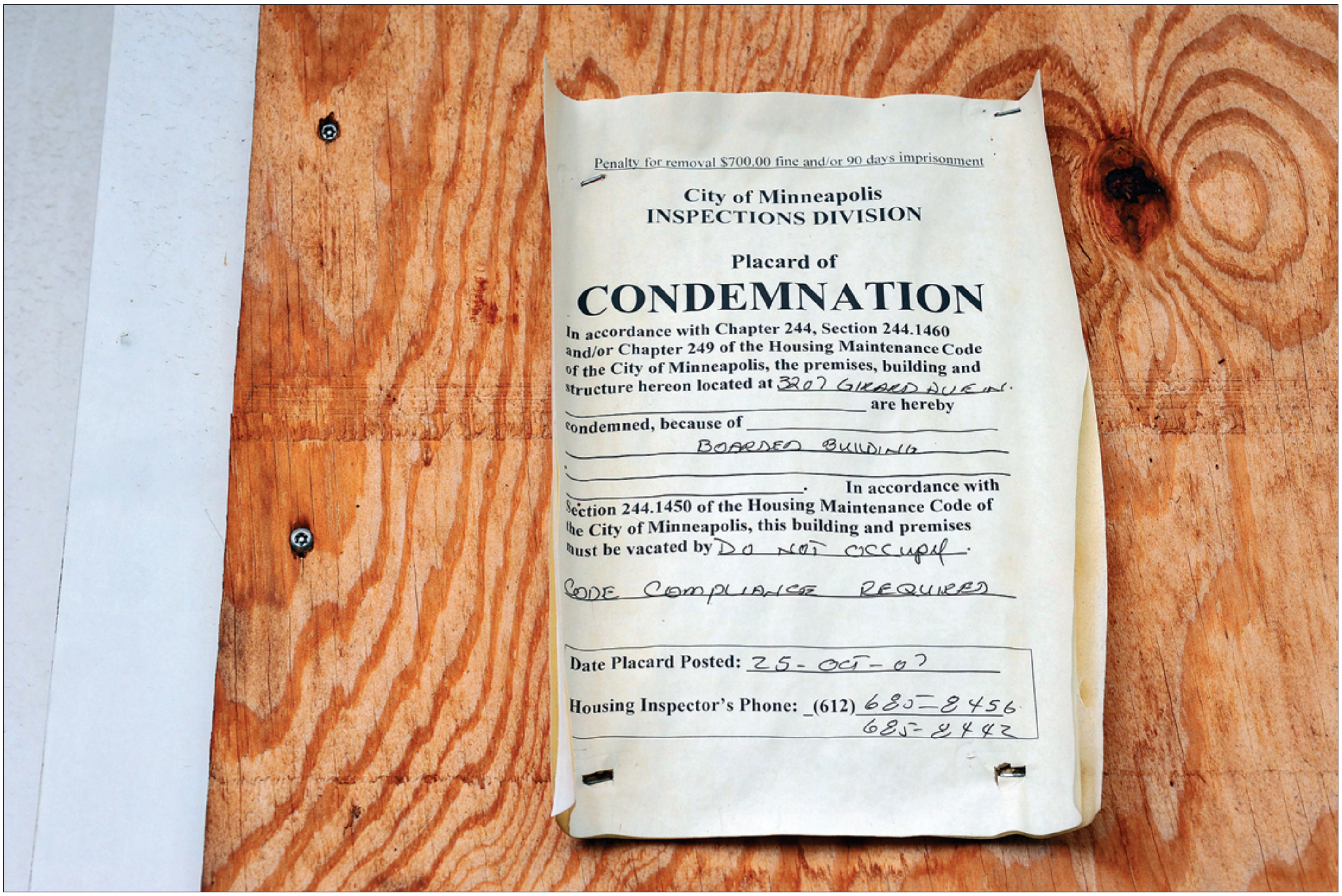
Neighborhood Responses to the Foreclosure Crisis

By Kris Nelson



Housing foreclosures represent one of the most serious problems facing neighborhoods. According to research conducted by the *New York Times*,[1] more than four million mortgage loans worth $717 billion were in foreclosure as of February 2009. According to HousingLink, the Twin Cities metropolitan area had 17,268 foreclosures in 2008.[2] The number of foreclosures is expected to continue to rise as unemployment renders some homeowners with standard mortgages unable to keep up with mortgage payments. Impacts from foreclosure will not be remedied by government funding or intervention alone.

