

Statement for the Record on the Foreclosure Crisis
Financial Crisis Inquiry Commission
Congressman Michael R. Turner
3rd Congressional District of Ohio
April 22, 2010

I want to thank the members of the Financial Crisis Inquiry Commission for their leadership in examining the root causes of the current financial and economic crisis in the United States. I appreciate your efforts in undertaking a comprehensive analysis and review of this crisis, particularly how predatory lending practices and the increase in foreclosure rates have destabilized the foundation of our nation's economy. It is clear that the American people are seeking answers and want to fully understand how the foreclosure and mortgage lending crisis has contributed to the greater U.S. financial crisis.

That crisis is particularly acute in southwestern Ohio. For that reason, in coordination with the Northeast-Midwest Institute, I held a housing forum in my congressional district in August 2009. For this forum, we convened local and federal housing policy experts to examine the impact of the housing crisis on our local communities, and the federal response. That forum yielded a number of policy considerations that have been compiled into a housing report which I have included for the record. Thank you for the opportunity to submit that report as well as my testimony today expanding on the topic of the mortgage foreclosure crisis, its impact on Ohio, and the federal response.

As you know, the United States is experiencing a steady increase in foreclosures and mortgage lending problems that have impacted homeowners, families, communities, the United States economy and the global markets. On April 15, 2010, RealtyTrac released its U.S. Foreclosure Market Report for the first Quarter of 2010 stating that "foreclosure filings — default notices, scheduled auctions and bank repossessions — were reported on 932,234 properties in the first quarter, a 7 percent increase from the previous quarter and a 16 percent increase from the first quarter of 2009. One in every 138 U.S. housing units received a foreclosure filing during the quarter." The report also said that Ohio is ranked among the nation's 10 highest states in foreclosures, reporting 33,221 filings in the first quarter of 2010. Estimates suggest that this trend is likely to continue with millions more Americans potentially losing their homes to foreclosure in the next 4 years.¹

I appreciate the opportunity to share with you how the foreclosure and mortgage lending crisis has led to home abandonment and high foreclosure rates throughout the country. The influx of toxic mortgage loans, predatory lending practices, a lack of loan modification standards and concerns with certain federal housing policies have had a direct impact on millions of homeowners and communities across the country. Increasing home foreclosures and falling housing prices have led many property owners to walk away from their homes, leaving many communities with a large number of abandoned properties, rising crime rates, blight, and deteriorating neighborhoods.

¹ Realtytrac (April 15, 2010). "Foreclosure Activity Increases 7 percent in First Quarter". Press release.

As this Commission analyzes the causes of the current crisis and searches for solutions, I urge the members of the Commission to conduct a thorough investigation into the serious challenges in the housing sector and its impact on millions of homeowners across the country. I hope that the Commission will further assess the current legal and regulatory framework governing the housing and mortgage lending markets, and how it contributed to the challenges we now face including: refinancing practices; loan-to-value ratios; and the prevalence of fraudulent industry practices. I also hope that the Commission assesses the impact of mortgage backed securities and the role of Fannie Mae and Freddie Mac on the mortgage lending crisis. Lastly, during your investigation into the housing crisis I would welcome the opportunity to give any member of the Commission a tour of the communities in my district that were hit hardest by the foreclosure and mortgage lending crisis.

The toxic assets we commonly reference are mortgage-backed securities containing predatory and subprime mortgage loans which were later packaged, traded, and sold upstream to banks and investors. In the last decade, the number of unsound subprime loans have steadily increased and have now defaulted and contributed to the instability of our financial system.² It is evident that the issuance of inappropriate loan products for borrowers has contributed to the current foreclosure and to the greater financial crisis. These toxic assets are real-life foreclosures that have impacted our communities with a disproportionate amount of them due to predatory lending practices.

According to a Jim McCarthy, the President and CEO of the Miami Valley Fair Housing Center, the mortgage foreclosures associated with lenders who are identified as subprime lenders increased at an annual rate of 43 percent from 1994 to 2000. This number is more than double the annual 18 percent rate increase associated with lenders who are not identified as subprime lenders. This study also showed that foreclosure filings in Montgomery County, Ohio, nearly doubled from 1994 to 2000 and that subprime lenders were responsible for a disproportionately high share of that increase. McCarthy goes on by stating that “until 2008 there were literally no resources available from the federal government to do anything about predatory lending or its resulting foreclosures.” He also said that “in 2008 his organization provided assistance to 353 families in the region, despite the fact that there were 5,194 mortgage foreclosures filed during this same period.”³

During my two terms as mayor of the city of Dayton, I witnessed the impact of predatory lending in my community and our community asked how financial markets would be able to sustain the losses associated with these mortgage foreclosures. Beyond the individual impact of predatory lending and its contribution to increasing foreclosure rates, these practices resulted in the loss of capital in the market that cumulatively exacerbated the lack of liquidity in the U.S. economy.

Home foreclosures resulting from predatory lending has taken a toll on all American cities. Even in neighborhoods where only some homeowners were victim to predatory lending

² Ford Fessenden, “The American Dream Foreclosed,” New York Times, October 14, 2007.

³ Jim McCarthy (President/CEO, Miami Valley Fair Housing Center, Inc.). “Testimony on the Impact of the Housing Crisis on Local Communities and the Federal Response.” (Date: 8/26/09).

practices, the entire community suffers from an overall destabilized housing market and decreased property values. In communities like Dayton, where we have seen stagnation in property values and a lower demand for housing stock, banks have foreclosed on these properties and many have become abandoned. These foreclosed properties often sit vacant for long periods of time and not only become an eyesore, but a threat to public health and safety. Boarded-up neighborhoods, falling property values, and increased crime all lead to an eroded local tax base and impair a city's ability to provide important services to urban families.

Like in many communities across America, property values in Dayton, Ohio, and the surrounding counties, Warren, Clinton and Highland, that are in my district, are not areas which saw these large spikes in property values. We had very modest property appreciation. What happened in my community is that families became victims of predatory lending practices through refinancing into unsound loan products. In many cases, financial institutions would lend people more money than their house was worth. Structurally, it's impossible to maintain a system where lenders are able to issue loan mortgages with upside-down loan-to-value ratios. As a result, many financially-stressed homeowners decided to leverage their entire equity against their home mortgage loan.

In past economic downturns, many more homeowners had equity in their home to provide them with an incentive to either sell their home or seek assistance to make lower payments. But in the current economic crisis, many people found themselves with mortgage loans greater than the value of their home. In addition, there are many other homeowners who find themselves stuck and unable to sell their home because of the number of foreclosures that have occurred in the neighborhood. In the current housing crisis, people do not have the money to pay for the difference between the value of their home and the mortgage, and instead find themselves defaulting on their mortgage.

Unfortunately, many homeowners throughout the Miami Valley in Ohio have found themselves with these predatory loan products and are now facing foreclosure. While many organizations like the HomeOwnership Center and the Miami Valley Fair Housing Center continue to provide counseling, education, and legal intervention to victims of these predatory lending practices, additional resources are still needed to address the growing number of homeowners who need support. In addition, homeowners living near these foreclosed homes and who have made their payments on time are frustrated as they continue to see their property values drop. Americans need to know how lenders took advantage of these families how these lenders are going to be held accountable and stopped from performing these types of lending practices.

