NACEDA 2nd Annual Summit and Policy Conference, March-April 2008
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CDCs Confront the Foreclosure Crisis

The National Alliance of Community Economic Development Associations (NACEDA) held its second annual public policy forum on March 31-April 2, 2008, in Washington, D.C. Formed in 2007, NACEDA brings together leaders of state community economic development associations to represent the interests of community development corporations (CDCs) at the national level.

Roughly 85 people were in attendance, including staff, board members, and invited guests from intermediaries, research organizations, and financial institutions. Diane Sterner, Chair of NACEDA and head of the Housing and Community Development Network of New Jersey, opened the conference. Her remarks signaled the sense of frustration, but also of opportunity, felt by many in attendance. "The country bails out Wall Street and sends money abroad rather than to our own neglected communities," Sterner noted, "but that makes it all the more important to capitalize on the opportunities that do exist."

Not surprisingly, a central theme of the summit was the foreclosure crisis. Jim Carr, Chief Operating Officer of the National Community Reinvestment Coalition (NCRC), opened his panel with remarks that echoed Sterner's. Earlier in March, Carr said, NCRC had issued a press release titled "$240 billion for bank bailouts, 0 for borrowers." "Today," Carr noted, "that would be $400 billion for bank bailouts and still 0 for borrowers. This is the underpinning of the problem in the first place… Pumping up the banks is not addressing the fundamental problem of eroding house values." Carr argued that an approach that emulates the Home Owners Loan Corporation of the Great Depression – that is, a government agency that buys up subprime, adjustable-rate mortgages at a discount to face value and repackages them as fixed-rate, 30-year amortizing mortgages — is needed to stabilize the market. Carr said that NCRC was working on developing a coalition proposal, along with other groups such as Local Initiatives Support Corporation (LISC), Enterprise Community Partners, and the Center for Responsive Lending.

A number of other speakers also addressed the subprime crisis. Dave Buchholz of the Federal Reserve's Division of Consumer and Community Affairs spoke about he new HOEPA (Home Ownership and Equity Protection Act) regulations that the Federal Reserve was proposing to strengthen regulation of the mortgage market. Bill Matthews of the Conference of State Bank Supervisors described efforts to harmonize state regulation of the mortgage industry through the creation of a National Mortgage Licensing System, which had been launched on January 2, 2008.

A second panel on the foreclosure crisis focused on actions at the state and local level. Joe Kriesberg, Executive Director of the Massachusetts Association of Community Development Corporation described new legislation passed in his state last December which makes mortgage brokers subject to the state's Community Reinvestment Act provisions for the first time. Wayne

Mercer, the Housing Director of HANDS, a New Jersey-based community development corporation, discussed a pilot program in which the CDC is taking responsibility to work with one lender with 50 mortgages to put those properties back into productive use, thereby abating the negative effects that foreclosure has on the surrounding community. Often the foreclosed properties have a second unit that is occupied by a tenant family, so gaining title to the property can help stabilize the tenants' situation when their landlord has foreclosed. Funding for the pilot is coming from LISC, Essex County, and New Jersey Community Capital. Mercer hopes the pilot can also be the basis for a statewide Community Asset Preservation Corporation.

Janelle Dane of the East Side Organizing Project of Cleveland, Ohio, described how community organizing had created the leverage needed to execute "fair lending agreements" with 13 different lenders that control 65 percent of the lending and/or servicing in Cleveland. According to Dane, her organization saves "about 1,000 homes a year" from foreclosure and has an overall success rate of 85 percent, compared to a counseling industry norm of 30-35 percent. The difference, Dane explains, in large measure stems from the fact that fair lending agreements it negotiates set up an "ombudsman"-type person who the agency works with, as well as creating an obligation for the lender or servicer to work to resolve the cases promptly.

Broader community development issues were also addressed at an afternoon panel of the first day. Joe Belden of the Housing Assistance Council highlighted the importance of protecting federal funding for rural community development. Barbara Burnham, Senior Director of Federal Policy from LISC, addressed a wide range of community development legislation, including efforts to reauthorize the McKinney homeless assistance program, Housing & Urban Development section 202 program (affordable housing for the elderly), and legislation that would establish a National Affordable Housing Trust Fund, financed through a small percentage of the profits of the government-sponsored enterprises Fannie Mae and Freddie Mac. Angela Flores, Deputy Director of Policy Enterprise, focused on updating conference participants on moves within Congress to add "green" criteria to community development.

