

**Beth Deutscher- Executive Director, Homeownership Center of Greater Dayton**

Statement of

Beth Deutscher  
Executive Director  
HomeOwnership Center of Greater Dayton,  
A program of  
St. Mary Development Corporation

Before Congressman Michael Turner  
Third Congressional District of Ohio

Field Hearing on  
Housing Issues: Dayton, Ohio

Congressman Turner, my name is Beth Deutscher, Executive Director of the HomeOwnership Center of Greater Dayton, a program of St. Mary Development Corporation. I thank you for the opportunity to discuss housing issues concerning the Dayton area, particularly the impact of the local foreclosure crisis.

**Background on the HomeOwnership Center**

The HomeOwnership Center was established by St. Mary Development Corporation in 2002 with the mission of empowering local residents to achieve and sustain homeownership and financial success. Our non-profit agency is a chartered member of NeighborWorks America – a national network created by Congress that includes over 230 community-based organizations creating healthy communities through the work of thousands of residents, business people, government officials and other partners. We are also a HUD-approved housing counseling agency, and have met strict program standards that ensure a high level of quality in the services we deliver.

The HomeOwnership Center provides a variety of housing services, including pre-and post-purchase counseling and education, foreclosure prevention and predatory lending counseling, financial literacy training, down payment assistance, reverse mortgage counseling, supportive services to our lease-to-purchase residents, and linkages to mortgage financing as well as other local housing initiatives. Our organization has provided education and guidance to more than 7000 individuals and families in our eight county service area.

**Addressing the Foreclosure Crisis**

The HomeOwnership Center has been working on foreclosure issues for several years, focused initially on our partnership with Miami Valley Fair Housing Center’s (MVFHC) Predatory Lending Solutions program. Our role within the program includes financial assessment as well as counseling and education to victims of predatory lending. Our staff works to help these homeowners recover from the devastating impact of terrible mortgages and prepare for re a modification of existing mortgage terms or refinancing into better products. These services are offered in the context of intervention by MVFHC, who explores legal options and settlement opportunities for victims who seek assistance through the program.

From 2002 through 2005, this work represented approximately 25% of our homeownership services, with the balance focused primarily on services to first-time homebuyers. However, predatory lending continued in our community despite warnings from those of us witnessing the evidence first-hand, and a growing number of residents were put at risk for losing their homes. In response to the tremendous escalation of foreclosure filings in 2006, the HomeOwnership Center expanded our services to local homeowners potentially facing foreclosure. Today, our foreclosure prevention work represents 75% of our efforts and our staff has more than doubled in our

attempt to meet the demand for services. In 2005, we provided foreclosure prevention counseling to 112 homeowners; in 2009, this number will approach 2000.

Montgomery County's foreclosure filings reached a staggering number in 2006, cresting over 5000 – a number that was unfortunately sustained in 2007 and 2008. The crisis continues in 2009, with projections that Montgomery County's foreclosure filings will once again reach the 5000 range. Our experience in working with families at risk of losing their homes especially over the past 18 months are reflective of the economic challenges of the region, with escalating unemployment rates resulting from plant closures and cutbacks in jobs that offer a living wage.

In addition to increasing our staffing levels and organizational capacity, the HomeOwnership Center has undertaken a number of initiatives to help our residents and community respond to the foreclosure crisis. In 2006, we took a leadership role in establishing the NeighborWorks Ohio Foreclosure Prevention Initiative – a statewide effort that mobilized 11 organizations and established the Ohio Home Rescue Fund. This program utilizes funding from the Ohio Department of Development's Office of Housing and Community Partnerships and Ohio Housing Finance Agency to offer rescue loans that help homeowners avoid foreclosure. We are also providing rescue funds to participating lender customers through the Federal Home Loan Bank of Cincinnati's Preserving the American Dream program.

The HomeOwnership Center has partnered with a number of local, state and national partners for foreclosure intervention and community education efforts that encourage at-risk homeowners to reach out for assistance. These partnerships include the City of Dayton, NeighborWorks America, the State of Ohio's Save the Dream campaign, Montgomery County and United Way's 211 campaign, Dayton area credit unions, the Montgomery County Clerk of Courts, the Montgomery County Treasurer, Ohio's Attorney General, First Suburbs Consortium, the City of Kettering, the City of Moraine, Troy Community Works, ThinkTV, Dayton Daily News, local television and radio stations, area churches, Montgomery County libraries, and many others.

### **Making the Work Possible**

The HomeOwnership Center has participated in the National Foreclosure Mitigation and Counseling program established by Congress to fund foreclosure prevention counseling. Allocations from the past two years have totaled \$808,000, plus an additional \$240,000 that allows us to offer legal assistance to our clients through an expanded partnership with Miami Valley Fair Housing Center. This funding has significantly increased our ability to help meet the needs of our community, and we thank you for your support in making these resources available. We have also received financial support from a number of local and state partners, and we are grateful for those opportunities as well.

### **Program Challenges**

While we have been successful in saving hundreds of local homeowners from foreclosure, with many more in the pipeline, there are challenges that interfere with our ability to help a much higher number in resolving their mortgage difficulties. The most significant of these problems is the inefficient process of working with mortgage servicers toward a reasonable and sustainable resolution for our clients – one case at a time. It is very common for us to experience three-six month delays in the responses from servicers regarding workout requests submitted by our staff. Our counselors frequently must resubmit packages to servicers multiple times because documents are lost. Fax numbers provided are often not functional. In some cases, servicers are simply inflexible regarding workable options that might help a homeowner save their home.

When the Obama administration introduced the Making Home Affordable program, we joined our colleagues in the housing counseling industry in the hope that we would now have a reasonable and consistent system for mortgage servicers' approval of loan modifications and mortgage refinances. Unfortunately, this is not the case to date. In most cases, responses to borrower requests are delayed further, and we see little consistency among the servicers' implementation of the program. We appreciate the complexity of deploying a national program that represents a new approach to standardizing loan modifications and refinancing for troubled borrowers. We await the positive outcomes that the program could potentially bring once servicers have fully executed the program as intended.

## **Summary**

In summary, we believe that the foreclosure crisis in the Dayton area shows little sign of diminishing in the near future. There must be improvement in the nation's economy, and an increased availability of jobs for our local residents, before we will see significant improvement. Current estimates are that the crisis will continue through 2012 or longer.

The impact on individuals, families, and neighborhoods will require years of recovery. The HomeOwnership Center continues our commitment to assisting homeowners and the communities that are impacted by this crisis to the best of our ability. We also remain committed to our experience that one of the best ways to encourage default-resistant homeowners is to provide high quality pre- and post-purchase homeownership counseling and education.

## **Congressional Assistance**

There are a number of ways in which Congress could make a difference as we work to address the foreclosure crisis and common housing goals.

1. We need your continued support for housing counseling funding. Additional dollars will be needed to fund the National Foreclosure Mitigation and Counseling program through NeighborWorks. Indications are that funding is already diminishing in 2010, and we await news regarding the HomeOwnership Center's allocation to cover costs through next June. Additionally, we need funding through HUD and/or NeighborWorks to fund comprehensive counseling efforts, so that we may renew efforts to provide education and guidance to new homeowners. Now, more than ever, we need to stimulate the housing market and create foreclosure-resistant homeowners.
2. We need your support for the continuation of Neighborhood Stabilization programs that allow local jurisdictions to logically reduce unproductive units through demolition and increase rehabilitation efforts in neighborhoods that have been heavily impacted by vacant properties.
3. We need regulatory and enforcement mechanisms put into place for the mortgage servicing industry. We need your continued efforts to improve servicer performance within the Making Home Affordable program.
4. We need legislation that protects consumers from exposure to "mortgage rescue" scams that are designed to take advantage of at-risk homeowners.
5. We need Congress to urge leadership within HUD to reinstitute an incentive or requirement for first-time homebuyers to complete homeownership education. The necessity for ensuring that borrowers receive quality training and guidance as they navigate the mortgage system will become increasingly evident as FHA loans show rising default rates in the coming months.

Again, thank you for the opportunity to testify. I welcome your questions regarding my comments or the HomeOwnership Center's work.

## **Jim McCarthy- President/CEO, Miami Valley Fair Housing Center, Inc.**

Congressman Turner and honored guests, my name is Jim McCarthy. I have been the President/CEO of the Miami Valley Fair Housing Center since 1998, and I am currently the Chair of the Board of Directors of the National Fair Housing Alliance, based in Washington, D.C. Thank you for the opportunity to discuss housing issues that the Dayton area is facing and for the opportunity to comment on the role of federal government in our work locally.

The Miami Valley Fair Housing Center (MVFHC) is the only private, non-profit fair housing organization in the Dayton/Montgomery County, Ohio area, and is an operating member of the National Fair Housing Alliance. Our mission is to eliminate housing discrimination and to ensure equal housing opportunity for all people in our region. MVFHC works to educate the public and local housing professionals about their rights and obligations under fair housing laws, and it conducts investigations into discriminatory rental, real estate sales, mortgage lending and homeowners insurance practices.

Since January 2001, the Miami Valley Fair Housing Center has been running the Predatory Lending Solutions (PLS) project in Montgomery County, Ohio. The PLS project is a multi-component project developed by the Fair Housing Center and its collaborative partners and has been used by other communities as a model in creating programs to address the problem of predatory lending. Through the PLS project, we assist residents of Montgomery County by providing outreach and education on the dangers of predatory mortgage lending and by providing intervention and rescue services to those residents who have been victims of predatory mortgage lending. In this work, our partnership with the HomeOwnership Center of Greater Dayton has been critical to our ability to successfully implement a comprehensive program.

These two umbrella areas – housing discrimination and predatory mortgage lending and its resulting foreclosures – are the Fair Housing Center’s two primary lines of business. Over the past five years, the Center has assisted more than 2,900 Miami Valley families who were either facing housing discrimination, predatory mortgage lending, and/or foreclosure.

### **Predatory Lending in Montgomery County, Ohio**

At my agency, we define a predatory loan simply as—any loan that is inappropriate for the borrower is predatory. Predatory lending becomes a fair housing and fair lending issue when lenders and/or mortgage brokers target specific populations, such as elderly, minority and low- to moderate-income homeowners, particularly those with substantial equity in their homes.