Many lenders responded to the current housing crisis by making it more difficult for homeowners to refinance or qualify for a loan. However, the TARP legislation that was originally intended to provide relief to the banking industry did nothing to preclude the issuance of these kinds of predatory loan products. Only through effective loan issuance regulations and financial product transparency will the housing sector fully recover from the current crisis.

On March 3, 2009, I introduced H.R. 1285, an act calling for the creation the Commission on the Foreclosure and Mortgage Lending Crisis so that we can undertake a

comprehensive review of the mortgage and foreclosure crisis as a means of preventing a future one. Specifically, my legislation would establish a bi-partisan commission to: (1) study and report to Congress on the current legal and regulatory framework governing the housing mortgage lending markets and how it contributed to the increased foreclosure rate; (2) recommend changes to the current framework to prohibit lending practices that have contributed to the mortgage lending crisis; (3) review the impact of subprime abuses and predatory lending practices; (4) assess the role of states in enacting policies to reduce predatory lending practices and abuses in the subprime markets; (5) assess the impact of mortgage-backed securities and the Federal National Mortgage Corporation (Fannie Mae) and the Federal Home Loan Mortgage Corporation (Freddie Mac) upon the mortgage lending crisis; and (6) assess the impact of the Community Reinvestment Act of 1977 on the crisis.

After I introduced HR 1285, in May 2009, the Senate passed S.386, the Fraud Enforcement and Recovery Act of 2009, which created this Financial Crisis Inquiry Commission. During consideration of this bill, members were successful in ensuring that the final bill instructed the Commission to fully address housing and mortgage lending issues and how it contributed to the larger financial crisis. These provisions instructed the Commission to investigate the legal and regulatory structure of the housing market, securitization, mortgage lending, and consumer protection. Finally, in August of 2009, I wrote Chairman Angelides outlining the provisions of HR 1285, and encouraging that the Commissions' review encompass its provisions. I would like to echo my prior correspondence, and hope that the commission will undertake its review in a manner that encompasses the items in HR 1285.

Last summer I hosted a forum to examine the impact of the housing crisis on our community, and to discuss the federal response. In partnership with the Northeast-Midwest Institute, we assembled two panels of experts. The first panel, composed of Miami Valley housing leaders, discussed the effects of the housing crisis on the region. The second panel, composed of federal policy housing experts, discussed the federal response to this crisis.

Both panels identified some of the serious challenges we face as we continue to determine the appropriate role of the federal government in addressing housing issues in our region. The panelists also provided policy considerations to Congress that address the current legal and regulatory framework governing the housing and mortgage lending markets; the prevalence of fraudulent industry practices; the effectiveness of certain housing tax credits, grants, and programs; as well as providing a reevaluation of federal housing policies and their impact on communities across the nation.

The purpose of this housing forum was to provide Congress, government officials, and the housing industry with a thorough understanding of the implications of federal housing policy on local communities like Dayton and provide creative solutions that address many of these challenges. This report brings together both local and federal policy perspectives on the current housing crisis and lays out clear and innovative strategies for how the federal government can assist these communities.

The Administration has made attempts to mitigate the foreclosure crisis through its Making Home Affordable Program announced on February 18, 2009. Part of this broader

recovery plan is the Home Affordable Modification Program (HAMP). HAMP is a voluntary loan modification program that offers incentives to servicers and borrowers to encourage successful loan modifications for troubled borrowers. HAMP is a \$75 billion dollar program that seeks to incentivize mortgage companies to lower mortgage payments and renegotiate rates for at-risk homeowners. \$25 billion is funded through the Housing and Economic Recovery Act of 2008 (HERA) and \$50 billion is being funded from Troubled Assets Relief Program (TARP).

Unfortunately, this federal program has not adequately addressed the growing numbers of foreclosures. At the end of February 2010, the HAMP program only produced about 170,207 permanent loan modifications, well under the nearly 3 to 4 million homeowners that the program's advocates promised. According to the Treasury's data, less than a 1/3 of all temporary modifications through HAMP are made permanent. In addition, a GAO report released in July 2009 questioned HAMP's ability to modify as many loans as it promised. These sources confirm that HAMP's effectiveness is questionable given current foreclosure numbers. With the Center for Responsible Lending predicting 9 million foreclosures in the next three years, the problems with the HAMP program will likely increase, while loan modification protections for homeowners decrease.

On February 19, 2010, President Obama announced the creation of a new Housing Finance Agency Innovation Fund from unused TARP funds to address the foreclosure crisis in the hardest hit housing markets. However, the Fund ignored Ohio, one of the states hardest hit by the foreclosure crisis. I joined many of my Ohio colleagues in calling on the President to reevaluate the criteria for this fund, in order to allow states like Ohio access to these critical dollars. Following that correspondence, on March 29, 2010, the President announced an additional \$600 million from TARP to target states like Ohio where the unemployment rate exceeded 12 percent in 2009. This fund is designed to help develop and implement innovative housing initiatives tailored to local conditions to help prevent foreclosures and stabilize housing markets. The funds are also meant to address unemployment, borrowers upside down on their mortgages, challenges arising from second mortgages, and programs that encourage affordable homeownership.

While Congress and this Administration continue to reevaluate our national housing policy to curb foreclosures, it is important that this Financial Crisis Inquiry Commission undergo an investigation into the current legal and regulatory framework governing the housing and mortgage lending markets and how it has caused record high foreclosure rates and home abandonment throughout our communities. It is my hope that by having a better understanding of the root causes of the foreclosure and mortgage lending crisis, Congress will be in a better position to better craft effective policy. In large part, the health of our nation's economy is largely tied to the stability of housing markets and the strength of our local economies. Only through the employment of effective housing policies will the nation be able to recover from the current recession and begin restoring the strong and vibrant communities which are essential to our nation's economic strength.



**Follow-up Report
& Policy
Considerations**
From the Congressional Forum
Convened by Congressman
Michael Turner

THE IMPACT OF THE HOUSING CRISIS ON LOCAL COMMUNITIES AND THE FEDERAL RESPONSE



Congressman Michael Turner represents Ohio's 3rd Congressional District and co-chairs the Revitalizing Older Cities Congressional Task Force. The Forum and this report were done in coordination with the Northeast-Midwest Institute and the Northeast-Midwest Congressional Coalition. The event was held on August 26, 2009, in Dayton, OH.

Congressional Forum:
The impact of the housing crisis on local
communities and the federal response
August 26, 2009 Dayton, OH



Convened by
Congressman Michael R. Turner
Co-Chair of the Revitalizing Older Cities Congressional Task Force

IN COORDINATION WITH THE
Northeast-Midwest Institute

AND THE
Northeast-Midwest Congressional Coalition



**Follow-up Report:
Analysis with Policy Considerations**

Participant Biographies

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Follow-up Report: Analysis with Policy Considerations

Overview

The current housing crisis has played a major role in destabilizing the foundation of our nation's economy. The influx of toxic mortgage loans, predatory lending practices, a lack of loan modification standards and concerns with certain federal housing policies have had a direct impact on millions of homeowners and communities across the country. Increasing home foreclosures and falling housing prices have led many property owners to walk away from their homes, leaving many communities with a large number of abandoned properties, rising crime rates, and deteriorating neighborhoods.