As a result of the foreclosure crisis, urban neighborhoods that have succeeded in increasing homeownership, renter stability, and revitalization are now destabilized and face an uncertain future. Neighborhoods suffer many negative impacts from foreclosures, including:

- lengthy vacancies that result in visible signs of neglect, reducing the values of surrounding properties;
- an increased supply of housing on the market, lowering the value of similar properties;
- eviction of tenants who occupy multiunit properties when the property is foreclosed;
- vacant and abandoned properties that attract criminals, reduce neighborhood quality of life, and increase local government expenses for inspections, demolition, and fire and police services; and
- forced relocation of families who lose their homes, causing employment disruption, reduced school attendance, and loss of social networks.

Because the causes and nature of foreclosure are different across and within cities, responses must be tailored to neighborhood conditions. To explore what neighborhood responses are being deployed in the face of the foreclosure crisis, CURA and the National Neighborhood Indicators Partnership (NNIP) organized a symposium in May 2009.

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1 Online at topics.nytimes.com/topics/reference/timestopics/subjects/f/foreclosures/index.html. Accessed June 1, 2009.

2 Online at www.housinglink.org/Foreclosure.htm.

More than 100 NNIP members, city staff, community developers, and neighborhood organizers from 30 cities across the nation assembled to share their experiences addressing the problem of foreclosures on a neighborhood level. The symposium featured panel discussions on thinking strategically about responding to foreclosures and foreclosure solution strategies, as well as afternoon workshops on specific strategies for dealing with the foreclosure problem on the ground. This article summarizes the presentations and discussion from the symposium.

Panel: Thinking Strategically about Foreclosure Responses

Panelist Phyllis Betts, Director of the Center for Community Building and Neighborhood Action at the University of Memphis, emphasized the need for data and analysis to understand the causes of foreclosures. To develop effective neighborhood interventions and strategies, she noted, it is important both to understand the scope of the foreclosure problem and to segment the problem to identify context-specific and neighborhood-specific interventions. To illustrate the importance of assessing the local causes and context, she explained that in Memphis, subprime lending for owner-occupied houses was not concentrated in the inner city, but rather in suburbs and in higher-than-median-income neighborhoods. In addition, high foreclosure densities in Memphis have resulted largely from investor-owned properties.

Betts offered a typology of five types of buyers who experience foreclosure:

1. marginal buyers—borrowers for whom successful homeownership is questionable at the time of purchase
2. buyers pushing the affordability envelope—homeowners who may have been successful had they negotiated a less expensive home purchase
3. debt-driven equity borrowing—longer term homeowners who used home equity to deal with non-mortgage debt through home equity loans or cash-out refinancing
4. sudden jeopardy—longer term homeowners or new homeowners with erstwhile secure employment histories and little reason to anticipate a change in their status who experienced unanticipated financial insecurity due to job loss or other hardship
5. overextended investors—property owners driven by real estate speculation or entrepreneurs targeting housing in declining markets

Because of these diverse causes of foreclosure, she emphasized that strategies need to be customized to fit the buyer's situation.

Panelist Alan Mallach, nonresident senior fellow in the Metropolitan Policy Program at the Brookings Institute, noted that foreclosures are a constantly changing moving target, making it difficult to understand the implications for neighborhood stabilization. According to Mallach, by the end of 2008, 1 of every 30 mortgages in the United States was in foreclosure, subprime mortgages were declining and prime and near-prime mortgages were increasing, housing sales were dropping sharply, and median housing sales prices were declining. However, these patterns are not consistent across the country or even within cities. In Minneapolis, the foreclosure disparities are extreme, Mallach noted. The Northside community has been one of the hardest hit by foreclosures and sales prices have fallen sharply, but the number of sales has been growing during the last two years. St. Paul has experienced similar patterns, with some neighborhoods experiencing 60–75% declines in sales values, while others have had less than a 25% decline.