The pattern of predatory mortgage lending in the Dayton/Montgomery County area certainly bears this out. When we first began dealing with the issue at my agency, the majority of our clients were elderly individuals residing in inner-city minority neighborhoods. Many of them had owned their homes free of debt for a number of years, until they became involved with a subprime lender. Our work suggests that these homeowners were targeted for subprime loans because they had significant equity in their homes and because their credit needs had been historically ignored by depository lending institutions. Thus the very same neighborhoods that had been subjected to years of homeowner insurance and mortgage lending redlining were also targeted as vineyards ripe for the harvesting of hard-earned equity, and have now been devastated by unprecedented levels of foreclosure and abandonment. These neighborhoods are devastated by boarded-up, foreclosed upon homes that blight street after street, creating arenas in which prostitution, drug abuse and trafficking, and worse crimes occur.

However, predatory lending and the resulting foreclosures and related problems do not confine themselves to inner-city minority neighborhoods. The foreclosure crisis is spreading throughout even some of the most affluent neighborhoods in our area.

Fair housing and consumer advocates have been sounding warnings regarding Ohio's subprime lending and foreclosure problem for years. Ohio has been and is experiencing unprecedented levels of residential foreclosures, the effects of which are devastating not only on the families losing their homes but also for their neighbors and the cities they live in.

Unfortunately, throughout most of our recent history, the federal government has stood by silently, willfully impotent in its ability to protect our communities, to stop the peddling of toxic loan products, and ultimately to prevent the resulting economic crisis currently faced by our communities and our country.

**Fair Housing in Montgomery County, Ohio**

One does not have to look hard to see the presence of housing discrimination within the Montgomery County, Ohio area. Because of our area's prior participation in the 1989 National Housing Discrimination Study and because of the significant population of black minorities, HUD included the Dayton-Springfield metropolitan statistical area (MSA) in its 2000 HDS. After conducting systematic paired testing, HUD reported in the 2000 HDS that black renters within the Dayton-Springfield MSA received consistent adverse treatment in 24.3% of the tests. More disappointingly, while the national average of consistent adverse treatment in home sales declined from 29% in 1989 to 17% in 2000, black homebuyers in the Dayton-Springfield MSA received consistent adverse treatment in 21.4% of the tests conducted.

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The presence of housing discrimination is also illustrated by the degree to which minority populations in the Dayton MSA are clustered together. Clustering is measured by the extent that an area populated by minority members adjoins another area, or cluster.<sup>1</sup> A high degree of clustering, measured by the spatial proximity of minority and majority populations, indicates the presence of distinctly racial or ethnic neighborhoods. The index equals 0.0 when minority members cluster the same amount as the majority – or when the area is integrated; is positive when minorities cluster in greater numbers than the majority – or when minority populations are segregated into an area; and is negative if they are less clustered than the majority – or when minority populations are more interspersed throughout the area. The data clearly shows that the African American population within the Dayton MSA is highly clustered together.

<b>Housing Patterns within Dayton, OH (MSA) using the Relative Clustering Index, 2000</b>			
<b>Race / Ethnicity</b>	<b>Total Population</b>	<b>Minority Population</b>	<b>Index Value</b>
Asian	848,153	13,989	0.699
Black or African American	848,153	128,282	1.770
Hispanic	848,153	9,811	0.054

Source: U.S. Census Bureau, Housing and Household Economic Statistics Division

<sup>1</sup>The US Census Housing Patterns glossary defines the indicators used within their residential segregation study. It attributes such indicators to Massey and Denton, who used a literature search and cluster analysis to identify 20 different indices of segregation and classify them into five key dimensions of segregation. See “19 Measures of Residential Housing Patterns” at [www.census.gov/hhes/www/housing/housing\\_patterns/housing\\_patterns.html](http://www.census.gov/hhes/www/housing/housing_patterns/housing_patterns.html) .

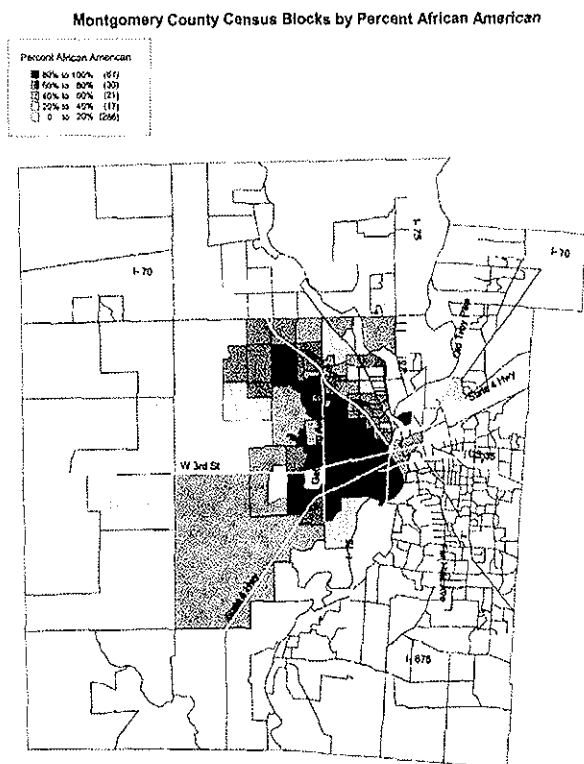
These studies illustrate a fact of which local residents are well aware — Montgomery County, Ohio is a hyper-segregated area.

The map<sup>2</sup> at right examines the percentage of minority population within the census block. The darkest areas have an African-American population of 80% or greater, while the lightest areas have less than a 20% African-American population. Such segregation has a profound impact on nearly every aspect of life.

In the 2005 Dayton mayoral election, the challenger, who was Caucasian, commented on his experience campaigning against the incumbent mayor, who was African-American:

I heard the “n word” too often, and sometimes came away from a voter’s front porch knowing I would get his vote even if I had a swastika tattooed on my forehead. Equally distressing were those voters whose wink-wink conversations with me implied that I understood, and somehow embraced, the reason (perhaps the only reason) they were supporting me: I am white.

But I was also received by many African-American voters, clearly unhappy that I was knocking on their doors and even thinking about challenging the incumbent<sup>3</sup>



Such racism also appears within our testing results. Over a 3-year period, MVFHC conducted numerous real estate sale tests of only a small percentage of the real estate agencies servicing the Montgomery County area. The results are disheartening. MVFHC’s testing consistently showed racial steering and differing treatment in regards to the quality of service provided. For example, a realtor informed a Caucasian tester, who was relocating and did not know the area, to look online at some houses, and if the tester was interested in some houses to give the realtor a call. The realtor told the tester that, though she “couldn’t say anything,” the tester could “listen to the tone of my voice” as the tester would “be able to tell if it was something [they] shouldn’t look at.” In another test, the realtor would only show the African-American tester the initial property she called about because she was not yet pre-approved, but the same realtor showed the Caucasian tester 9 properties around the area, knowing that she was not yet pre-approved. When the African-American tester attempted to see more properties, as she hpre-approved, the realtor did not return any of her phone calls.

### **Miami Valley Fair Housing Center Successes**

#### Predatory Lending

The PLS project offers prevention and intervention services to Miami Valley families who are potential or present victims of predatory lending practices. The PLS project includes community education and outreach as well as direct victim intervention. We have counseled more than 1,650 families on predatory lending, and initiated direct legal intervention for more than 430 families. Despite these successes, each year the number of mortgage foreclosure filings continued unabated. Consider that in 2005 we provided assistance to 254 families, but there

<sup>2</sup> Produced by the Center of Business and Economic Research, University of Dayton, 2006

<sup>3</sup> Bohardt, David. “*What I learned on the campaign trail.*” Dayton Daily News; 11/15/05, A9

were 4,050 mortgage foreclosures filed. In 2008 we provided assistance to 353 families, but there were 5,194 mortgage foreclosures filed. Consider further that until 2008, there were literally no resources available from the federal government to do anything about predatory lending, or its resulting foreclosures.

### Fair Housing

The Miami Valley Fair Housing Center (MVFHC) has been an operating member of the National Fair Housing Alliance since 1993. As such, the Miami Valley Fair Housing Center is a comprehensive full-service fair housing center that has experience in auditing and testing activities, and fair housing and fair lending education and outreach. MVFHC has consistently received "Excellent" ratings in all of its evaluations from HUD for the work it performed under all its federal grants.

The MVFHC's enforcement program has also flourished, as evidenced by the fact that in 2000 the MVFHC was the local agency selected by HUD and the Urban Institute to conduct the National Housing Discrimination Study (HDS) in the Dayton and Miami Valley area. The MVFHC successfully conducted all types of testing, including rental, sales, linguistic profiling, reasonable accommodation/ modification requests, and accessibility design & construction testing, with significant results.

The MVFHC has successfully identified, investigated and filed more than two hundred and sixty-three (263) complaints of housing discrimination in the last five years. And MVFHC has successfully resolved one hundred thirty-six (136) fair housing cases involving the protected classes of race, familial status, and disability/handicap. The Center currently has forty-three (43) open cases that it is pursuing either administratively through HUD and the Ohio Civil Rights Commission or in state or federal court and twenty-nine (29) additional cases that are being investigated/tested but have not yet been filed either administratively or in court. Protected classes in the Center's current open caseload include race, sex, national origin, familial status, and disability/handicap.

All of our work — education, outreach, intervention on predatory lending and foreclosures, and comprehensive fair housing, anti-housing discrimination services — is accomplished with a full-time professional staff of seven (7), with three additional support positions like a bookkeeper, administrative assistant, and IT person.

### **Making the Work Possible**

Our work has been made possible by vision, commitment and leadership on the local level. Montgomery County has been the Miami Valley Fair Housing Center's champion since its inception and particularly since 2000, when the predatory lending issue was presented to the county commissioners. Without the more than \$4.25 million in funding that the County has provided over the last eight years, the progress that has been made and the successes that we have realized would not have been possible.