According to Alan Mallach, a Non-resident Senior Fellow at the Brookings Institution in Washington, DC, nearly one out of five housing units is vacant in Dayton, Ohio. In addition, cities like Dayton with economies based in manufacturing have seen a disproportionate loss in jobs and sharp declines in their populations, all of which has exacerbated the impact of the current housing crisis.

As Congress searches for solutions and legislative action to address the current crisis, a forum was convened in Dayton, in coordination with the Northeast-Midwest Institute on the impact of the housing crisis on local communities and the federal responses to this crisis. Nine panelists, consisting of both local Miami Valley housing leaders and federal policy experts, provided testimony and a comprehensive analysis of the impact of the current crisis. The panelists were Amy Radachí, Beth Deutscher, Jim McCarthy, Kiya Patrick, Dean Lovelace, Sarah McGraw Greenberg, Alan Mallach, David Hehman, and Jim Cunningham.

The forum highlighted areas where there has been improvement and areas that remain challenges for the future. The panelists also provided recommendations to Congress that address the current legal and regulatory framework governing the housing and mortgage lending markets; the prevalence of fraudulent industry practices; the effectiveness of certain housing tax credits, grants, and programs; as well as providing a complete reevaluation of federal housing policies and their impact on communities across the nation.

The purpose of this housing forum was to provide Congress, government officials, and the housing industry with a thorough understanding of the implications of federal housing policy on local communities like Dayton and provide creative solutions that address many of these challenges. This report brings together both local and federal policy perspectives on the current housing crisis and lays out clear and innovative strategies for how the federal government can assist these communities. In large part, the health of our nation's economy is largely tied to the stability of the housing markets and the strength of our local economies. Only through the employment of effective housing policies will the nation be able to recover from the current recession and begin restoring the strong and vibrant communities which are essential to our nation's economic strength.

Summary of Federal Housing Policy Considerations

The following report will summarize a number of policy considerations based on the individual testimonies and discussions held at the housing forum into broad based themes consisting of the following: preventing predatory lending by increasing financial product transparency and preventing the issuance of inappropriate loan products; streamlining the mortgage servicing industry; standardizing housing counseling and loan modification regulations; improving the Neighborhood Stabilization Program (NSP) and building local organizational capacity in distressed communities; and rethinking the impact of the low-income housing tax credit on older cities.

➤ **Preventing Predatory Lending by Increasing Financial Product Transparency and Preventing the Issuance of Inappropriate Loan Products:**

This panel found that preventing the issuance of inappropriate loan products for borrowers and increasing financial product transparency are needed to avert another foreclosure crisis. Unfortunately, many homeowners throughout the Miami Valley have found themselves with predatory loan products and are now facing foreclosure. While many organizations like the HomeOwnership Center and the Miami Valley Fair Housing Center continue to provide counseling, education, and legal intervention to victims of these predatory lending practices, additional resources are still needed to address the growing number of homeowners who need support. According to Jim McCarthy, President and CEO of the Miami Valley Fair Housing Center, Inc., “until 2008 there were literally no resources available from the federal government to do anything about predatory lending or its resulting foreclosures.” He said that in 2008 his organization provided assistance to 353 families in the region, despite the fact that there were 5,194 mortgage foreclosures filed during this same period.

While many lenders have responded to the current housing crisis by making it more difficult for home buyers to refinance or qualify for a loan, there are presently no federal regulations in place that would strengthen underwriting standards and limit riskier financial products from entering the marketplace. Even the TARP legislation that was intended to provide relief to the banking industry did nothing to preclude the issuance of these kinds of loans. Only through effective loan issuance regulations and financial product transparency will the housing sector fully recover from the current crisis. Congress needs to develop a comprehensive strategy for insuring that every American has the necessary information to make informed decisions about loan products so that borrowers receive loans that are most suited to their needs.

Policy Considerations:

- 1) Create mechanisms for limiting riskier financial products from entering the marketplace. This could be accomplished through the creation of an agency that prevents predatory lending and the selling of financial products that could be harmful to consumers (Source: Jim McCarthy).

- 2) Assist in identifying victims of predatory and fair housing/ fair lending issues and provide additional funding for intervention and rescue loans that would help borrowers prepare for a loan modification or refinance into a better loan product (Source: Beth Deutscher and David Hehman).
- 3) Enact legislation and continue to fund programs that protect consumers from exposure to “mortgage rescue” scams that are designed to take advantage of at-risk homeowners (Source: Beth Deutscher and Sarah Greenberg).
- 4) Institute a financial incentive or requirement for all first-time homebuyers to complete homeownership education before they receive a loan or refinance their existing loan. This education requirement should include information concerning mortgage financing, affordability, budgeting, credit, home selection, working with Realtors, purchase contracts, home inspections, closing, the responsibilities of homeownership, fair housing, foreclosure prevention, avoiding predatory lending, financial literacy training, down payment assistance, reverse mortgage counseling, and additional information on other local housing initiatives that are offered. This is necessary for ensuring that borrowers receive quality training and guidance as they navigate through the mortgage and home purchase process (Source: Beth Deutscher).
- 5) Recognize that currently there is no systematic way to challenge predatory lending cases nor has the issue of predatory lending been effectively addressed. While limited counseling services are offered to victims of predatory lending and those homeowners facing foreclosure, the federal government has only provided limited resources to address this issue (Source: Jim McCarthy).
- 6) Improve lender underwriting requirement standards so that only reasonable and responsible loans are issued. A return to irresponsible loan underwriting standards in the future will likely have a negative effect on the recovery of the housing market (Source: Kiya Patrick and Beth Deutscher).
- 7) Require loan officers to go through an educational program about predatory lending rules and regulation and be issued a federal license to issue loans (Source: Diane DeVaul).
- 8) Prohibit property owners from refinancing into new loans where the value of the loan exceeds the value of the property (Source: Dean Lovelace).
- 9) Simplify home mortgage closing documents and disclosure forms. These forms should be clearer and more concise so that the borrower understands the regulations and implications of purchasing or refinancing a home (Source: David Hehman).

- 10) Provide additional funding and resources for the historically underfunded and underutilized Fair Housing Initiatives Program (FHIP) at the Department of Housing and Urban Development to address the country's pressing housing segregation issues (Source: Jim McCarthy).

➤ **Streamlining Mortgage Servicing Industry and Procedures:**

The panel found that the Obama Administration has attempted to mitigate the foreclosure crisis through its Making Home Affordable Program, announced in spring 2009, which is run through the Department of Treasury. The program does not adequately address the crisis. Making Home Affordable seeks to prevent foreclosures by working with private industry to offer affordable loan refinances and affordable loan modifications. Unfortunately, this federal program is too small to address the growing foreclosure crisis. The Home Affordable Modification Program (HAMP), which offers incentives to loan servicers and investors to offer borrowers loan modification, will only benefit an estimated 3 to 4 million people, while the Center for Responsible Lending predicts 9 million foreclosures in the next three years.