Although neighborhood response strategies can be challenging in this dynamic environment, Mallach argued, it is evident that all neighborhood stabilization activities take place in a larger market context; that local neighborhood market dynamics must be considered, particularly the destabilizing and stabilizing factors; and that response strategies and expectations need to align with the neighborhood's market realities. Mallach argued that effective response strategies should focus on both building stability and reducing destabilizing factors in neighborhoods. These factors can best be determined by the specific market conditions for the neighborhood. Market conditions fall along a continuum, from market correction to market collapse:

- market correction—demand increases as prices fall to affordable levels and supply/demand equilibrium is restored
- market destabilization—demand potentially exists, but may need public or nonprofit intervention to trigger effective demand
- market collapse—weak demand and large supply creates surplus that cannot be absorbed by market

Only through an understanding of the market dynamics and trajectories in a neighborhood can effective strategies be initiated.

Mallach stressed that neighborhood stabilization must be part of a larger strategy, not just about transactions such as acquiring a foreclosed property, which are only a means to an end. He cited California as an example. Real estate–owned (REOs) or foreclosed properties that have been taken back by a lender and put up for sale have increased dramatically during the last two years, and have all but driven out traditional sales from the market. REOs are now pricing the market, and will likely continue to do so because more REOs are going on the market than are being sold. Mallach noted that "buying and rehabbing properties in this kind of market is like trying to fix your roof in the middle of a hurricane." A better approach is to develop market-sensitive strategies guided by the local neighborhood market. As shown in Table 1, acquisition and rehabilitation are applicable to all market conditions, but should be applied in different ways. With respect to reuse (Table 2) and other strategies (Table 3), certain approaches make more sense under certain market conditions.

Mallach also discussed other activities that can be used to mitigate the impact of foreclosures and/or promote stabilization and market demand, including:

- instituting crime prevention techniques
- strengthening neighborhood quality of life
- building a stronger neighborhood social fabric
- keeping properties occupied
- preventing evictions
- encouraging loan servicers to allow owners to remain as tenants
- keeping properties maintained
- enforcing codes by imposing responsibility on lenders/servicers
- using nuisance abatement authority

These activities require some difficult choices for neighborhoods. However, the reality is that creating new homeownership for foreclosed properties may

Table 1. Market-Sensitive Strategies to Foreclosure

Strategy	Market Correction	Market Destabilization	Market Collapse
Acquisition	Acquire properties only when specific properties are an impediment to market recovery	Acquire properties to create opportunities for reuse and neighborhood stabilization	Acquire properties to land bank for future redevelopment opportunities
Rehabilitation	Rehabilitate only when specific properties are an impediment to market recovery	Rehabilitate to further market recovery and build effective homeownership demand	Highly selective rehabilitation for ownership or rental to stabilize key areas

Table 2. Primary and Secondary Reuse Strategies to Foreclosure

Strategy	Market Correction	Market Destabilization	Market Collapse
Market sale	Primary		
Subsidized sale or lease-purchase	Secondary	Primary	
Subsidized rental	Secondary	Primary	Secondary
Land banking			Primary

Table 3. Other Strategies to Foreclosure

Market Correction	Market Destabilization	Market Collapse
Foreclosure prevention Code enforcement Homebuyer assistance Market-building incentives	Foreclosure prevention Code enforcement Homebuyer assistance Market-building incentives Selective demolition Infill development	Selective demolition Interim uses

not be possible in all neighborhoods, particularly where investors are moving into neighborhoods with high volumes of REOs and turning them into rental properties. Mallach noted that pubic regulation can have a dramatic impact by reducing the link between foreclosure, disinvestment, vacancy, and abandonment; by creating incentives to keep owners and tenants in their homes; and by imposing on the banks that own them responsibility for maintaining properties.

Presentations: Foreclosure Solution Strategies

Three presenters described the activities their organizations use to respond to foreclosures.

