrowers able to afford to stay in homes under fair mortgage terms
- Increased transparency in federal HAMP and NSP programs, including disclosure of data sufficient to allow for monitoring compliance with fair lending and civil rights laws
- Reduced frequency of rescue scams nationally and increased borrower knowledge of legitimate options available to save their homes

- Support the development of innovative, replicable models to keep occupants (both renters and homeowners) in their homes post-foreclosure, including lease-to-own, shared equity mortgages and lease-back arrangements
- Support advocacy and legal services to ensure that existing federal, state, and local protections for tenants in foreclosed properties are fully enforced
- Address the dual crisis of unemployment and housing by supporting and elevating model workforce programs that create jobs for individuals facing multiple barriers to employment in neighborhood stabilization projects

- Successful local post-foreclosure occupancy models and workforce development programs replicated nationally and influence future rounds of neighborhood stabilization funding
- More rent-paying tenants in their homes post-foreclosure, avoiding costly displacement and property vacancies

- Support advocacy to strengthen federal community reinvestment policies and programs that ensure meaningful and enduring commitments by financial institutions to invest in under-served and under-banked communities

- Progress toward modernizing and expanding federal community reinvestment policies and programs