Housing advocates report a lack of cooperation on the part of loan servicers who are misinforming consumers, and a lack of transparency by servicers and the government that makes it difficult to determine why servicers have refused to modify some borrowers' loans. Often housing counselors find little consistency with no clear justification for how these loan servicers make their decisions in loan modifications or mortgage refinancing. According to Beth Deutscher at the HomeOwnership Center of Greater Dayton, it can take anywhere from three to six months just to hear back from a servicer regarding a loan modification request. Meanwhile, the homeowner is becoming further and further behind on their payments, thus making it even more difficult to come to any agreement. It is clear that policies that work to increase mortgage servicer performance are needed to address the abundant number of homeowners facing foreclosure.

Treasury must increase HAMP's transparency by providing applicants with reasons for denial, and also must make public its measurements used to evaluate whether borrowers qualify for the program. Additionally, Treasury must continue to collect data about applications received by all participating servicers, including data on race, gender, national origin, and the outcome of applications. It must make these data available to the public in a useable way so that academics and advocacy organizations can determine whether or not HAMP is having a disparate impact on African Americans, Latinos, and others.

Policy Considerations:

- 1) Enact legislation that creates a reasonable and consistent standard of operations for mortgage servicers to improve their job performance and communication between them, borrowers, and housing counselors. These new regulations should have the goal

of increasing the volume of successful loan modifications and workouts (Source: Sarah Greenburg).

- 2) Draft legislation that reduces the time it takes to undergo a loan modification. Currently, it can take up to several months to get a response about the status of a loan modification agreement. Or, draft legislation that requires mortgage services to respond to loan modifications within a reasonable timeframe (Source: Beth Deutscher).
- 3) Force mortgage servicers to halt the foreclosure process if a reasonable loan modification plan has been submitted. It is the experience of many loan counselors in the field that there are on average three to six month delays on the responses from servicers regarding loan modification requests. These delays often result in the borrower falling even further behind on their payment schedule and incurring additional fees (Source: Beth Deutscher).
- 4) Provide regulatory and enforcement mechanisms to improve overall servicer performance within the mortgage servicing industry (Source: Beth Deutscher; Jim McCarthy; and Sarah Greenberg).
- 5) Make it easier for state and local governments and non-profits to work with the mortgage servicing industry to allow for easier acquisition of abandoned and foreclosed properties (Source: Kiya Patrick).
- 6) Expand HAMP to cast a broad net with respect to determining which borrowers are eligible for a modification, including giving a second chance to borrowers for whom changes in circumstances (such as unemployment) make their original HAMP loan modification unsustainable (Source: Jim McCarthy).
- 7) Reduce loan principles on HAMP loans to make them more affordable and make interest rates reductions permanent, not short-term (Source: Jim McCarthy).

➤ **Standardizing Housing Counseling and Loan Modification Procedures:**

The panel found that housing counseling and a standardized loan modification process is needed to provide a measure of last resort for homeowners who are in imminent danger of losing their homes, and to help stabilize the current foreclosure crisis. According to Sarah Greenberg, Manager of Community Stabilization Neighborhood Reinvestment Corporation, Congress's foresight in funding the National Foreclosure Mitigation and Counseling program (NFMC) has allowed NeighborWorks to fund and train approximately 1,600 counseling agencies across the country which work, to help homeowners find solutions to their individual problems. David Hehman, President and CEO of the Federal Home Loan Bank of Cincinnati reported that as of June 30, 2009, they had provided more than 800 homeowners

with successful loan modifications or counseling services. He claimed these numbers were modest compared to the need, noting that Congress should work to support and expand these practices.

It's important that new mandates require effective communication between the borrower, the servicer, and the investor so that payment plans are in the best interest of everyone involved, including the community as a whole. In most cases, instead of forcing families out of their homes through foreclosure, it is in the best interest of all parties to aggressively work out an effective loan modification. A standardized loan modification process usually mitigates the losses that investors take as a result of foreclosures. James Cunningham, Field Office Director for the Department of Housing and Urban Development (HUD), announced Secretary Donovan's support of the FHA's Home Affordable Modification Program that allows borrowers to seek a loan modification through their current mortgage company.

The benefits of encouraging these modifications extend well beyond the individual homeowner and can help save many of our communities from declining home values and further home abandonment. Simply allowing homes to fall into foreclosure negatively impacts all surrounding properties and can drive down the value of these nearby properties by as much as 9 percent. Establishing an effective standardized loan modification system is important in determining the best interests of all parties involved while at the same time helping to sustain our neighborhoods and keeping families in their homes.

Policy Considerations:

- 1) Increase and stabilize funding for housing counseling organizations and target rural and linguistically isolated areas. Additional dollars will be needed to fund the National Foreclosure Mitigation and Counseling program through NeighborWorks, as well as other programs (Source: Beth Deutscher; Jim McCarthy; and Sarah Greenberg).
- 2) Draft policy that effectively mandates that the borrower, servicer, and investor collaborate to work toward a reasonable and sustainable resolution. The panel reported that some servicers are inflexible regarding workable options and such a mandate might help bring everyone to the table, hopefully helping the homeowner save their home and preventing communities from further decay (Source: Beth Deutscher).
- 3) Establish a standardized loan modification process where troubled and defaulting homeowners can apply for a mortgage under the close scrutiny of all parties involved, a designated trustee, or judge who has expertise in this area, to be granted the authority to modify mortgages on a case-by-case basis (Source: Jim McCarthy).
- 4) Offer temporary relief grants for families who have a long history of making their payments on time, but have recently had some financial instability due to the current economic conditions. These funds could be used to help these individuals restructure their loans to keep their homes (Source: Jim McCarthy).

- 5) Consider creating a loan modification program that allows for using the negative equity debt and placing it into a subordinate mortgage where no payments or interest are due on the subordinate debt until the property is sold. This alternative would prevent the borrower from a windfall if home prices eventually rise and instead would aim to allow the homeowner to repay their original debt to the underwriting investors (Source: Sarah Greenburg).

➤ **Improving the Neighborhood Stabilization Program (NSP) and Building Local Organizational Capacity in Distressed Communities:**

In response to the current housing and foreclosure crisis, Congress passed H.R. 3221, the Housing and Economic Recovery Act of 2008 that created the new Neighborhood Stabilization Program (NSP). In the first round of NSP funding, HUD allocated \$3.92 billion on a formula basis to provide grants to all states and local governments. In the second round, HUD will allocate \$1.93 billion on a competitive basis to provide grants to states, local governments, and nonprofit organizations.

In the first round of funding the program allocated federal assistance to neighborhoods that have extremely high concentrations of foreclosed and vacated homes. The NSP reclaims the supply of vacated housing once the property has been foreclosed or abandoned and uses these funds to acquire, resell, or demolish abandoned and foreclosed properties.