In addition to Montgomery County, the Fair Housing Center's work has also been supported by County Corp, the City of Kettering, the City of Dayton, Fannie Mae, Freddie Mac, the Dayton Foundation, and the Virginia Kettering Foundation.

The Fair Housing Initiatives Program (FHIP) from the U.S. Department of Housing & Urban Development (HUD) has also been a critical funding component of our work in the last five years, providing approximately \$975,000.00 in FHIP funding. However, the FHIP program has been historically underfunded and underutilized by HUD to address the country's pressing housing segregation issues.

### **Challenges**

While we have been successful in saving hundreds of local homeowners from predatory lending and its resulting foreclosures, and while we continue to offer a comprehensive array of services that have ensured we have many people queuing up to request our services, there is no systemic way in which we can challenge predatory lending and/or foreclosures. The methods for assisting people are one-at-time "whack a mole" procedures, wherein as soon as one homeowner/borrower is assisted, another two or three appear needing similar assistance or more.



Despite warnings early on, in fact more than seven years ago, from fair housing practitioners, consumer advocates, and housing counselors, the federal government has only recently brought resources to the mortgage foreclosure problem, and has still not earnestly and effectively addressed the underlying predatory mortgage lending problem.

April 2009 marked the 41<sup>st</sup> anniversary of the passage of the federal Fair Housing Act. The Act requires communities and the federal government to proactively further fair housing, residential integration, and equal opportunity goals; however, equal opportunity in housing remains a major challenge, with collateral impact far beyond four walls and a roof. And yet, America's communities are still highly segregated and the volume of fair housing complaints is unacceptably high.

Historically, the Fair Housing Initiatives Program (FHIP) has been grossly underfunded despite documentation that shows its success.

In May 2009, the National Fair Housing Alliance (NFHA) released "Fair Housing Enforcement: Time for a Change," its 2009 Fair Housing Trends Report, that noted that 93 private non-profit fair housing organizations processed almost twice as many cases last year as the U.S. Department of Housing and Urban Development (HUD), the U.S. Department of Justice, and 107 state and local government agencies combined.

The deepening foreclosure crisis accounts in part for the upsurge in housing discrimination. Private fair housing centers around the country have seen more cases of discrimination in mortgage lending than ever before. Yet, HUD initiated only 4 investigations into lending discrimination last year and DOJ brought only one mortgage lending case. In addition, HUD handled only 60 fair lending complaints in 2008, compared to 1,500 handled by private fair housing centers.

"Fair housing advocates have been warning the federal government for a decade, to no avail, about the damage that abusive lending would bring," said Shanna L. Smith, NFHA President and CEO. "For too long, HUD and the Justice Department have stood by while people and neighborhoods of color have been targeted for predatory loans and stripped of equity. As we look forward to working with the new Administration to bring in an era of change, the change must begin with HUD's and Justice's fair housing enforcement programs."

Fair housing complaints handled by private groups jumped by 17 percent from the previous year to 20,173. This amounts to 66 percent of all national complaints. In 2008, HUD handled only 2,123 fair housing complaints, state and local agencies only 8,429, and the Justice Department only 33 cases. The Fair Housing Act prohibits housing discrimination on the basis of race, color, national origin, religion, sex, familial status and disability. It also covers all housing transactions and services, including advertising, rentals, sales, lending, and insurance, as well as harassment.

In addition, there are notable disconcerting increases in discriminatory housing ads on the internet.

## **Summary**

The Fair Housing Center has been working on these issues for years. In many ways, we may seem like a broken record in our summaries and recommendations. It is clear that the foreclosure crisis in the Miami Valley area will not diminish in the next three to five years.

There will continue to be devastating impacts upon families and neighborhoods that will require years of focused public policy, investment, and monitoring in order to realize anything near a "recovery."

Together with our community partners, funders, and elected officials, the Miami Valley Fair Housing Center remains committed to assisting individual homeowners and the communities in which they live.

We recognize the importance of "home" as a component of the American dream. We envision a country free of housing discrimination where every individual, group and community enjoys equal housing opportunity and access



in a bias-free and open housing market. We envision a country where integrated neighborhoods are the norm, and private and public sectors guarantee civil rights in an open and barrier-free community committed to healing the history of discrimination in America.

### **What Do We Need From Congress?**

We need Congress to be vigilant on the issues of predatory mortgage lending and foreclosures. We need bipartisan efforts to earnestly assess the problems and develop creative solutions that will ensure that individuals and communities are protected.

We need Congress to listen to the fair housing and consumer advocates and give the same credence to our case stories, data and statistics as it does to those presented by the banking, lending, servicing, and real estate industries.

We need Congress to increase and stabilize funding to private fair housing organizations and housing counseling organizations.

We need Congress to continue to support the Neighborhood Stabilization programs that allow local jurisdictions to demolish where appropriate and rehabilitate where possible, so as to ensure that our neighborhoods that have been heavily impacted by vacant properties can begin to thrive again.

We need Congress to implement regulatory and enforcement mechanisms for the mortgage servicing industry.

We need Congress to create a Consumer Financial Protection Agency and fund it appropriately.

I am happy to answer any questions regarding my comments or the Fair Housing Center's work.

Thank you for this opportunity to present today.

**Kiya Patrick- Community Economic Development Specialist, Montgomery County**

Statement of

Kiya Patrick  
Community Development Specialist II  
Montgomery County Community and Economic Development Office

Before Congressman Michael Turner  
Third Congressional District of Ohio

Field Hearing on  
Impact of the Housing Crisis: Dayton, Ohio

Congressman Turner and honored guests, I am Kiya Patrick, a Community and Economic Development Specialist with Montgomery County. It's my pleasure to share with you some of Montgomery County's observations regarding the effects of the housing crisis.

**Background on the Community Development Office:**

Montgomery County has participated in the Housing and Urban Development's Community Development Block Grant Program, commonly known as CDBG since 1975. Montgomery County's CDBG Program serves residents living within the geographic boundaries of the County, exclusive of the Cities of Dayton and Kettering (which each receive individual funding).

Through concentrated, long-term improvements in specific neighborhoods, Montgomery County's goal is to increase property values, improve livability and revitalize neighborhoods. In order to achieve this goal, the County has focused its CDBG efforts in three basic categories: (1) infrastructure improvements, (2) housing improvements, and (3) economic development. To further its goals, the County partners with agencies, such as the agencies represented on the panel today, in addition to Montgomery County's Housing and Homeless Solutions Team, Dayton Metropolitan Housing Authority and CountyCorp.

The County receives additional federal funding through the HOME Investment Partnership and Emergency Shelter Grant Programs.

**Problems and Trends as a Result of the Housing Crisis Observed by Montgomery County:**

Vacancies: The excessive number of residential mortgage foreclosures, overbuilding of the housing market and loss of the employment base are the most critical factors causing vacancy and abandonment. These vacancies and abandonments are impairing the region's housing market in general. With job opportunities waning, the region has witnessed a dramatic loss in population. Such population loss has contributed to empty homes in the region. According to Gem Public Sector Services, housing markets are regarded to be stabilized, at a vacancy rate of five percent (5%). In Montgomery County, housing vacancy is estimated at 14.1% in 2008, leaving an estimated 36,243 vacant units in neighborhoods across the County. This vacancy rate is projected to jump to 18.4% by 2013, which could potentially create over 48,000 vacancies.

Declining Property Values: Vacant homes that languish for long periods of time have the effect of making adjacent homeowners less likely to maintain and reinvest in their own properties. The deferred maintenance and continued

vacancy begins the process of disinvestment resulting in declining home values. Average residential property values within the region fell 4.4% in the recent Auditor's revaluation; and property tax delinquencies have been rising steadily. Both of these factors have depressed 2009 property values and property tax revenues, and will continue to do so in the future.

Weak Home Sales: Data from the Dayton Area Board of Realtors indicates that less than fifty percent (50%) of all annual residential listings, have actually sold in the local market since 2000. The average sales prices in the regional market have shown substantial declines in recent years, likely the combined effects of declining housing demand and the numbers of homes in foreclosure.

Increased Underwriting Restrictions: A return to traditional loan underwriting standards in the future is likely to have a negative effect on annual home sales and homeowner rehabilitation loans for the foreseeable future. With an excess supply of housing units on the landscape, it is likely that housing values will continue to erode, making appraisals for mortgage lending purposes an area of concern. Recent upward trends in CDBG funding requests to the County are demonstrating a need for increased funding to assist with homeowner rehabilitation efforts.

### **A Solution to Addressing the Housing Crisis-Progress with Recent NSP Funds:**

Recognizing the damage that foreclosures have created on communities around the country, we are thankful that last summer Congress appropriated \$3.9 billion to fund the Neighborhood Stabilization Program (NSP). Montgomery County was fortunate to receive almost \$6 million dollars in NSP 1 funding. The County has also partnered with the Cities of Dayton, Fairborn and Kettering, along with Dayton Metropolitan Housing Authority as part of a consortium and is hopeful to receive additional funds through NSP2.

Montgomery County's NSP1 plan is premised on the use of the NSP funding as a catalyst to rebuild our areas of greatest need. This premise mirrors the spirit in which Congress passed the legislation. The goal of the plan is not to demolish as many units as possible, or to maximize the number of housing deals. The purpose is to stabilize Montgomery County neighborhoods.

The County recognizes that this is the largest allocation ever provided for housing; and this will chart the course for years to come on federal policy, as well as the provision for additional funding. While we do not (locally) have control over the uncertainty of financial markets, the tightening of underwriting standards (affecting both homebuyers and existing homeowners), nor the rising costs adversely affecting households; we are taking a proactive approach to spark a positive impact on neighborhoods within Montgomery County.

The neighborhoods or areas the NSP1 plan addresses are currently functioning at 2 different levels.