The second day of the conference began with reports from the Democratic National Committee and representatives of the Obama and Clinton campaigns (Republican speakers were invited, but did not attend). Rick Wade, speaking on behalf of the Obama campaign, said that, if elected, Obama would create a White House Office on Urban Policy and emphasized Obama's commitments in a number of program areas, including encouraging the formation of business incubators, subsidies for public higher education (up to $4,000 a year), support to raise the minimum wage to $9.50 an hour by 2011, support for a $10 billion foreclosure prevention fund, and support of a national affordable housing trust fund. Clinton's representative sent a message to the conference outlining some of Senator Clinton's community development positions, including support for a $30 billion emergency housing fund, a foreclosure moratorium lasting at least 90 days, a doubling of Community Development Block Grant spending to $8 billion a year, and support for a new energy and environmental block grant program.

Alan Mallach of the National Housing Institute then led a discussion on his effort to develop a framework for planning neighborhood-based community development work. Called *Mapping Neighborhood Change*, the framework, developed with the financial backing of the Surdna Foundation, aims to identify a set of criteria that will assist community development corporations to assess the conditions in their neighborhood and then adopt measures that will enable them to pursue a mix of market building and housing equity measures that fits those conditions. "A good CDC," Mallach noted, "is constantly reevaluating and changing their strategies as they go on. The stronger the market becomes, the less emphasis is needed to actively help it more. Specific programs and strategies work very different as neighborhood conditions change." For instance, when the market is weak, a land bank can create "an inventory for affordable housing. If you wait until the market has changed, at that point the sties will no longer be available or they will be too expensive." Over the next year, NACEDA aims to work with Mallach to develop a curriculum that will be of assistance to member associations.

A lunch panel, called "Holding Back the Wave," returned to the theme of the foreclosure crisis, with an emphasis, as former National Housing Institute Executive Director Harold Simon called it, on "the back end" – or what to do when prevention has failed. Jennifer Leonard, Executive Director of the National Vacant Properties Campaign, focused on the importance of vacant property registration ordinances, along with good information tracking systems, to enable a city "to recoup all or some of the costs of taking care of the property." Maria Day Marshall of Fannie Mae described its Community Lending Channel program, which enables public entities to "borrow from Fannie Mae to re-lend to nonprofits to purchase foreclosed properties and put these properties back into commerce and re-sell." Boston attorney David Abromowitz described a plan he helped draft with the Center for American Progress and Enterprise to create a national fund for property acquisition. Called the Great American Dream Neighborhood Stabilization Plan (GARDNS), the proposal would create a one-time $10-billion allocation to enable localities to acquire foreclosed property and would encourage partnerships with nonprofits to convert the properties into permanent affordable housing. Abromowitz noted that a bill by Senator Jack Reed (D-RI) would provide $4 billion for this purpose, while a similar proposal by Representative Barney Frank (D-MA) would provide $2.5 billion (and $7.5 billion in loans).

The closing panel of the day addressed overall trends. Marjorie Turner of the Metropolitan Policy Center of the Urban Institute, cautioned attendees to not lose sight of the growing rental affordability gap; according to Turner, one third of all household renting—16 million total as of 2005—spend more than 30 percent of their income on housing. Moises Loza of the Housing Assistance Council noted that subprime crisis affects rural, as well as urban, households. Conrad Egan of the National Housing Conference called for linking housing with transportation, the environment, and education. Robert Zdenek, Acting Executive Director of the National Housing Institute, observed, "We're now entering a new era. One can see it as half empty or half full. If you look at it half empty you could describe it as the 'perfect storm'… If you describe it as half full, you could say, to paraphrase Pogo, 'I'm surrounded by insurmountable opportunities'."

The following morning at a meeting of NACEDA members on Capitol Hill, Rep. Maxine Waters (D-CA) announced two new pieces of legislation. The first, H.R. 5678—the Neighborhood Rescue and Stabilization Act of 2008—would authorize $10 billion in CDBG assistance for the redevelopment of abandoned and foreclosed homes. The second bill, H.R. 5679, would amend the Real Estate Settlement Procedures Act to require mortgagees for mortgages in default to engage in reasonable loss mitigation activities. We want to make it as easy for the homeowner to get help once they are in trouble, as it was to get the loan in the first place," Waters said to NACEDA members.

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