Prevention. Julie Gugin is executive director of the Minnesota Homeownership Center (HOC), a statewide intermediary that supports 50 agencies around the state organized to promote and advance successful homeownership for low- and moderate income households. Of the agencies in the HOC network, 25 provide foreclosure counseling services. Most of the counseling is provided over the phone, but one-on-one counseling is also available. The objective of the foreclosure prevention program is to avoid foreclosure, not necessarily to keep the owner in their home, because that is not possible in many situations. The emphasis is on early intervention—helping homeowners understand their situation before it is too late to avoid foreclosure—and services may include negotiating with lenders on behalf of consumers. The HOC network served approximately 12,000 customers in 2008, and roughly 50% of these clients were facing foreclosure as a result of job loss.

Gugin identified several lessons learned from HOC's foreclosure prevention program:

1. Early intervention is critical.
2. Partner with state and local governments to distribute marketing materials (e.g., through utility bills) and raise awareness of available services.
3. Broaden outreach to the front lines, including the faith community and employers, to provide trainings and distribute promotional materials.
4. Counseling works. Foreclosure has been averted in 56% of closed cases, at an estimated savings to communities and neighborhoods of $300 million.

Mitigating Community Impacts. Edward Cunningham is manager of the Property Maintenance Code Enforcement Division in Cincinnati, Ohio. Cunningham argued that mortgagees need a statutory standard of behavior for protecting neighborhoods from the ravages of foreclosure. Such a standard might include the following:

- Prevent foreclosures. Lenders lose an average of $30,000 on each foreclosure filing.
- Keep the property occupied until a responsible owner takes over.
- Require mortgagees to assume the responsibility of a traditional owner upon judgment of foreclosure.
- Require code violations to be corrected prior to final confirmation of sale.
- Require mortgagees to appoint a receiver for multifamily buildings upon initial filing of foreclosure.

Cunningham noted that inspections and code enforcement can be tools to make owners of foreclosed properties correct violations and stem cycles of decline. Lender responses to notices of violation vary dramatically. Local owners with local lenders tend to be more responsive than properties owned by national lenders who have securitized the mortgage, making it difficult to identify the responsible party to remedy the code problems. The complexity of locating a responsible party complicates the ability of inspections to respond effectively to the growing number of foreclosed properties and resulting neglect and abandonment. Strategies Cincinnati uses include:

- filing one civil suit alleging nuisances for many buildings owned or controlled by a mortgagee;
- increasing directed police patrols and allowing police to arrest under vacant building orders
- enforcing regulations on scrap metal dealers
- requiring monthly inspections by mortgagee and requiring that lenders protect collateral
- keeping buildings occupied through foreclosure and sale by leasing to the mortgage holders
- requiring lenders to post bonds at foreclosure to cover municipal costs
- instituting a moratorium on foreclosures

Cunningham concluded by noting that enforcement cannot effectively respond to the foreclosure crisis without new laws to ensure mortgagees filing foreclosures take action to mitigate damage to neighborhoods, and without efforts to assure that foreclosure and sale of properties does not perpetuate the cycle of disinvestment and blight.

Property Recovery. Donovan Walsh and Dawn Stockmo described the work of the National Community Stabilization Trust (NCST), founded in 2008 to help communities work with lenders and mortgage services to create single-point access to REO properties and promote neighborhood stability. NCST works with more than 100 communities across the country, and the Twin Cities was one of the first pilot localities for the program. Many big-name financial institutions have signed up to participate, and NCST is now reaching out to regional and specialty lenders.

Walsh and Stockmo identified five key characteristics that guide the work of NCST:

- collaboration—bringing players together
- concentration—understanding where foreclosures are concentrated to target resources
- capacity—having sufficient "boots on the ground" to inspect properties and assess whether to rehabilitate or demolish
- capital—acquiring sufficient resources through federal funding programs such as the Neighborhood Stabilization Program, Community Development Block Grants, and HOME Investment Partnerships Program


Photo © Steve Schneider, 2009

Neighborhoods suffer many negative impacts from foreclosures, including vacancies that attract criminal activity, reduce the value of surrounding properties, and detract from neighborhood quality of life.

- comprehensive—pursuing a range of strategies, such as homebuyer education, prevention, etc.