According to Kiya Patrick, Community Development Specialist at the Montgomery County Community and Economic Development Office, Montgomery County received almost \$6 million in the first round of NSP funding which it used to target neighborhoods needing the infusion of capital to stabilize them and to demolish properties in distressed areas in Montgomery County.

While the panel was pleased about the allocation of NSP funds and supported its continued funding, they believed that there were some changes that needed to be made to make the program more effective. Amy Radachi, President and CEO of Rebuilding Together Dayton, stated that NSP funds should also be used for owner-occupied rehabilitation and performing repairs for low-income homeowners living in areas hardest hit by the housing crisis. By improving the effectiveness of the NSP, this program can continue to be a resource for investing and rebuilding our neighborhoods

Policy Considerations:

- 1) Support H.R. 3204, legislation that would expand the use of NSP funds for rehabilitating owner-occupied housing for low-income families (Source: Amy Radachi).
- 2) Maintain a competitive process rather than formula allocations as a major part of the allocation of NSP2 funding in the future. A competitive process provides local

organizations with incentives to build capacity and innovate on best practices to address the needs of the community (Source: Alan Mallach).

- 3) Continue to provide NSP funding to distressed communities. Allow local jurisdictions to reduce unproductive units through demolition and increase rehabilitation efforts in neighborhoods that have been heavily impacted by vacant properties (Source: Kiya Patrick and Beth Deutscher).
- 4) Loosen NSP funding restrictions so local governments can have greater flexibility in carrying out comprehensive strategies to deal with foreclosure prevention, market building, and quality of life issues. Currently NSP is too focused on specific property transactions (Source: Sarah Greenberg; Beth Deutscher; and Alan Mallach).
- 5) Make it easier for local jurisdictions and non-profits to acquire abandoned and foreclosed homes under the NSP (Source: Kiya Patrick).
- 6) Provide more effective code enforcement and nuisance abatement to minimize the harm abandoned properties do to the neighborhood's quality of life and property values (Source: Alan Mallach).
- 7) Allow NSP funds to be used to incentivize local communities to invest in capacity, train personnel, and encourage recruitment of larger and more effective community development corporations. While NSP2 provided \$50 million to local and national technical assistance providers, the funding is narrow in scope and focused to only meet the technical requirements of the program. Additional funding should be provided for working capital and operating support to nonprofit organizations that are struggling to build capacity in highly distressed areas (Source: Alan Mallach).
- 8) As NSP is funded through the CDBG process, all recipients of those funds have certain fair housing obligations. Congress should work with HUD to assure that all jurisdictions receiving NSP funds have a current Analysis of Impediments to Fair Housing Choice (AI), which assesses their communities' needs, describes strategies to improve fair housing compliance, implements the strategies, and continues to be updated at least every five years. All properties acquired through foreclosure should be marketed and managed by real estate firms and professionals who have received comprehensive fair housing training (Source: Jim McCarthy).

➤ **Rethinking the Low-Income Housing Tax Credit and its Impact on Older Cities:**

The panel found that for many older cities like Dayton and throughout the Northeast and Midwest regions of the country there is a surplus of older housing units. Amy Radachi, President and CEO of

Rebuilding Together Dayton testified that Dayton's housing stock is aging with over 86% of it more than 35 years old. In 2005, 6.35% of the housing stock in Dayton was defined by city housing inspectors as in need of major exterior repair. In addition, Alan Mallach, Non-resident Senior Fellow at the Brookings Institution, pointed out that nearly one out of five housing units is vacant in Dayton, Ohio. These statistics illustrate that the Dayton housing market is not strong, the supply for housing is more than the demand, and as a result many of these houses are at risk of becoming abandoned.

These statistics point out that in cities like Dayton, the Low-Income Housing Tax Credit, designed to increase affordable housing units, may actually create more problems than they solve. These cities tend to be shrinking in size and tax credits designed to build additional housing units may actually be further destabilizing these communities, according to Mallach. Mallach suggested that it's time to get away from thinking about affordable housing almost entirely in terms of producing new units and instead develop innovative strategies to address the challenges of making better use of the housing units currently available.

Policy Considerations:

- 1) Create a "preservation pool option" in the Low-Income Tax Credit that would allow states to make tax credits available to fund programs to improve and upgrade privately owned rental properties at affordable rates. For a fraction of the cost, the federal government could help landlords upgrade their rental properties and face tough sanctions if they do not comply. If these efforts were combined with effective, targeted, and proper code enforcement, implementation of this strategy in Dayton and other cities could improve housing conditions for far more low-income families at less cost (Source: Alan Mallach).
- 2) Provide tax credits or grants to renovate brownfields (Source: Alan Mallach).
- 3) Provide tax credits and other incentives to private owners of rental housing units to upgrade the quality and condition of the current housing stock (Source: Alan Mallach).

Biographies of Forum Hosts

Congressman Michael R. Turner- Representing Ohio's 3rd District, Co-Chair of Revitalizing Older Cities Congressional Task Force

Michael R. Turner, Ohio's Third District Representative to the United States Congress since 2003, has a background in community activism with service to not-for-profit groups focusing on urban renewal and historic preservation.

As the two-term Mayor of the City of Dayton, he was a strong proponent of neighborhood revitalization, crime reduction, increased funding for safety forces, economic development and job creation. He created Rehabarama, a private-public partnership to rehabilitate neglected housing in Dayton's historic neighborhoods, which had significant economic impact on the region, and received national awards from the National Trust for Historic Preservation and the U.S. Conference of Mayors.

As Mayor of Dayton, Congressman Turner established a development fund providing more than \$19 million in grants for housing and job-producing projects. The development fund sparked investment which resulted in a renaissance of Dayton's downtown, after two decades of decline, including a \$130 million arts center, a minor league baseball stadium, river front development, loft and upscale housing, additional corporate headquarters, and redevelopment of a brownfield area into a tool and die business industrial park. Under Mayor Turner's leadership, the City of Dayton had a balanced budget for all eight years of his tenure (having not been balanced for the previous five years), added 54 police officers on the street resulting in a nearly 40 percent reduction in police response time, and closed two adult movie theaters in residential neighborhoods, thus improving the quality of life for Dayton residents.

Congressman Turner has state-wide, national, and international experience. As mayor, he served on the Ohio Governor's Urban Revitalization Task Force, which provided input for urban planning which led to the Clean Ohio Fund, concentrating on brownfield redevelopment and greenspace preservation. On the national level, he co-chaired the Mayors and Bankers Brownfields Task Force for the U.S. Conference of Mayors, testifying before Congress to support grant funding and liability relief to third party brownfield property owners.

In December, 2003, Congressman Turner's urban experience was called upon by then House Speaker Dennis Hastert who appointed him Chairman of the new Saving America's Cities working group. The 24 Member working group was charged with developing goals and principles to help urban America by focusing on economic development issues and encouraging private sector investment in cities.

Congressman Turner is a senior member of the House Armed Services Committee and Ranking Member of the Subcommittee on Strategic Forces, from which he is able to assist Wright-Patterson Air Force Base

located in Ohio's Third District. Additionally, his position on the Government Reform Committee and Subcommittee on Domestic Policy allows him to contribute his experience as mayor to government reform.