**Level I Areas-** are neighborhoods that need a push, an immediate infusion of resources can make a difference. Level I neighborhoods could best be described as areas where foreclosed and vacant homes are destabilizing the area; however prior to the subprime loan epidemic, an overwhelming number of vacancies was not present. In these neighborhoods, crime rates are acceptable general conditions are good, making redevelopment relatively easier- if foreclosed properties are addressed. There are issues of concern, such as an increasing number of rental units (once owner-occupied homes) that need increased code-enforcement monitoring. However, in general, the housing stock is sound. Montgomery County's NSP1 funds will be used to purchase abandoned/foreclosed properties in these Level 1 areas. Acquired properties will be rehabilitated using sustainable and energy efficient practices in order to maintain homeowner affordability through reduced utility and property maintenance costs.

Upon rehabilitation, the properties will be sold to low, moderate and middle income families, and affordability gap financing will be available to facilitate homeownership.

**Level II Areas** are considered distressed areas with housing that has been foreclosed and/or abandoned, and the reuse of such housing is not economically practical. These areas call for a larger dedication of resources in order to have any impact. Such areas may be more suited for an acquisition and demolition project in order to make way for a larger scale development in the future.

Since the release of NSP1 funds to Montgomery County in early March, through its nonprofit partner, CountyCorp, the County has acquired approximately 10 NSP eligible properties in specific target areas. This accomplishment is significant, as navigating (quickly) through the acquisition of foreclosed and/or abandoned properties; while adhering to NSP federal regulations is a very difficult, although a rewarding task. Additionally, with the implementation of NSP1, jobs have been created through real estate agents, title companies and appraisers that have been hired to assist with property acquisition; and contractors that have begun rehabilitation work on acquired properties. A lender partner has been secured to assist with financing options for future homebuyers.

**Summary:**

The infusion of recent federal funds is promising and provides hope for local housing practitioners in addressing some of the issues resulting from the housing crisis. Montgomery County remains committed to its responsible stewardship of federal funds in creating quality affordable housing options for the citizens of Montgomery County.

**How we could use Congressional Assistance in Addressing the Housing Crisis:**

1. If foreclosure filings came to a screeching halt today, we would still be left with thousands of abandoned and vacant homes needing attention. Therefore, we need continued support from Congress for the Neighborhood Stabilization Program which allows us to invest in stabilizing low, moderate and middle income communities disproportionately impacted by the rising numbers of foreclosures.
2. We ask Congress to consider increasing the income limits of the CDBG and HOME programs in order to mirror NSP income limits to allow for greater leveraging of federal funds to more effectively stabilize neighborhoods.
3. We need regulatory and enforcement mechanisms for the mortgage servicing industry to allow for easier acquisition of abandoned and foreclosed homes by governments and non-profits.
4. We need increased awareness and cooperation by the private sector in order to expeditiously expend federal funds for their intended purposes. Many of the key private sector players (i.e. Realtors, REO Specialists, and Lenders) are unfamiliar with the programs, making speedy implementation difficult.

Montgomery County would like to thank you for your leadership and the opportunity to host this hearing.

## Commissioner Dean Lovelace – City of Dayton

Notes, statistics, and data on the Dayton housing crisis provided by Commissioner Dean Lovelace (Complete remarks not available in written format)

Statistics from the Year 2000:

- 34.1% of total housing units (26,351 units) were built before 1940
  - **In the year 2000, 34.1% of Dayton's housing stock was at least 60 years old.**
- 37.3% of total housing units (28,881 units) were built between 1940 and 1959
  - **In the year 2000, 37.3% of Dayton's housing stock was between 40 and 60 years old.**
- 12.7% of total housing units (9,912 units) were vacant
  - **In the year 2000, 12.7% of Dayton's housing stock was vacant.**

Condition of Residential Structures:

- According to the 1998 Bluebook,
  - 78% of the residential structures were rated condition 1
    - Condition 1 structures, yard walks, and steps are well-maintained and no exterior code violations are present
  - 16% condition 2;
    - Condition 2 structures need minor repairs
  - 5% condition 3;
    - Condition 3 structures need major repairs
  - 1% condition 4 and 5
    - Condition 4 structures need significant rehabilitation
    - Condition 5 structures have no potential for rehabilitation

Current Statistics:

- The current Census estimate is 15,562 vacant units (20.3%) in Dayton.
- 2005 Bluebook statistics were identical to the 1998 statistics

**Sarah McGraw Greenberg- Community Stabilization Manager, NeighborWorks America**

Written Testimony of

Sarah M. Greenberg  
Manager, Community Stabilization  
Neighborhood Reinvestment Corporation  
(now doing business as NeighborWorks America)

Hosted by  
Congressman Turner (OH-3)  
Northeast-Midwest Institute Forum  
Impact of the Housing Crisis on the Local Communities  
and the Federal Response to this Crisis  
August 26, 2009  
8:30 AM

Good morning Congressman Turner, my name is Sarah Greenberg, and I serve as the Manager of Community Stabilization in the National Initiatives and Applied Research Division for NeighborWorks America. I appreciate the opportunity to appear before you and the Northeast-Midwest Institute today to talk about NeighborWorks America's national efforts to help address the mortgage crisis. I will focus my testimony on the corporation's national efforts to prevent foreclosures which include the administration of the National Foreclosure Mitigation Counseling (NFMC) program.

**Background Information Regarding NeighborWorks America**

By way of background, NeighborWorks America was established by Congress in 1978 as the Neighborhood Reinvestment Corporation. As you know, the corporation receives an annual federal appropriation from Congress through the Transportation, Housing and Urban Development, and Related Agencies Appropriations Subcommittees. By statute, NeighborWorks America's Board of Directors is comprised of the heads of the five financial regulatory agencies (the Federal Reserve Board, The Comptroller of the Currency, the Federal Deposit Insurance Corporation, the Office of Thrift Supervision, and the National Credit Union Administration) and a designee of the Secretary of the U.S. Department of Housing and Urban Development.

NeighborWorks America's primary mission is to expand affordable housing opportunities (rental and homeownership) and to strengthen distressed urban, suburban and rural communities across America, working primarily through a national network of local community-based nonprofit organizations, known collectively as the NeighborWorks network.

The NeighborWorks network is comprised of more than 235 community-based organizations serving more than 4,500 urban, suburban and rural communities in all 50 states, Puerto Rico and the District of Columbia.

But with the growing foreclosure crisis, NeighborWorks expanded its efforts on behalf of the Nation's neighborhoods, and is now a nationally recognized leader in the fight against foreclosures. The following describes much of our efforts to respond to the current foreclosure crisis.

**NeighborWorks Center for Foreclosure Solutions**

Five years ago, NeighborWorks America anticipated that the proliferation of sub-prime lending and non-traditional mortgage products would lead to an increase in foreclosures - particularly in the low-income and minority communities served by the NeighborWorks network - and created the NeighborWorks Center for Foreclosure Solutions.

The NeighborWorks Center for Foreclosure Solutions provides training and certification to foreclosure counselors, conducts public outreach campaigns, researches local and national trends to develop innovative solutions, and supports local and regional foreclosure intervention efforts.

In cities and states with high rates of foreclosure, the Center works with local leaders to create local coalitions and sustainable foreclosure intervention. For example, starting in 2005, NeighborWorks America has provided support to members of a statewide nonprofit coalition that is working to leverage their strategic partnerships and reduce foreclosures among low- and moderate-income families across Ohio.

NeighborWorks also provides a five-day training and certification course for foreclosure counselors as part of a new Foreclosure Prevention Counseling Certification series. In FY 2008, NeighborWorks awarded over 6,100 training certificates in foreclosure prevention-related coursework to individuals from more than 2,400 organizations at NeighborWorks' four National Training Institutes and 150 Place-Based Trainings in more than 60 cities. So far this year, more than 4,000 additional foreclosure counseling certificates have been awarded. In addition, as of May 11, 2009, more than 2,500 participants had completed a new e-learning Foreclosure Basics course. This has significantly increased the capacity of counselors and other foreclosure mitigation staff throughout the country.

#### National Public Outreach Campaign

To reach the hundreds of thousands of homeowners in danger of losing their homes, NeighborWorks America partnered with the Ad Council on a national public outreach campaign.

This campaign seeks to prevent home foreclosure by urging homeowners in financial trouble to call the "Homeowner's HOPE Hotline" (888-995-HOPE), the Homeownership Preservation Foundation's national foreclosure counseling hotline.

The hotline provides free foreclosure intervention counseling 24 hours a day, 7 days a week in both English and Spanish and links callers as appropriate with their lender or servicer, a local NeighborWorks organization or other HUD-approved nonprofit organization with certified foreclosure intervention housing counselors, for more extensive face-to-face counseling. The Ad Council campaign is being financed almost entirely by private sector funds from NeighborWorks partners.

The NeighborWorks campaign was in the top five of the most frequently aired Ad Council campaigns for 2008 and is currently in the top three. In June 2009, (the latest month for which data is available) the Ad Council ads aired more than 8,800 times on TV, radio and cable around the country.

In the fourth quarter of 2008 alone, the broadcast television ads in English reached more than 60 million households, while the Spanish broadcast television ads reached 14 million households. The value of donated media as of December 31, 2008 totaled more than \$94 million. Today that number has surpassed the \$100 million mark at \$106,416,300.

Further, the website associated with the Ad Council campaign, [foreclosurehelpandhope.org](http://foreclosurehelpandhope.org), received almost 470,000 hits in 2008.

NeighborWorks is also working to improve the technology tools available to housing counselors as they provide and track foreclosure assistance to homeowners. This has included updating the foreclosure modules in the homeownership client management systems, Counselor Max and Nstep, and working with Just Price Solutions on Best Fit – a tool to improve effective modifications and solutions.

#### NeighborWorks and the HOPE NOW Alliance

In order to expand the reach of the public education campaign, NeighborWorks has served as the key co-sponsor and logistics manager for the majority of the HOPE NOW Alliance's 2008 Homeownership Preservation Workshops



outreach events. More than 20,000 families in-need attended the workshops in 29 of the cities hardest hit by foreclosures in 2008.

#### Community Stabilization

The corporation is also working on a variety of fronts to combat the impact of foreclosure, and particularly vacant or abandoned, bank-owned (REO) properties, on neighboring families and communities.