NCST has two property acquisition programs that are based on the principles of scalability, transparency, and practicality. First Look provides states and communities with exclusive access to foreclosed properties before they are listed in the open real estate market. The seller agrees to an adjusted sales price that subtracts holding and maintenance costs that would otherwise be incurred. The program requires a five-day turnaround with regard to whether the potential purchaser—typically an NCST nonprofit or public agency participant—is interested in purchasing the property. The Targeted Bulk Purchase program gives an NCST nonprofit or public agency participant the opportunity to purchase a portfolio of distressed properties in bulk—sometimes up to one or two dozen properties in a single transaction. These properties often include aged inventory from the sellers, and are offered at pricing similar to the First Look program. To date, 900 properties have been shown across the country, and NCST participants have purchased about 100 of the properties shown. The number of properties is expected to grow exponentially. Of properties in the community target areas, 30–40% are expected to be purchased for rehabilitation or land banking.

Presentation: Foreclosure Prevention and Neighborhood Stabilization Website

Over the lunch hour, Rebecca Cohen from the Center for Housing Policy presented a new website, foreclosure-response.org. The site is an online guide to foreclosure prevention and neighborhood stabilization strategies, developed and maintained by the Center for Housing Policy, KnowledgePlex, the Local Initiatives Support Corporation (LISC), and the Urban Institute. Launched in 2009, the site includes easily accessible information on a broad range of state and local policy solutions, as well as tools to create customized neighborhood-level data reports and maps and participate in interactive online discussions.

Workshop: Outreach and Organizing for Prevention

Jeff Skrenes, the housing director for the Hawthorne Neighborhood Council in Minneapolis, and Peggy Sand, the coordinator of the Baltimore Homeownership Preservation Coalition, discussed the strategies and data they use to target their foreclosure prevention efforts. The Hawthorne Neighborhood Council, in partnership with Jewish Community Action, compiled a list of every mortgage in north Minneapolis originated in 2007, organized by neighborhood. Volunteers then went to the county to get mortgage records, identifying which loans had adjustable rate mortgages

(ARMs) and when they were going to reset. Using this information, volunteers went door-to-door, providing homeowners with foreclosure prevention information based on the reset timing. Some residents did not even know that they had an ARM. In addition, the council identified and contacted a few homeowners who may have been given loans with illegal terms.

The Baltimore Homeownership Preservation Coalition is a coalition of 60 organizations, including bankers, nonprofit housing developers, advocacy groups, government agencies, and realtors. The coalition has data on foreclosure notices, and is trying to collect data on intent to foreclose. These data are especially useful because the foreclosure process in Maryland has been lengthened, giving the coalition time to target their outreach. In addition, they created a marketing campaign using bus ads, billboards, and radio and enlisted public officials to help spread the word about the coalition's efforts.

Several other strategies were mentioned in the workshop, including addressing letters to residents by hand, because residents are less likely to throw away such a letter; reaching out to landlords in danger of foreclosure, because many counseling programs will not help landlords, only owner-occupants; and changing tenant laws so that foreclosure is not grounds for eviction of renters.

Workshop: Managing Foreclosed Properties

Michael Schramm, from the Center on Urban Poverty and Community Development at Case Western University in Cleveland, and John Kromer, from the Fels Institute of Government at the University of Pennsylvania, led a workshop on the importance of managing foreclosed properties. Schramm reported that in Cleveland, the density of foreclosures increased significantly from 2006 to 2008, with some neighborhoods experiencing 20–30% foreclosed properties. During this period, foreclosures also expanded in suburban Cuyahoga County. With the growing number of distressed properties on the market, house sales prices dropped from 80% of estimated market value in 2000 to 30% in 2008. In Cleveland, 65% of REOs are being sold for $10,000 or less. Investors are now using a land contract model that allows tenants to occupy houses but holds them responsible for taking care of the properties and bringing them up to code. These and other practices by investors in REO properties have simply compounded the problems created by foreclosures.

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In many states, the tax-foreclosure sale process is designed to recoup back taxes rather than stabilize the communities in which the properties are located. To recover back taxes, counties may offer properties for sale to the public before allowing a public entity like a land bank to take control.