In the 110th Congress, in addition to his work on these committees Congressman Turner founded and is co-chair of the House Historic Preservation Caucus, the Former Mayors Caucus, and the Real Estate Caucus, as well as serving as Vice Chair of the Urban Caucus.

Diane DeVaul- Director of Policy, Northeast-Midwest Institute

Diane DeVaul is the Northeast-Midwest Institute's Director of Policy and a specialist on energy issues, the regional effects of federal spending, and the importance of innovation as a driver of economic revitalization. Dr. DeVaul manages the Institute's Revitalizing Older Cities Initiative. She previously managed projects focused on accelerating the adoption of energy technologies and modernizing the electric grid with the U.S. Department of Energy, the Oak Ridge National Laboratory, the National Energy Technology Laboratory, and Science Applications International Corporation (SAIC). Her other projects have focused on revitalizing older industrial areas, engaging new partners in development efforts, and directing the Northeast Regional Resource Center for Innovation, one of five U.S. Department of Energy Regional Resource Centers. Her publications include articles that focus on successful models of local economic development. She has published articles in *Public Utilities Fortnightly* and *Issues in Science and Technology*, the magazine of the National Academy of Sciences.

DeVaul has organized Congressional field hearings to build an agenda for the House and Senate Manufacturing Task Forces, as well as directing a series of briefings that brought together industry, state and local officials, public utility commissions, and other private sector stakeholders to discuss the barriers and conflicting policies that prevent market penetration of more efficient-energy technologies.

DeVaul was selected to be a member of the North American Working Group that met at Harvard University's John F. Kennedy School of Government to define U.S. policy issues involved in expanding imports of Canadian electricity. She also gave a presentation on those policy issues at the Trinational Energy Policy Workshop at Stanford University and at the International Association of Energy Economists' Annual North American Meeting. Moreover, she delivered a paper, "Post-War Energy Economics: The Urban and Regional Implications," at a Johns Hopkins University symposium.

She previously served as a consultant to the Department of Housing and Urban Development's Office of Community Planning and Development, providing program recommendations for two urban initiatives to the Assistant Secretary.

DeVaul's doctoral dissertation received the Carl Boyd Award for distinguished dissertations from the University of Maryland. She has taught at the University of Maryland, George Mason University, and American University.

Biographies of Experts

Amy Radachi - Executive Director, Rebuilding Together Dayton

Amy has been the Executive Director of Rebuilding Together Dayton since July 1998. She founded the affiliate as a member of Preservation Dayton Inc. in 1996 and served as Board President for three years. She is a consultant with Rebuilding Together's national office's Organizational Development Institute. She served on Rebuilding Together's National Affiliate Council as affiliate liaison to affiliates in Indiana, Ohio, Michigan, Kentucky and West Virginia. She is a graduate of Rebuilding Together University I in 2002 and Rebuilding Together University II in 2004 from the University of Pennsylvania.

She served on the Public Arts Commission and Landmarks Commission for the City of Dayton. She was President of Dayton View Historic Association for four years. She is a 1995 graduate of Neighborhood Leadership Institute. She was named an Outstanding Young Woman in America in 1997. She is a 2002 graduate of Leadership Dayton. She was one of the Ten Top Women of Dayton in 2003. She was also named one of the Dayton Business Journal's Forty Under 40 for 2008.

Prior to being hired as the affiliate's first Executive Director, she worked as a litigation paralegal for ten years at Thompson Hine and the NCR Corporation. She received a degree in Legal Assistance from Ball State University in Muncie, Indiana.

She lives in Dayton View Historic District with her three boys. She is a member of the Rotary Club of Dayton, where she is a member of the Board of Directors for 2009-2011 and is active on the Education and Mentoring Committees. She is a committee chair for the Holy Angels School PTO.

Beth Deutscher- Executive Director, HomeOwnership Center of Greater Dayton

Beth Deutscher is the Executive Director of the HomeOwnership Center of Greater Dayton, a non-profit organization whose mission is to empower Dayton area residents to achieve and sustain homeownership and financial success. She has over 20 years of experience with non-profit work in the areas of homeownership services, financial education, credit counseling, and management of housing programs. Under Beth's leadership, the HomeOwnership Center has helped thousands of individuals and families achieve their housing and financial goals and established a wide range of partnerships with lenders, housing organizations, and government agencies. Beth serves on a number of local, state and national housing boards and committees, including Miami Valley Fair Housing Center, Dayton Fund for Home Rehabilitation, NeighborWorks Ohio Collaborative, and NeighborWorks America's Homeownership Center Advisory Committee. The HomeOwnership Center is a program of St. Mary Development Corporation, a HUD-approved housing counseling agency, and a member of the NeighborWorks network.

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

Jim McCarthy is the President/CEO of the Miami Valley Fair Housing Center, Inc., a non-profit organization with a mission to eliminate housing discrimination and ensure equal housing opportunity

for all people in its region. Jim is also the Chair of the Board of Directors the National Fair Housing Alliance based in Washington, DC.

Mr. McCarthy is one of the architects the Predatory Lending Solutions (PLS) project, a pioneering project that addresses the epidemic problem of predatory mortgage lending in the Montgomery County, Ohio area. Mr. McCarthy has secured more than \$3.95 million dollars of local funding since 2001 to support the PLS project. 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 a program to address the problem of predatory lending. Through the PLS project, the Fair Housing Center staff assist residents of Montgomery County by providing outreach and education on the dangers of predatory mortgage lending, and provide intervention and rescue services to those residents who have been victims of predatory mortgage lending.

Mr. McCarthy has worked closely with and presented at seminars and conference organized by Fannie Mae, Freddie Mac, AARP, the National Fair Housing Alliance, the Coalition on Homelessness & Housing in Ohio, the National Association of Counties, and the National Association for County Community & Economic Development. Mr. McCarthy has also testified before the U.S. House of Representatives Committee on Oversight and Government Reform - Subcommittee on Domestic Policy on "Foreclosure, Predatory Mortgage and Payday Lending in America's Cities". Mr. McCarthy is a board member of the Miami Valley In-Ovations, the Montgomery County Family & Children First, Stable Families Outcome Team, a member of the American Society of Public Administrators, and serves as an independent consultant and grant reviewer for the U.S. Department of Health and Human Services - Health Resources and Services Administration (HRSA).

Kiya Patrick- Community Economic Development Specialist, Montgomery County

Kiya Patrick is a Community Development Specialist with Montgomery County and currently manages the Neighborhood Stabilization Program. During her tenure with the Department, she has coordinated the planning and funding of community development projects utilizing a variety of federal funds. Prior to joining the Community Development Office, she has over 13 years of experience in managing Community Programs for the Montgomery County Solid Waste District and Public Health Dayton and Montgomery County. She obtained her Bachelor's degree from the College of Math and Science at Wright State University, and is midway through her certification as a Housing Development Finance Professional with the National Development Council. In her spare time, she enjoys spending time with her husband and two children.