NeighborWorks has joined forces with other housing intermediaries including Enterprise Community Partners, the Housing Partnership Network, the Local Initiatives Support Corporation (LISC), the National Urban League, and the National Council of La Raza, to create the National Community Stabilization Trust to serve as a facilitator for the transfer of foreclosed and abandoned REO properties from financial institutions to local housing providers, returning the properties to the tax rolls and productive use in communities across the country.

The Stabilization Trust is designed to promote efficient transactions in a transparent manner that complies with the requirements of HUD's Neighborhood Stabilization Program.

#### National Foreclosure Mitigation Counseling Program (NFMC) Highlights

The NFMC Program was created by Congress to address the nationwide foreclosure crisis by dramatically increasing the availability of housing counseling for families at risk of foreclosure. The \$180 million program was authorized through the FY 2008 Consolidated Appropriations Bill, which named NeighborWorks America as its administrator.

To date however, Congress has provided a total of \$410 million to support the National Foreclosure Mitigation Counseling program, including:

- The aforementioned \$180 million in the Consolidated Appropriations Act of 2008 (PL 110-161);
- \$180 million in the Housing Economic Recovery Act of 2008 (PL 110-289); and
- The Omnibus Appropriations Act of 2009 (PL 111-8) provides an additional \$50 million for mortgage foreclosure mitigation activities, for a continuation of the National Foreclosure Mitigation Counseling (NFMC) program in 2009.

The President's budget recommends an additional \$33.8 million to continue the NFMC program into FY 2010.

Because of the foresight of Congress in funding the National Foreclosure Mitigation Counseling program, NeighborWorks has been providing funding and training to approximately 1,600 counseling agencies across the country, who are working hard to help homeowners find solutions to their individual problems.

These agencies in all 50 states, the District of Columbia and Puerto Rico have served well over 625,000 individuals and families facing foreclosure in the last 15 months. As of April 30, 2009, self-reported outcome data from Grantees show that 20% of NFMC clients were able to retain their homes according to data reported by the counselors, 30% were continuing in counseling, and 5% were foreclosed upon. The remaining had other outcomes, such as borrowers were counseled and referred to other agencies for social service or emergency assistance, entered bankruptcy or debt management program, referred for legal assistance, or withdrew from counseling.

The majority of families and individuals served by NFMC agencies are minorities (more than 53%) reflecting in part the disproportionate impact of subprime lending and the foreclosure crisis on minority families and communities. Even more significantly, 37% of NFMC clients live in communities that are more than 50% minority (compared with 25% of the U.S. population) – areas that were often targeted by predatory lenders and subprime brokers.

On a statewide level, more NFMC Program counseling was conducted in California than any other state – 66,404 units of counseling have been delivered in California. In Florida, 33,100 units of counseling have been delivered, and 27,960 units have been delivered in Ohio.

Top 10 States by Units Delivered

State	Counseling Units Delivered
California	66,404
Florida	33,100
Ohio	27,960
Maryland	21,858
Georgia	18,730
Michigan	18,110
Illinois	17,956
Pennsylvania	15,740
Minnesota	15,675
Texas	14,087

Source: NFMC Program Reported Data

Training / Building Foreclosure and Default Mitigation Counseling Capacity

The NFMC legislation directed NeighborWorks America to use up to \$5 million of the funds from Round 1 and up to \$5 million in funds each from Rounds 2 and Round 3, to build the mortgage foreclosure and default mitigation counseling capacity of counseling intermediaries and their partners. NeighborWorks America is training foreclosure counselors across the country through a combination of multi-course, week long trainings at NeighborWorks Training Institutes and other venues, local place-based training events and e-learning courses.

As of April 30, 2009:

4,475 scholarships have been provided to counselors and staff to attend trainings.

10,204 certificates of course completion have been issued. Of these, 2,549 certificates of course completion have been issued for the e-learning course Foreclosure Basics.

Hosted 46 local place-based training events in 30 states and regional multi-course training in 11 states, which enabled counselors to have training closer to home.

NFMC-funded Counseling in Conjunction with the "Making Home Affordable" Plan

The "Making Home Affordable" (MHA) plan is part of President Obama's broader Homeowner Affordability and Stability Plan (HASP), designed to get the economy and the housing market back on track. The "Making Home Affordable" plan could help up to 9 million families restructure or refinance their mortgages to avoid foreclosure.

A specific component of the "Making Home Affordable" plan includes foreclosure counseling. The "Making Home Affordable" plan specifies that borrowers with over 55% debt-to-income ratios must agree to meet with a counselor from a HUD-approved housing counseling agency or a National Foreclosure Mitigation Counseling Program counseling agency.

The NFMC Program has been modified to encourage participating foreclosure counseling agencies to work with troubled borrowers to create an action plan that includes steps and a timeline to eliminate unnecessary debt, minimize expenses, increase income and create savings. The action plan will also establish a follow-up schedule with the foreclosure counselor. A detailed protocol describing the required components of this counseling is posted at HUD's website at <http://www.hud.gov/offices/hsg/sfh/hcc/fc/>.

Under the terms of the "Making Home Affordable" program, servicers may refer borrowers to specific counseling agencies that provide foreclosure prevention services under the NFMC program or HUD Grant programs. Servicers may also direct borrowers to the nationwide Hope Hotline, 888-995-HOPE, and to NFMC- or HUD-funding foreclosure counseling agencies which can be located at <http://www.hud.gov/offices/hsg/sfh/hcc/fc/>.

To assist borrowers seeking approved counselors, NeighborWorks America has established a new web site, [www.findaforeclosurecounselor.org](http://www.findaforeclosurecounselor.org), which lists all housing counseling agencies (both direct grantees and sub-grantees) funded through the National Foreclosure Mitigation Counseling Program, administered by NeighborWorks America, to provide borrowers with the information and assistance they need to avoid foreclosure through the Making Home Affordable program.

#### Anti-Scam Efforts

Finally, I would mention that the recently approved Omnibus Appropriations Act of 2009 included \$6 million for NeighborWorks America to conduct a consumer mortgage public education campaign, aimed at helping troubled borrowers avoid the growing scourge of rescue scams, or mortgage modification scams.

NeighborWorks America has been consulting with a variety of groups regarding this growing problem, including state and federal regulatory agencies, the Federal Trade Commission, the National Association of Attorneys General, individual State Attorneys General, HUD, Treasury and others. We are making encouraging progress toward implementing an anti-scam public education campaign, and anticipate that we will be able to announce the specifics of this approach within the next 30 to 60 days.

Ken Wade, Chief Executive Office for NeighborWorks America, was privileged to be part of the April 6, 2009 announcement by Treasury Secretary Tim Geithner, U.S. Attorney General Eric Holder, HUD Secretary Shaun Donovan, FTC Chairman Jon Leibowitz and others, announcing the much-needed federal crackdown on foreclosure rescue scams.

Rescue scams are proliferating at a rapid pace and more homeowners are falling prey to the slick advertising and sales pitches that falsely 'guarantee' to keep them in their homes. The coordinated effort announced by the Administration aims to stop predatory and fraudulent 'rescue' practices not only through enforcement but also by educating vulnerable homeowners so they can avoid these scams in the first place.

NeighborWorks America is working with the FTC to develop a national public education campaign to make borrowers aware of how to avoid foreclosure prevention scam artists.

Homeowners in danger of foreclosure should never pay up-front for counseling help (though it is common for some to pay a nominal fee for a credit report), and should instead seek assistance from nonprofit housing counseling agencies that are HUD-approved or meet the standards for HUD approval including those found at [www.findaforeclosurecounselor.org](http://www.findaforeclosurecounselor.org) and [www.makinghomeaffordable.gov](http://www.makinghomeaffordable.gov).

NeighborWorks America has been working with the FTC and the federal and state agencies involved in the recent announcement to develop a comprehensive approach that draws on the resources and enforcement powers of the various regulatory agencies to stem the tide of rescue scams. This public education campaign will include advertising, direct borrower outreach and information, and will be coordinated with efforts by the FTC.

Foreclosure rescue scam artists frequently demand upfront payment for their services and "guarantee" to modify, refinance, or reinstate a borrower's mortgage. The payment demanded is typically anywhere from \$1,000-\$5,000.

One of our local affiliates, NeighborWorks Waco, located in Waco, Texas, recently worked with a homeowner who was scammed out of \$2,000 by a company that promised to work with the borrower's lender to reinstate the homeowner's mortgage. In reality, the company did nothing, leaving the borrower with the same problem and without the borrower's \$2,000.

Since January, NeighborWorks America has filed several trademark complaints with online search engines to protect consumers from falling prey to foreclosure rescue scams. The trademark complaints filed by NeighborWorks sought to remove online ads paid for by so-called mortgage rescue companies that used the NeighborWorks name and logo and offered foreclosure help for a fee. The companies have no affiliation with NeighborWorks.

Our message to borrowers is simple. If you are facing foreclosure, do not pay any person or company upfront for services. Homeowners facing foreclosure need to be aware that foreclosure rescue scam artists are out in full force and see this as a prime opportunity to make money.

#### Ohio Efforts

NeighborWorks America currently has nine member organizations that serve the State of Ohio. These organizations provide a variety of housing related services and have been active in helping to fight foreclosures throughout the State including partnering with other agencies and non-profit organizations. For example, the Ohio Collaborative consists of eleven Ohio nonprofit organizations that provide in-depth counseling services to homeowners and work with their servicers when homeowners are having trouble paying their mortgages.

To date, the Collaborative has received almost \$5 million from the Ohio Department of Development and the Ohio Housing Finance Agency over the past three years for foreclosure counseling and rescue funds to catch borrowers up on their mortgages. Income limits are up to 140% of median income. Since the program started in 2006, 1,040 mortgages have been brought current. In addition, since 2006, the Collaborative has helped overall a total of 2,300 homeowners maintain their homes through foreclosure counseling. In Dayton, 100 rescue loans have been provided by St. Mary Development Corporation's Home Ownership Center of Greater Dayton and last year alone, The Home Ownership Center of Greater Dayton helped 203 homeowners keep their homes through foreclosure counseling.