Schramm has been working with the City of Cleveland to integrate his organization's database, called NEO CANDO, with code enforcement data so that properties can be tracked more effectively. Through this database, properties that enter and exit REO can be brought to the attention of city code enforcement staff for inspection. A customized interface is being developed within the NEO CANDO database so community development corporations (CDCs) can track foreclosed properties that are changing ownership in their service areas. CDCs also can enter new code enforcement complaints to route to the city's Housing Department for inspection or demolition.

Data on bank practices for selling off distressed properties to investors has been used in a recent lawsuit brought by the Cleveland Housing Renewal Project, a subsidiary of Neighborhood Progress Inc., that seeks to have foreclosed properties owned by Wells Fargo and Deutcshe Bank declared public nuisances that must be fixed or demolished. A Cleveland housing judge ruled in July 2009 that Wells Fargo Bank must put up $1 million if it wants to begin selling deeply discounted homes it owns in Cleveland. The ruling also holds that in addition to posting the million-dollar bond—essentially the cost to demolish 100 homes—Wells Fargo must supply a complete list of all homes it owns in Cleveland and make sure any homes that are vacant are boarded up or otherwise secured.

John Kromer from the Fels Institute of Government talked about public sector strategies for responding to foreclosures and how they are informed by data. His remarks focused on code enforcement in Allentown, Pennsylvania, a city which has been a target for absentee investors because its properties were undervalued in relation to its proximity to New York City. Speculators often converted single-family homes to multifamily apartments, and overcrowding became a serious problem. To address this overcrowding, voters approved a referendum initiated by the mayor to require licensing and annual inspections for all rental properties.

Allentown also has instituted a policy of citywide inspections of all properties every five years. The city works with owners of noncompliant properties to resolve issues, but when conditions of noncompliance persist, the city can issue a notice that the property is "unfit for human habitation." For the worst properties, the city can issue a certification of blight, which provides the redevelopment agency with the authority to take the property for redevelopment. These practices have put owners on notice that the city is serious about compliance, and despite some initial resistance, overall compliance has been steadily increasing.

At the state level, the Pennsylvania legislature passed point-of-sale inspection legislation, which requires an inspection at the time of sale for both owner-occupied and rental properties. This practice helps identify the responsible owner, and alerts potential buyers to code violation issues.

Finally, Kromer cited several examples of successful vacancy prevention efforts. In Philadelphia, a foreclosure diversion program mandates that any property eligible for foreclosure be subject to a conference that includes the borrower, the lender, and a judge in order to attempt to reach an agreement that prevents the foreclosure. In neighboring New Jersey, legislation encourages lenders and borrowers to enter into own-to-rent agreements that enable a person in a property that is subject to foreclosure to stay in the home as a renter and then eventually own or regain equity in the property. These programs keep foreclosed properties from becoming vacant or prey to unscrupulous investors.

Workshop: Acquisition of Foreclosed Properties

Jim Erchul, executive director of Daytons Bluff Neighborhood Housing Services in St. Paul, and Carolyn Olson, president of the Greater Minnesota Housing Corporation in the Twin Cities, spoke about their experiences acquiring foreclosed properties in Minneapolis and St. Paul. Both organizations have operated in this arena for more than 20 years. Recently they have been involved with the National Community Stabilization Trust and its First Look program. Both organizations generally rehabilitate and resell the properties they buy, and focus their efforts on properties they know they will be able to resell quickly—an easier task in the Twin Cities region, where there has been high demand for rehabbed houses that come back online. However, both Erchul and Olson acknowledged that rehabilitation was not appropriate for all neighborhoods and that, in some cases, it might be necessary to buy and hold, or possibly demolish, the properties until the housing market has stabilized.

Junious Williams, chief executive officer of the Urban Strategies Council in Oakland, California, spoke about his organization's development of the Oakland Community Land Trust, in partnership with the Association of Community Organizations for Reform Now (ACORN). The purpose of the land trust is to buy up REO properties, pay off the lien holder, rehabilitate the property, and then sell the home to a family earning 50–80% of area median income. When the home is resold, the original owner keeps all of their investment and a share of the equity appreciation, which allows the Oakland Community Land Trust to maintain affordability for the next family. The trust plans to acquire 200 REO properties.