Commissioner Dean Lovelace – City of Dayton

Dean Lovelace is a Commissioner for the City of Dayton serving in his fifth term which runs from 2008 to 2012. Previous terms include 1993-1996; 1996-2000; 2000-2004; and 2004-2008.

Dean is a native of Ford City, Pennsylvania, but has been a Dayton resident since childhood. He and his family lived in the Edgemont neighborhood for 30 years and recently moved to the Madden Hills neighborhood.

Dean is a graduate of Jefferson Township High School. He has an Associate's Degree in Business from Sinclair Community College, a Bachelor's in Business Administration from the University of Dayton, and a

Master's in Applied and Social Economics from Wright State University.

Dean and his wife, Phyllis, have been married for 35 years. They have three children: Leslie, Laeina and Dean Nyerere and two grandchildren, Alexis and Jaden.

In 1983, Dean joined the Strategies for Responsible Development (SRD) office at the University of Dayton as the Director of SRD-Neighborhood Development, now the Raymond L. Fitz Center for Leadership in Community. He is currently the Director of Dayton Civic Scholars Program at the University of Dayton. Dean's work as a Community Leadership Consultant with neighborhood concerns began in the early 70s with the Model Cities program, after which he continued his career as a member of the planning staff of the City of Dayton. Later, he served as the coordinator for the city's Northwest Office of Neighborhood Affairs. Dean was elected to the City Commission in a special election November 17, 1993 and re-elected to a four year term in November, 1995 and November, 1999.

Dean's community activities are an extensive testimony to his commitment to this city and its people. Below is a partial list of these activities:

- Chair: Dayton Poverty Reduction Forum, Workforce Development Task Force and Earned Income Tax Credit Initiative.
- Chair: Dayton Community Reinvestment Institute
- Member: National City Bank Community Development Advisory Board
- Member: Montgomery County Planning Commission
- Member: Montgomery County EDGE Program
- Member: Montgomery County Solid Waste Advisory Committee and Management Policy Committees (SWAC/SWAMPC)
- Member: Miami Valley Fair Housing Center
- Member: Housing Justice Fund
- Member: Montgomery County Workforce Development Policy Board
- Co-Founder: Ujamaa Nia Food Cooperative
- Co-Founder: Black Leadership Development Program
- Co-Founder: Dayton Dialogue for Race Relations (DDRR)
- Past Member: Goodwill Board
- Past Member: Christmas in April-Dayton
- Past Member: CityFolk
- Past Member: Montgomery County Historical Society
- Past Chair: West Montgomery County Food Program
- Past Chairman: Dayton-Montgomery County Rainbow Coalition and Co-Chair of the Ohio Rainbow Coalition
- Past President and Current Member: Edgemont Neighborhood Coalition, Inc. and Solar Garden Project

Dean has traveled to Augsburg, Germany, Oiso, Japan and Holon, Israel as part of the City of Dayton Sister City's Program. He has participated in Race Relations Conferences in Caux, Switzerland and Durban, South Africa e.g., Initiatives of Change and the World Conference Against Racism (University of Dayton NGO delegate). Dean's key legislative initiatives include:

- Poverty Reduction (1998)
- Living Wage and Earned Income Tax Credit (1998)
- Anti-Predatory Lending (2001)
- Race Relations Resolutions related to Dayton Dialogue for Race Relations
- Youth Violence Seminar

Sarah McGraw Greenberg- Community Stabilization Manager, NeighborWorks America

Sarah Greenberg works for NeighborWorks America as the manager of the Community Stabilization Program in the National Initiatives and Applied Research Division located in Washington, DC. She was hired to bring a renewed focus to housing rehabilitation programs in the NeighborWorks network and to promote green building techniques in housing rehabilitation. Sarah also leads the corporation's new community stabilization initiative, working to stabilize and revitalize communities struggling with the negative impacts of the foreclosure crisis. She works with both internal and external partners to prevent neighborhood decline through the efficient disposition of real estate recaptured by financial institutions through foreclosure. Sarah has ten years of experience in community development and came to NeighborWorks from the National Trust for Historic Preservation. She has a Master's degree in Community Planning with specializations in Environmental Planning and Historic Preservation from the University of Maryland. She is originally from Cleveland, Ohio.

Alan Mallach – Senior Fellow, Brookings Institution

Alan Mallach is a Nonresident Senior Fellow at the Metropolitan Policy Program of The Brookings Institution in Washington, DC, where he works on foreclosure issues, neighborhood stabilization and the revitalization of older industrial cities. He is also a visiting scholar in the community affairs department of the Federal Reserve Bank of Philadelphia and senior fellow at the National Housing Institute. He has been a consultant, advocate and public official, and served as Director of the Department of Housing & Development in Trenton, New Jersey from 1990 to 1999. His latest book, *A Decent Home: Planning, Building and Preserving Affordable Housing* has just been published by Planners Press and the University of Chicago Press. He is also the author of *Bringing Buildings Back: From Vacant Properties to Community Assets* and many other works on city planning, housing and Italian opera. He is a member of the College of Fellows of the American Institute of Certified Planners, and holds a B.A. degree from Yale University.

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

David H. Hehman is President and Chief Executive Officer of the Federal Home Loan Bank of Cincinnati (FHLBank), a regional wholesale bank serving 740 member financial institutions in Ohio, Kentucky, and Tennessee. He oversees the operations of the \$80 billion FHLBank, whose principal business is to provide its stockholders with low-cost access to capital market funding. The FHLBank's public housing mission incorporates the congressionally-established Affordable Housing Program that has contributed \$301 million to help create over 42,000 units of affordable housing.

He was named President and CEO in 2003, following a 25-year career at the FHLBank during which he held positions including Chief Financial Officer and Executive Vice President.

In addition to his duties at the FHLBank, Mr. Hehman represents the FHLBank on the Board of the Council of Federal Home Loan Banks. He also serves as a Board member of the Pentegra Defined Benefit Plan for Financial Institutions.

Outside the FHLBank, Mr. Hehman serves on the Board of Directors of Brighton Properties, Inc., a nonprofit affordable housing and social services agency serving Greater Cincinnati, the Department of

Economics Executive Advisory Board at Xavier University, and the Economic Advisory Committee for the Greater Cincinnati Chamber of Commerce.

Prior to joining the FHLBank, Mr. Hehman was an assistant professor of finance and economics at Xavier University, where he received his bachelor's and master's degrees in economics. He completed his doctorate in economics at the University of Cincinnati.

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

Jim manages the Cincinnati Field Office for the U.S. Department of Housing and Urban Development. Jim is responsible for coordinating the delivery of HUD programs in the 13 counties of Southwest Ohio. His office provides direct customer services, conducts intergovernmental and press relations and provides direction to HUD staff throughout the State of Ohio that provide services within the Cincinnati HUD Office jurisdiction. Jim has been the head of the Cincinnati Office for eight years.