The eleven Ohio organizations participating in the NeighborWorks<sup>®</sup> of Ohio Collaborative are The Home Ownership Center of Greater Cincinnati, Neighborhood Housing Services of Greater Cleveland, Columbus Housing Partnership, St. Mary Development Corporation in Dayton, East Akron Neighborhood Development Corporation, Neighborhood Housing Services of Hamilton, Neighborhood Development Services in Ravenna, Neighborhood Housing Partnership of Greater Springfield, Neighborhood Housing Services of Toledo, Rural Opportunities, Inc. Ohio and the Corporation for Ohio Appalachian Development (a non-NeighborWorks<sup>®</sup> organization).

All of the Ohio organizations receive funds from the National Foreclosure Mitigation Program to assist their foreclosure counseling efforts and many of the Ohio organizations are also participating in the Neighborhood Stabilization Program with their local municipalities. Ohio NeighborWorks organizations continue to be leaders in the fight against foreclosure.

In closing, I would like to highlight a few continued challenges:

For one, there still appears to be a lack of servicer responsiveness to the scale and scope of the foreclosure problem. Many foreclosure counselors continue to experience a significant level of inflexibility by lenders and servicers in regard to loan modifications and refinancing. It appears that modifications and workouts are all being considered in a unique, "one-off" manner.

This problem (inflexibility) has been exacerbated by falling home prices where the loan to value ratio exceeds the present appraised value of the property that is the security for the loan in foreclosure.

One approach that should be given serious consideration would be to take the negative equity debt and place it into a subordinate mortgage to a new refinanced mortgage, where no payments nor interest are due on the subordinate debt until the property is sold. This alternative would prevent a windfall to the mortgagor if home prices eventually rise and preserves as much as possible of the investment that the investors have made in the loan that is being refinanced.

I also encourage investors and servicers to develop more standardized approaches and rules to loan modifications and to share those with the counseling community so that we can all aggressively increase the volume of successful loan modifications and workouts.

The HOPE NOW Alliance has also identified the need for a sustainable funding model for quality housing counseling. It is imperative that servicers agree to a fee-for-service model to compensate housing counseling agencies for foreclosure counselors who are meeting standards and working with thousands of borrowers to find successful solutions. Thus far, foreclosure counseling services has been almost exclusively supported by public funds and charitable grants.

There also continues to be an unequal distribution of foreclosure counseling providers across the country, resulting in underserved areas and populations. This continues to be a particular challenge in rural areas and with linguistically isolated populations.

The disparate impact of the foreclosure problem on low-income and minority communities and populations is also troubling. Studies confirm that foreclosures are much more likely to occur in predominantly minority neighborhoods, even when all other variables such as borrower credit and income are held steady. Rising foreclosure rates are currently threatening decades of gains in minority homeownership and community revitalization. Recent studies conducted in Atlanta, Philadelphia and Baltimore confirm that lower income, minority neighborhoods are at greater risk for concentrations of foreclosures.

In order to protect vulnerable neighborhoods, foreclosure prevention efforts must be combined with comprehensive neighborhood stabilization efforts that put foreclosed units back into productive use, preventing the destructive downward cycle precipitated by vacant properties. Round 1 of HUD's Neighborhood Stabilization Program is out on the street and Round 2 applications are in review, and we are seeing unprecedented new partnerships at the local, regional, and even the national level. Counties and municipalities are working together with nonprofit community development organizations and for-profit developers and construction companies, and servicers are stepping up with new programs and working through the National Community Stabilization Trust to facilitate these efforts.

There continues to be a need for capacity building to support these new comprehensive neighborhood stabilization efforts. The Neighborhood Stabilization Program is built on a solid foundation of time-tested community revitalization principles that have been used by nonprofit organizations for decades, however on-the-ground capacity is lacking in many distressed communities. Round 2 is providing \$50 million to local and national technical assistance providers but the funding is focused on meeting the technical requirements of the program. Additional funds are needed to provide working capital and operating support to nonprofit organizations that are struggling to ramp up capacity to meet the demand in a difficult funding environment. I urge you to consider the provision of additional capacity building funds, as well as continued support for another round of program funding, to be offered through a competitive funding process to ensure the funds reach those organizations that have the potential to make the program a success.

Federal, state, local governments and nonprofit organizations will have to continue to work together with private industry to address the foreclosure crisis and its impact on our communities.

I again thank you for the opportunity to testify and am ready to answer any questions you might have.

**STATEMENT BY ALAN MALLACH ON FEDERAL HOUSING POLICY**

**CONGRESSIONAL FIELD HEARING  
DAYTON, OHIO AUGUST 26, 2009**

Congressman Turner, Ladies and Gentlemen:

I am a Nonresident Senior Fellow at the Brookings Institution in Washington DC, and I have spent much of my adult life working on housing and urban policy issues. I am pleased and honored to be able to offer some thoughts on federal housing policy as it affects Dayton, Ohio, along with the many other cities throughout the United States facing similar problems and opportunities.

Before talking specifically about federal policies, I'd like to say a few words about Dayton, and point out some particular issues that are particularly relevant to the question of housing policy.

Dayton is a classic American industrial city. Like many other similar cities, it has been losing population and jobs steadily since the 1960's. That has particular consequences for its housing conditions and its housing needs. I've put together some key information on the city's housing picture and long-term trends in Table 1.

Some of the main points from Table 1 are

- Dayton has been steadily losing families and housing units. But the loss of housing has lagged behind the loss of population. Dayton today has 4 times the number of vacant units it had in 1960
- Nearly 1 out of 5 units in Dayton is vacant – of these more than half are what the Census calls “other vacant.” Roughly 1 in 10 units are vacant and neither being offered for sale or rent nor being held for future occupancy.
- The biggest losses have come in home ownership – the number of homeowners in Dayton has dropped by nearly 14,000 – or nearly 1/3 – since 1960.

The basic point is that the Dayton housing market is not strong. The demand is less than the supply. As a result, rents and sales prices are both low, but even with low prices, houses go begging. Many of these houses will end up being abandoned.

Dayton is not a single housing market – if we look at HMDA data by census tract, we find a more complicated picture:

- In 2006, 17 out of the city's 58 census tracts – or less than 1/3 – accounted for 77% of all the home purchases, and 93% of the aggregate value.
- Another 14 tracts, at the other end, accounted for only 6% of the home purchases.

Dayton is divided into three different types of housing market – it has some strong market areas, mostly in the north and east of the city. Other areas, mostly in the west, have been heavily disinvested, and have far more housing supply than demand. Some parts of these areas may no longer be viable neighborhoods in a meaningful sense. And there is a third group that is in between, and is struggling.

What does this mean for federal housing policy?

I'll start with some general points. These apply not only to Dayton, but to many other cities. First, Dayton does not need more housing units. Dayton has more housing units already than the potential demand.

That leaves three critical needs:

- First, vacant properties – most of these properties will need to be demolished, and the city does not have the resources to get ahead of the curve.
- Second, stabilizing neighborhoods at risk. Without strong, market-sensitive strategies, other neighborhoods could go the way of areas that are already too deeply disinvested to regain vitality.
- Finally, coming up with long-term strategies for the areas being vacated.

People in Dayton are already grappling with these issues. But they lack the tools and resources to deal with them effectively and above all, strategically. This is where federal housing policy needs to focus – to help cities like Dayton deal with their reality.

I'd like to suggest some federal policy directions in three areas – dealing with vacant properties, neighborhood stabilization, and housing production.

**Cities desperately need help dealing with vacant properties.** Cities need to provide more effective code enforcement and nuisance abatement, to minimize the harm they do to the neighborhood's quality of life and property values; they need to be able to demolish properties that no longer serve a useful purpose; and they need to be able to gain control of properties, so they can see that they are reused in the ways that best enhance the city's future.

This is not just a matter of dollars. It involves capacity – do cities have the trained personnel they need, are they using available technology effectively, do they have the management systems in place to make the best use of their resources? It involves political will – are cities and counties ready to take responsibility for their vacant land inventory, the way Genesee County has in Michigan, or Cuyahoga County is beginning to. It involves state government giving cities and counties the legal tools to do the job.

The federal government can provide money to local government for these activities, but unless the other pieces are put in place, more money won't change the condition of the cities meaningfully. The federal government should approach this question strategically – how can it use its resources to leverage the kind of planning, capacity-building and systems change – at the local and at the state level – that these cities need? The Community Regeneration Act is an excellent beginning in this area, but far more is needed – a truly strategic approach to the future of cities like Dayton, that not only helps them deal with their immediate problems, but helps them think through their long-term strategy – how they can become stronger, healthier smaller cities.

**Neighborhood stabilization is equally important.** Dayton needs to be able to preserve its still-vital, thriving neighborhoods, and bring back areas that have been destabilized by vacant properties and foreclosures, but are still salvageable and are capable of drawing market demand.

I commend Congress and the Administration for the two neighborhood stabilization programs – NSP1 last summer, and NSP2 earlier this year in the stimulus bill. But the NSP program is much too focused on specific property transactions, as well as far too hemmed in with restrictions. What is needed is a real neighborhood stabilization program, that looks closely at market forces, and provides the flexibility for cities and CDCs to carry out comprehensive strategies – to deal with properties, but also with foreclosure prevention, market building, and quality of life issues. Instead of appropriating any more money to fund a third round using the NSP template, Congress and the Administration should start from scratch, and write new legislation designed to support effective, comprehensive local stabilization strategies.

Any new programs should be competitive. The fact that NSP2 is a competitive program – even before the awards have been made – has already led to more good planning and more creative partnerships at the local level than ever before. Formula programs in this area are feel-good programs – everybody gets a little something, but little really happens. They do not lead to change.



**Finally, I'd like to speak briefly about affordable housing programs.** We need to get away from thinking about affordable housing almost entirely in terms of producing new units. The Low Income Tax Credit Program, which is by far the largest federal affordable housing program except for housing vouchers is almost entirely focused on creating new housing. The housing is usually beautiful – it is also extremely expensive. When it is built in a city like Dayton, however, it can create more problems than it solves.

Look at Table 2. This shows rents in Dayton by number of bedrooms. The data is for 2000, but it is unlikely that things have changed significantly since then. What it shows is that private market rents in Dayton are not only lower, but much lower than the rents charged in new Tax Credit projects. I might add that the current rental vacancy rate in Dayton is roughly 13%.