During the workshop session, participants discussed challenges to acquiring properties, including the sheer volume and cost of the foreclosed properties involved, and the difficulty of acquiring enough properties in a community to impact the neighborhood positively. Other discussion considered what types of investors are buying up foreclosed properties, how to distinguish "good" investors from "bad" investors, and the need for at least some private investors to be involved given the limited fiscal capacity of nonprofits. Some participants voiced concerns about lack of strategic planning on the future of neighborhoods and inner cities, particularly given that many acquisition strategies involve buying up whatever property is affordable. Finally, participants debated whether the lending industry should face penalties and consequences for past actions, stricter regulations related to REO going forward, or both.

Workshop: Land Banks

Donna Hunter, administrator of the City of Columbus (Ohio) Land Redevelopment Office, and Duane Ingram, land bank manager for the Indianapolis Department of Metropolitan Development, shared their experiences running land banks in their cities. Both participants agreed that land banks should choose which strategies to pursue based on local area conditions. Ingram suggested that coordinating with local CDCs is an important element in developing a local land bank plan. Because CDCs often have a detailed knowledge of their neighborhoods, they can direct the land bank to acquire key properties. In addition, they are typically staffed by residents who understand community goals and concerns, and can help mold a community consensus about the land bank plans. In Indianapolis, CDCs work with the community and consultants to provide the land bank with a plan for which properties to purchase. Quite often, the land bank follows the CDCs' plans.

Another innovative strategy the Indianapolis land bank authority uses is to train residents in neighborhood organizations to assess and deal with vacant and abandoned properties. This helps the land bank authority get properties onto their radar, and allows them to certify to the county that the properties are vacant.

Another strategy discussed was purchasing occupied properties. The Columbus land bank purchases some occupied commercial rental properties for future redevelopment, and keeps a property manager on staff. Although there are difficulties with the city acting as a landlord—for example, occupants may need to be evicted, which is politically difficult—there are benefits as well. Occupied properties are more often kept up by their occupants, and buying occupied properties expands the pool of properties that can be bought.

Alan Mallach of the Brookings Institute recommended changing state laws to make the process to establish land banks easier. Currently, in many states, the tax-foreclosure sale process is designed to recoup back taxes rather than stabilize the communities in which the properties are located— often because the county is responsible for the tax sale, whereas the city is responsible for redevelopment. Even if the city and county have a good working relationship, if this process is not institutionalized, the relationship can break down when personnel change. To recover back taxes, counties may offer properties for sale to the public once or even twice before allowing a public entity like a land bank to take control. Even worse, some municipalities choose to bundle tax-sale properties, further encouraging purchases by investors who have little interest in living in or fixing up the properties they buy. Mallach noted that Michigan's laws are a good model for requiring that cities and community organizations work together to sell properties to responsible investors.

Future Directions: The Interplay between Neighborhood and National Responses to the Foreclosure Crisis

Ingrid Gould Ellen, director of the Furman Center at New York University, a National Neighborhood Indicator Partnership (NNIP) member, and member of President Obama's transition team on housing and foreclosure issues, delivered the final address. Ellen began by noting the depth and breadth of the foreclosure crisis. Since 2005, there has been a four-fold increase in foreclosures in the United States. The Mortgage Bankers Association estimates that 1.7 million properties entered foreclosure in 2008. Credit Suisse estimates that another 8 million are at risk of foreclosure in the next four years absent intervention.

Foreclosures are most highly concentrated in Florida, California, Arizona, Nevada, and Michigan. They are particularly concentrated in certain metropolitan neighborhoods, often moderate income minority neighborhoods. For example, in New York City, foreclosures are concentrated in just 10 of the city's 59 community districts, and 9 of these districts are at least 85% residents of color. These concentrations cause negative externalities that increase the impact of foreclosure on the community.