Prior to becoming the Director, Jim held several positions within the Department of Housing and Urban Development. He was a Management Analyst in Headquarters responsible for assessing the Field Office management plan performance across the country, improving HUD's monitoring and compliance efforts and managed HUD's Best Practice program. He was the Director of Community Planning and Development in the St. Louis HUD Office for three years before becoming a Community Builder. As CPD Director Jim oversaw the implementation of HUD's Community Development Block Grant, HOME Investment Partnership, Emergency Shelter Grant, Housing Opportunities for Persons with AIDS, and McKinney Homeless programs in the Eastern half of Missouri. He had other experience managing these programs as a CPD Representative in the Columbus, Ohio Office. Jim started his HUD career as a Presidential Management Intern in HUD Headquarters in the Community Development Block Grant Program. He has been with HUD for a total of 17 years. Prior to coming to HUD, Jim worked for the International City/County Management Association and was a Management Trainee for Chrysler Motors' Belvidere Illinois Assembly plant.

He earned a Bachelor's Degree in Political Science from the University of Illinois (1987) and a Masters of Public Administration from the American University (1991). He also attended two executive leadership programs for housing and community development professionals at Harvard's Kennedy School of Government.

Written Remarks of Experts

Panel 1

Amy Radachi - Executive Director, Rebuilding Together Dayton

Beth Deutscher- Executive Director, Homeownership Center of Greater Dayton

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

Kiya Patrick- Community Economic Development Specialist, Montgomery County

Commissioner Dean Lovelace – City of Dayton

Panel 2

Sarah McGraw Greenberg- Community Stabilization Manager, NeighborWorks America

Alan Mallach – Senior Fellow, Brookings Institution

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

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

Amy Radachi - Executive Director, Rebuilding Together Dayton

Amy Radachi
Executive Director
Rebuilding Together Dayton

Congressional Forum/Field Hearing
August 26, 2009
Congressman Michael R. Turner

In Dayton, 18% of the population lives in poverty, compared to 7.2% in the U.S. In Dayton, 34% of our children live in poverty, compared with 16% across the rest of the country. Dayton's population is shrinking (72,670 households in 1990; 67,409 in 2000) and growing older (median age 31 in 1990; 32.4 in 2000). In addition, our housing stock is aging with over 86% of it more than 35 years old. In 2005, 6.35% of the housing stock was defined by City housing inspectors as in need of major exterior repair.

Rebuilding Together Dayton is a non-profit corporation that assists low-income homeowners to live in warmth, safety and independence. There are over 200 affiliates nationwide. The Dayton affiliate has been active since 1996. We have several programs in place to offer our services at no cost to the homeowner, including, but not limited to, National Rebuilding Day, which culminates on the last Saturday in April. Over 1,300 volunteers descend on dozens of homes throughout the City of Dayton in a one day neighborhood revitalization project, performing major repairs for elderly and disabled low-income homeowners.

Rebuilding Together Dayton leverages \$4 for every \$1 raised to repair homes for low-income Dayton area homeowners through in-kind labor and donated materials. No other organization in Montgomery County can make this claim. We efficiently and effectively maximize the value of every dollar through donations and volunteer labor.

Neighbor•Care was established in 2001 to address the needs of homeowners on a year round basis. Neighbor•Care encompasses Montgomery County, performing modifications for those age 60 and over so they may age in place, safely and independently. In 2008, 208 repairs were completed for 119 homeowners. So far this year, 95 projects have been completed for 61 homeowners.

Our Lead Safe for Kids Sake targets homes with children under the age of six to remove the threat of lead in the home in Dayton and Kettering.

Heroes at Home, sponsored by Sears, performs repairs and modifications for our military veterans.

RT Dayton is one of seven affiliates nationwide selected to participate in a Lead Safe Work Practices grant, sponsored by HUD. Community outreach, education and remediation of the impact of lead in the home are the goals for this program.

Our two AmeriCorps members serve as Outreach Coordinators, working to build relationships with community groups, neighborhood activists, social organizations and local government to better address the needs of low-income homeowners.

Rebuilding Together Dayton receives Community Development Block Grant funding from HUD through the City of Dayton for administrative costs. This funding enables us to use corporate, foundation and individual donations for

project expenses. The University of Dayton provides donated office space and Montgomery County's Frail Elderly Fund supports staff and programs for Neighbor•Care.

Rebuilding Together Dayton has been very successful at mobilizing volunteers to perform repairs and modifications for hundreds of homeowners. Our challenge is finding the funding to help the many more homeowners in need. Our County funding is restricted to performing modifications (wheelchair ramps, grab bars, handrails) for homeowners age 60 and over. There is no designated funding source for the thousands of homeowners throughout Montgomery County, of all ages, in need for urgent home repairs, such as roof repairs or electrical upgrades.

The current Neighborhood Stabilization Program provides funding for two things – the demolition of vacant properties and the purchase/rehab/resale of foreclosed properties. There is no provision for owner-occupied rehab. Congressman Turner's proposed bill HR3204 offers much-needed support to homeowners living in areas hardest hit by the housing crisis by allowing organizations like Rebuilding Together Dayton access to funds to perform the repairs on their homes at no cost so that they can continue to live there. As low-income homeowners, they are unable to make the necessary repairs on their homes, and have nowhere else to turn.

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.

Need stuff from problem statement here.

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.¹ 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.

Housing Patterns within Dayton, OH (MSA) using the Relative Clustering Index, 2000			
Race / Ethnicity	Total Population	Minority Population	Index Value
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

¹The 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 .

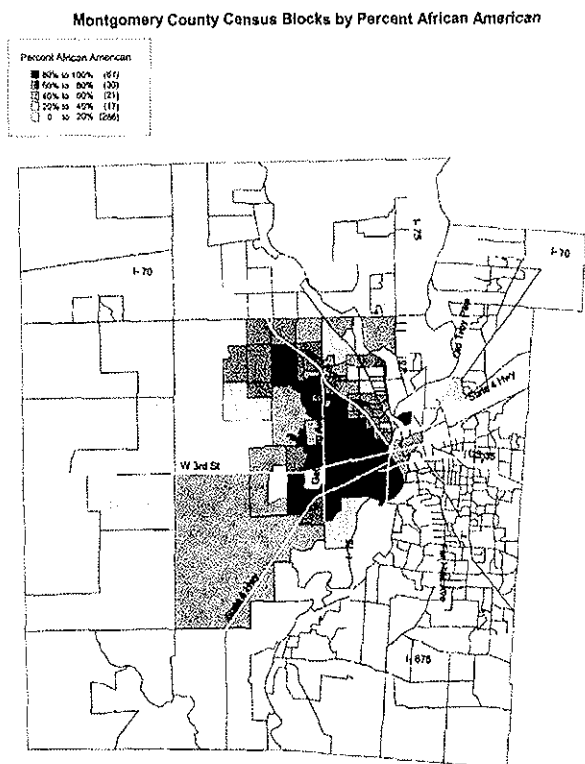
These studies illustrate a fact of which local residents are well aware — Montgomery County, Ohio is a hyper-segregated area.

The map² 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 incumbent³



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

² Produced by the Center of Business and Economic Research, University of Dayton, 2006

³ 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 41st 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, 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, 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 and 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[®] 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[®] 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, 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**



U.S. Department of Housing and Urban Development
Cincinnati Field Office, Region V
632 Vine Street, Fifth Floor
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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 111th 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 110th 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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