What this means is that whenever a new Tax Credit project is built in Dayton, it draws its tenants out of private market housing – not the poor quality low-end housing where rents are far lower than in the Tax Credit projects, but decent mid-range housing. Further, because rental vacancy rates are already way too high, those houses and apartments are likely to be added to the already too-high total of vacant properties in the city, further destabilizing the city's neighborhoods. New Tax Credit projects may make good photo ops, but they may be doing more harm than good to the city's fabric of neighborhoods.

For a fraction of the cost of building new housing, the federal government could help private landlords upgrade their properties. Combined with effective, targeted – not complaint-driven – code enforcement, that made sure that landlords who did not upgrade their properties would face sanctions, Dayton could improve housing conditions for far more low income families at far less cost.

I urge you to consider not just tweaking the Low Income Tax Credit program, but fundamentally rethinking how it is used. One suggestion I'd offer is to create what I call a "preservation pool option", that would allow states to make tax credit allocations not for specific projects, but for housing preservation pools, that would be used by municipal governments or CDCs to fund programs to improve privately-owned housing renting at affordable rents.

I'd like to close with a plea. It's been a long, long time since we've had new, creative thinking nationally about housing and community revitalization. CDBG is 35 years old, the Low Income Tax Credit is 23 years old, HOME has been around for nearly 20 years. The time is long overdue for a serious, thoughtful look at what housing and community rebuilding programs and strategies are needed today – and how the federal government can help Dayton and the many other cities and towns begin the process of change they urgently need.

Thank you.

**David H. Hehman- President/CEO, Federal Home Loan Bank of Cincinnati**

**Statement of**

**David H. Hehman  
President and CEO  
Federal Home Loan Bank of Cincinnati**

**Before the**

**Northeast-Midwest Institute Forum**

**"Impact of the Housing Crisis on Local Communities  
and the Federal Response to the Crisis"**

**Dayton, Ohio  
August 26, 2009**

Secretary Donovan, Congressman Turner, Members of the Revitalizing Older Cities Congressional Task Force, Members of the Northeast-Midwest Institute and distinguished members of this panel, I appreciate the opportunity to speak to you today on behalf of the Federal Home Loan Bank of Cincinnati (Cincinnati Bank) about the role our Bank has played to help restore balance to the housing finance market and, specifically, to assist at-risk homeowners. My name is David Hehman and I am President and Chief Executive Officer of the Cincinnati Bank.

The Cincinnati Bank is one of 12 regional Federal Home Loan Banks established by Congress in 1932 to provide liquidity to community lenders engaged in residential mortgage lending and economic development. For more than 75 years we have fulfilled this housing finance mission with a successful cooperative structure comprised of local lenders and regional management. Our primary business is the provision of low-cost credit in the form of secured loans, or "Advances," to members. Our members, in turn, use these Advances to fund their daily credit needs such as originating mortgage loans, investing in community projects or managing their own balance sheets. A targeted part of our mission was mandated by Congress 20 years ago in the Financial Institutions Reform Recovery and Enforcement Act of 1989, whereby the FHLBanks set aside 10 percent of profits annually to fund affordable housing for persons at or below 80 percent of area median income. This highly successful initiative will be further discussed as our most effective tool to address the housing needs of our communities. The Cincinnati Bank's 739 member institutions serve the Fifth FHLBank District of Kentucky, Ohio and Tennessee.

**Addressing the Current Housing Environment**

Economically and socially, the state of Ohio has been negatively affected by the substantial rise in residential foreclosure activity. Since 2000, annual home foreclosures in Ohio have more than doubled, with a concentration in the northeastern part of the state, according to state and federal court records. Although questionable lending practices of some within the housing finance industry have contributed to the rise in home foreclosures, the underlying economics of the region are a significant factor. A declining manufacturing base, related job losses and a demographic shift have made it difficult to sustain a meaningful recovery.

The impact of foreclosure is substantial to both homeowners and their communities. Rising home vacancies can lead to a range of problems for affected neighborhoods, from declining home values to increased crime to an erosion of the municipal tax base and community destabilization. For these reasons the Cincinnati Bank has a strong interest in working with our member financial institutions and community housing partners to develop meaningful foreclosure assistance programs.

The Cincinnati Bank's role in the current housing environment increased dramatically beginning in 2007, due to the extraordinary disruptions in the credit and mortgage markets that have continued to date. Industry access to

liquidity was substantially restricted and FHLBank members increasingly turned to us to support their daily funding needs. Demand for our core product, Advances, rose to historic levels, growing by more than 27 percent during 2007 to \$53.0 billion. This level of Advance usage by our members was sustained throughout 2008, with an outstanding year-end balance of \$52.8 billion. This unprecedented activity occurred during the FHLBanks' transition to a new regulator, the Federal Housing Finance Agency, as required under the Housing and Economic Recovery Act of 2008. The Cincinnati Bank has seen a return to more usual, or even below average, levels of Advance activity in 2009, with Advances of \$44.1 billion at June 30, 2009. We attribute this decline to the prolonged economic recession, a rise in consumer deposits, and the various government initiatives to stimulate liquidity combined with Federal Reserve Bank monetary policy designed to hold short-term interest rates to historic lows. While this is not a business model the private sector emulates, it precisely demonstrates the flexibility with which the FHLBank cooperative structure was designed. In order to be responsive to market volatility, the FHLBanks must be able to expand and contract with members' needs. The Cincinnati Bank has remained profitable, paying a 4.5 percent dividend to members in the first and second quarters of 2009, and adding \$30 million to retained earnings during the first six months of 2009.

While meeting our congressionally mandated liquidity mission has been a full-time job, our Board of Directors and management have also engaged in a series of activities to assess the scope of the foreclosure issue within the Fifth District and develop interventions. Through the combination of input from our members, direction from our Housing Advisory Council and leadership by our Board of Directors, we have pursued three different housing programs.

#### **Federal Home Loan Bank Programs**

We have learned from our members and our housing partners that the current housing crisis is a problem with many facets and, accordingly, solutions must come from many different angles. Recognizing this, our Board authorized the implementation of three specific foreclosure mitigation programs that address the problem in different ways, and a fourth program is under development for consideration by our Board of Directors. The first program is called HomeProtect. In this program, we made available to our members \$250 million in Advances at our cost, targeting these funds to help our members refinance homeowners at risk of delinquency or foreclosure. We instituted this program in June 2007, and have approved commitments of more than \$138 million since then.

Second, we have taken actions to direct more of our congressionally established Affordable Housing Program (AHP) funds toward the foreclosure situation. The AHP is our largest housing initiative, and it has the most impact in our district. Since 1990, we have committed \$301.4 million to responsibly create more than 42,000 units of affordable housing in Kentucky, Ohio and Tennessee. We award grants and subsidized Advances through a competitive process, individually scoring each application based on the merits of the project and characteristics of the clientele being served. Beginning in 2008, the FHLBank adjusted the scoring of applications to favor projects that will return abandoned homes to occupancy or address projects in high-foreclosure areas. We recognize the detrimental effect that abandoned homes have in neighborhoods throughout our district, and we believe this effort is helping communities recover from the effects of the foreclosure crisis. With these new scoring criteria, we are seeing funds directed to those areas of Ohio that have been hardest hit.

Third, in both 2008 and 2009, our Board has supported a voluntary program called Preserving the American Dream, providing a total of \$6 million for foreclosure counseling and mitigation. In discussing the foreclosure issue with our Board of Directors and our housing Advisory Council, we learned we could help many families avoid foreclosure with just a few thousand dollars; to help them become current on their mortgages or to cover the costs of refinancing. The Cincinnati Bank provides up to \$3,500 per household, through our members and qualified non-profit counseling agencies, to assist with foreclosure mitigation. In the Dayton area, FHLBank members Wright-Patt Credit Union, Day Air Credit Union, Fifth Third Bank, Liberty Savings Bank, National City Bank, River Credit Union and Universal 1 Credit Union joined housing partners St. Mary Development Corporation and HomeOwnership Center of Greater Dayton to participate in this program. Since 2003, our Board has disbursed nearly \$15 million of voluntary funds to specific housing programs. This commitment has helped provide downpayment assistance to minorities and those with special needs. We have also been able to create set-asides for special situations. After Hurricane Katrina devastated New Orleans, for instance, we set aside funds to provide downpayment assistance to households displaced by the hurricane and relocated into our district.

There is a fourth program which we are developing as a result of recently announced regulatory authority permitting the use of a portion of the AHP to refinance existing mortgages. Pending our Board of Directors' review and approval, I anticipate that the Cincinnati Bank will make funds available to support reasonable principal reduction or closing costs incurred with the refinancing of owner-occupied housing being used as primary residences by low- and moderate-income homeowners in our service District.

Along with these four programs, we have taken additional actions. On our web site, [www.fhbcin.com](http://www.fhbcin.com), we established a Foreclosure Guidance page, where we describe our programs and share links to other resources. Our members tell us that early communication is critical to keeping residents in their homes, and we urge consumers to engage in early communication with their lenders.

In addition, we have lent our expertise to several efforts that are pulling together community resources to address the situation. Ohio initiatives have included participation in Governor Strickland's Foreclosure Prevention Task Force; in a bi-partisan Ohio Congressional Roundtable in Washington, DC, in 2007; and in a Congressional Field Hearing in Cleveland, Ohio, in 2008.

### **Results and Challenges**

How have these efforts worked so far? We have experienced modest success with HomeProtect. Unfortunately, the level of discount does not fully compensate for the risk involved to lenders that did not originate the loan. Our experience is that many stressed homeowners did not originate mortgages with Cincinnati Bank members. Unwinding such loans that have been sliced, repackaged and resold has proven difficult, at best, to restructure.