Ellen explained the three-part strategy the Obama administration has developed to respond to foreclosures: prevention, mitigation, and regulatory reform. Prevention efforts include the Make Home Affordable program, which subsidizes lenders to write down or modify loans; encouraging refinancing, initially targeted to government-secured enterprise loans through Fannie Mae or Freddie Mac; and help for so-called underwater borrowers through the Hope for Homeowners program. Foreclosure mitigation efforts are being funded through the Neighborhood Stabilization Program, which provides capital to purchase foreclosed properties, demolish dilapidated properties, or rehabilitate salvageable properties that can be resold to new homeowners. Regulation and reform efforts seek to control fraud and make lenders and the financial system more accountable.

Because the symposium and discussions focused on community impacts, Ellen offered several observations about the initial Neighborhood Stabilization Program (NSP) results. The first round of funding ($3.9 billion) was allocated by formula, so the funds were spread thinly across the country and there was little effort to strategically target investments. In areas of high need, there was not adequate capacity to fully use the funds and little leveraging of private capital. The second round of Neighborhood Stabilization Program (NSPII) funds ($2 billion) will be allocated through a competitive process. Targeting and market analysis are major criteria for selection for this program. Successful applicants will need to think hard about strategically targeting resources, conducting a market analysis to determine what strategies match the needs of the community, and coordinating efforts with a comprehensive regional plan. Capacity and the ability to leverage other funds will also be an important consideration to assure that the funds will be used well. Because NSPII is focused primarily on acquiring and rehabilitating properties or producing new housing, most of these funds will be targeted to vulnerable transitional neighborhoods—that is, the market destabilization communities Mallach described, where demand potentially exists, but may need public/nonprofit intervention to trigger effective demand.

Ellen argued that a variety of important activities need to occur at the local level, in conjunction with federal funding, to effectively respond to the foreclosure crisis. Many of these local strategies were presented during the symposium: increased code enforcement, land banking, demolition, greening strategies, etc. Also important are statewide initiatives, including those mentioned at the symposium: point of sale inspections in Pennsylvania, the New Jersey law that transfers liability for code enforcement directly to the creditor as soon as a foreclosure notice is issued, renter protections in New Jersey, vacant property registries and fees in Cincinnati, and land banks authorized by state legislation to facilitate tax foreclosures.

Ellen concluded her remarks by offering six ways that NNIP can contribute significantly to the neighborhood response to foreclosures:

1. Identifying individuals at risk. The research on homeowner counseling consistently shows that the earlier you reach out to borrowers at risk of foreclosure, the more likely the intervention is going to be successful. This approach will help assure that the new array of federal resources for loan modifications can successfully avert more foreclosures. Borrowers or renters who may not be able to stay in their homes should also be identified to provide them graceful exits and to help them find new homes. Homeless shelters that are seeing an increase in families from foreclosed homes requesting shelter should be helped to better target their outreach efforts. Finally, school systems should strive to identify children who are at risk of being displaced by foreclosure because there may be serious impacts on their educational performance and experience.
2. Targeting properties. This approach is useful for code enforcement, for identifying vacancies, and for foreclosure diversion. NNIP can help identify servicers of foreclosed properties to facilitate acquisitions, and can also analyze crime data in areas with foreclosed properties to help focus police resources.
3. Target neighborhoods. NNIP can provide the analysis to target NSP investments to neighborhoods that will be best served by NSP funding.
4. Matching strategies to the market. An analysis of local markets can help local governments (and NSPII grantees) identify strategies that address the particular needs of a neighborhood.
5. Evaluation. We know very little about what works, and all of the baseline and performance data NNIP partners have makes the organizations well positioned to conduct evaluations.
6. Dissemination of best practices. NNIP can play an important role to convene people from around the country to learn from one another and share best practices. Because this is uncharted territory, it is valuable to share experiences and determine how to better respond to the foreclosure crisis in neighborhoods.

Conclusion

The symposium made clear the complexities of the housing foreclosure crisis and the far-reaching implications the ongoing crisis has for neighborhoods. The problem requires a range of strategies tailored to specific neighborhood market conditions to build stability and reduce destabilizing factors. Successful implementation of these strategies necessitates a close working relationship between local governments, intermediaries, community organizations, and community development corporations.

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