Our flagship program, the AHP, has proven a reliable, stable source of funding for 20 years. Our new scoring priority has directed over \$10 million toward more than 30 projects creating nearly 800 units targeting vacant properties or those located in high foreclosure areas. The AHP continues to have a positive impact throughout our service area, and it has always balanced the community needs for affordable rental housing with owner-occupied housing. A valuable lesson for many in the current crisis is that the door to financial stability does not always open to an owner-occupied home. In fact, nearly 75 percent of the units in the Cincinnati Bank's competitive AHP, outside the subset of grants reserved for homeownership, are rental units. Access to both rental and owner-occupied units of safe, decent, affordable housing provide stability to families and individuals at different stages of their lives.

The Cincinnati Bank's voluntary programs, including Preserving the American Dream, speak to the flexible nature of the FHLBank cooperative structure. As of June 30, 2009, we had provided more than 800 homeowners with workouts or counseling. While the numbers are modest, the ripple effect reaches beyond the homeowners to their extended families, their communities, their schools, and to the lending community that has a new cooperative model for helping its customers and neighbors. To the degree that the FHLBank and our partners can remain free of program restrictions, we maintain greater flexibility to respond in a timely manner with new, innovative approaches.

### **Conclusion**

The current housing crisis was years in the making. It cannot be solved overnight nor can it be fixed with a one-size-fits-all solution. Flexible, collaborative efforts that involve all interested parties will be critical to the development and execution of effective solutions. That is why we have chosen to address the problem from several different perspectives. The Cincinnati Bank, its 739 members and hundreds of housing partners, is working diligently to provide long-term solutions over time to create and maintain healthy communities and cities.

**James Cunningham, Field Office Director, Department of Housing and Urban  
Development**



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**Written Testimony of James A. Cunningham, Field Office Director, Cincinnati Office of the United States  
Department of Housing and Urban Development**

On behalf of Housing and Urban Development Secretary Shaun Donovan I want to thank you for the opportunity to discuss the Department's response to the housing and foreclosure crisis. Congress has provided HUD with several tools to help prevent foreclosures as well as respond to the aftermath, vacant and abandoned properties.

First and foremost HUD and the Federal Housing Administration have stepped up to respond to the credit crisis. FHA lenders are providing new home loans and refinance options with a consumer friendly mortgage product. FHA's market share has increased from about three percent to over thirty percent. In addition, FHA's loss mitigation offers existing homeowners with options to prevent foreclosure, saving over half of defaulted FHA loans in the State of Ohio. The Department also funds and supports a network of housing counseling agencies that provide borrowers with assistance in working with their mortgage servicers to prevent foreclosure.

Last month Secretary Donovan announced FHA's Home Affordable Modification Program that allows FHA borrowers to significantly reduce their monthly mortgage payments by seeking a loan modification through their current mortgage company or loan servicer. This coupled with the expansion of the Administration's Making Home Affordable will significantly increase the help available to homeowners.

The Department is also charged with carrying out programs from the Housing and Economic Recovery Act of 2008 and the American Recovery and Reinvestment Act of 2009. The Department's recovery act programs have three main goals:

First, promoting energy efficiency and creating green jobs: Roughly one-third of HUD's Recovery Act funds are aimed at "greening" the public and assisted housing stock, while at the same time contributing to the creation of a new industry for increasing residential energy efficiency. Programs include additional public housing capital funds and the multifamily green retro-fit program.

Second, unlocking the credit markets and supporting shovel-ready projects: Another third of HUD's Recovery Act funds are aimed at addressing the sharp decline in the market for low-income housing tax credits by providing "gap financing" to existing tax credit projects that have subsequently stalled or been delayed. Similarly, additional project-based rental assistance is expected to support the maintenance of properties that may have otherwise been neglected.

Finally, mitigating the effects of the economic crisis and preventing community decline: The last third of HUD's Recovery Act funds are targeted at stabilizing households and communities that have been impacted by the

current economic crisis. These funds are aimed at households at risk of homelessness and neighborhoods particularly hard hit by the foreclosure crisis. I want to focus on these programs.

**Neighborhood Stabilization Program**

The program has two phases, under NSP1, HUD allocated \$3.92 billion on a formula basis to 309 grantees including 55 states and territories and 254 selected local governments, \$11.57 million was allocated to Dayton and Montgomery County. The program is designed to stabilize communities across America hardest hit by foreclosures. Grant agreements for these funds have already been signed.

Under NSP2, HUD allocated \$1.93 billion on a competitive basis to states, local governments, and non-profit organizations. The program objectives and eligible uses did not change under the Recovery Act, but the allocation process and some regulations on the funds have changed. The deadline to apply for NSP2 funding was July 17, 2009.

**Community Development Block Grant**

Congress appropriated an additional \$1 billion in Community Development Block Grant funds to be allocated to approximately 1,200 grantees using the existing CDBG formula. That includes \$2.4 million to four local communities (Dayton, Montgomery County, Kettering and Fairborn). Funds will target state and local community development projects, with a particular emphasis on infrastructure activities, in order to stabilize communities, generate jobs and support future economic growth

**Homelessness Prevention and Rapid Re-Housing Program (\$1.5B)**

\$1.5 billion has been allocated to state and local governments using the Emergency Shelter Grant (ESG) formula, including \$3.35 million to Dayton and Montgomery County. Funds will support the rapid re-housing of homeless persons and families who enter shelters, as well as significantly expanding efforts to prevent homelessness for those facing severe economic strain.

The Department of Housing and Urban Development looks forward to helping homeowners stay in their homes, keeping the American dream of homeownership accessible and affordable, and working with our community partners to address the causes and results of the housing and foreclosure crisis. Thank you, and I look forward to answering any questions you may have at this time.

## About the Northeast-Midwest Institute

**Organization Mission Statement:** The Northeast-Midwest Institute is a Washington-based, private, nonprofit, and nonpartisan research organization dedicated to economic vitality, environmental quality, and regional equity for 18 Northeast and Midwest states. Formed in the mid-1970's, it fulfills its mission by conducting research and analysis, developing and advancing innovative policy, providing evaluation of key federal programs, disseminating information, and highlighting sound economic and environmental technologies and practices. The Institute is a 501(c)(3) organization whose work is funded through grants from foundations and contracts with federal and state agencies.

**General Background:** The Northeast-Midwest Institute is unique among policy centers because of its close ties to Congress thanks to the bipartisan Northeast-Midwest Congressional and Senate Coalitions that represent Connecticut, Delaware, Illinois, Indiana, Iowa, Maine, Maryland, Massachusetts, Michigan, Minnesota, New Hampshire, New Jersey, New York, Ohio, Pennsylvania, Rhode Island, Vermont, and Wisconsin. In the 111<sup>th</sup> Congress the House Coalition is co-chaired by Reps. James Oberstar (D-MN) and Steven LaTourette (R-OH) and the Northeast-Midwest Senate Coalition is currently chaired by Senators Jack Reed (D-RI) and Olympia Snowe (R-ME). The Institute also works closely with issue- and place-based Congressional task forces, including the Chesapeake Bay Watershed Task Force, Delaware River Basin Task Force, Great Lakes Task Force, House and Senate Task Forces on Manufacturing, Upper Mississippi River Task Force, and the Revitalizing Older Cities Congressional Task Force.

Throughout its history, the Institute has broken new ground in shaping federal and regional policy. For example, on the environmental front, the Institute advanced the National Invasive Species Act to prevent the occurrence and spread of biological pollution, and we advanced numerous other federal pollution prevention laws as well. The Institute has obtained funding for environmental research and monitoring of the Chesapeake Bay, Great Lakes, and Upper Mississippi River, and promoted the first law to clean up contaminated sediments. To strengthen the Northeast and Midwest economies, the Institute established the dual Community Development Block Grant (CDBG) funding formula that helps rebuild older communities, and that made brownfield cleanup and redevelopment a CDBG-eligible activity. Staff at the Institute have worked to increase funding for a national network of manufacturing extension centers and to protect Amtrak routes and advanced high-speed rail in the region. In addition, the Institute has helped develop legislation to assist nonprofit groups transform vacant land and brownfields into parks and other community assets.

Congressional and Senate Coalition members pay dues to support shared Congressional employees. These staffers, or "legislative directors," work in House and Senate offices and act as liaisons between Congress and the Institute. The Northeast-Midwest legislative directors now work in the offices of Senators Jack Reed (D-RI) and Carl Levin (D-MI) and Rep. James Oberstar (D-MN). Working with these legislative directors and at their request, the Institute provides support, information, and research that



are used as underpinnings of sound public policies advanced by the NEMW lawmakers to benefit the region.

**Existing Programs and General Scope of Work:** The Institute's current programmatic strengths include: protecting the region's watersheds from pollution; cleaning up the region's contaminated sites; enhancing the region's access to trade; fostering the region's manufacturing base; protecting the region's farms while increasing the access of its underserved urban residents to healthful food; seeking restoration of the region's great water bodies; protecting both the aquatic and terrestrial ecosystems of the region from invasive species; revitalizing the economies of the region's older industrial cities; and seeking the repair of the region's aging infrastructure.

Through its work in these program areas, the Institute has established a national reputation for analyzing issues from a regional perspective, for generating public policy recommendations, for identifying stakeholders and leading coalitions, and for educating policymakers on a range of issues that affect the region's economic viability and environmental health. As a result of recent efforts by the Institute and its partners, federal legislators have increased their attention to the challenges facing older industrial cities. During the 110<sup>th</sup> Congress the Northeast-Midwest Congressional Coalition formed the Revitalizing Older Cities Task Force—a group of Members who share the common goal of advancing the federal role in efforts to revitalize older industrial cities. Under the leadership of co-chairs Brian Higgins (D-NY) and Michael Turner (R-OH), and with the Institute's help, that task force has grown to 29 members.

As part of its *Revitalizing Older Cities Initiative* the Institute works closely with the task force and researches a variety of federal policy areas, providing valuable information to Congress about programs that can significantly enhance the prosperity and general livability of older industrial communities. An important tenet of the older cities initiative is the recognition that the overall prosperity of our nation can only be measured by the economic and social health of our country's urban areas and older industrial communities. To advance this principle, the Institute primarily focuses its *Revitalizing Older Cities Initiative* research on housing, transportation, water infrastructure, economic and workforce development, vacant properties and brownfields, urban livability, and energy/environment policies.



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