

The Foreclosure Opportunity: Re-Imagining Urban Landscapes

By KIM MARTIN

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Tuesday's session on "Foreclosure Mitigation: PRIs as a Rapid Response Tool" discussed the opportunities and challenges of neighborhood stabilization in communities hit hard by the ongoing foreclosure crisis. Stabilization was the starting point for where this conversation went, as the panel members discussed their current initiatives to bring communities not to a flat line, but on an upward trajectory.

In the session we heard from Elyse Cherry, Boston Community Capital; Scott Fergus, Mercy Housing Lakefront; Warren Hanson, Greater Minnesota Housing Fund; Linda Warren, Village Capital Corporation; and Craig Nickerson, National Community Stabilization Trust.

To begin the discussion, the panel came out with a shocking consensus that the recent foreclosure crisis has set their industry's work back 40 years- what was a steady climb of progress by low-income neighborhoods ended up leading to where the sidewalk ends. According to Mr. Nickerson, "I thought I was going to be on a California highway, where I could see clearly for miles, and I ended up on a roller-coaster." He must be thinking of the Tower of Terror- a straight-line and gut-wrenching fall to the ground floor.

Why the dramatic regress? The foreclosure crisis has been most impactful in low-income neighborhoods where the foreclosure rates have been and still are high. The high foreclosure rates have left many homes in neighborhoods vacant, to be sold by the banks at distressed prices. The distressed sales of the foreclosed homes reduce home values in the entire community. The reduced home values put stress on borrowers who are current on their mortgage, but in a negative equity position. Meanwhile, the reduced population in the neighborhoods leads to reduced spending at local businesses, leading to unemployment in the area that in turn leaves more people in trouble with their debt obligations. In addition, the broad market economy fell off a cliff with a banking crisis leading to a market collapse; and so on the story goes. If this were a roller-coaster ride, it would be the tea cups; circular and dizzying, a very bad ride to get on and one that stays with you long after the ride is over.

What are the current issues? The first is the overhang of supply in housing. Not only the abundance of houses available due to borrowers in foreclosure losing their homes- or walking away from them- but from population declines in areas hit hard by high unemployment. Don't forget to turn the lights out in Cleveland, for instance, with a population decline of 500,000 projected from a base of 900,000+.

The second is the lack of credit availability. The ultimate paradox given that weak lending standards got us here, panelists agreed that the biggest challenge for neighborhood housing projects is financing. The banks are "nowhere to be found." Capital is a necessity and there are immense opportunities for PRI funders.

The third is that Government support of stabilization projects has been uncertain and slow. While the Government has stepped up to the funding table (\$6 billion from NSP), the rules of the program are just now taking a static form and the funds committed have yet to arrive.

How can PRIs help? The title of the session was PRIs as a "Rapid Response Tool." The panel suggests that PRIs and grants are basically the only response tool. Let's do the math: \$6+ billion in funding from NSP trying to address the impact of over \$128 billion¹ in (only) sub-prime mortgage loans in foreclosure.

While additional funding support surely exists, the funding gap is real and the banks are aloof from the discussion. The panel members discussed their current projects that focus on three main tasks:

- 1) Mitigation: Keeping families on the brink of foreclosure in their homes.
- 2) Demolition: Demolish vacant structures that do not make sense for rehabilitation and implement land reuse projects that focus on sustainable land use such as community parks or gardens.
- 3) Redevelopment: Redevelop or rehabilitate vacant structures.

The foreclosure crisis is truly a problem of the people. While the panelists might be back where they started in the 1970s – it may be an opportunity to learn from our past to recreate the future. Lila Watson in 1970 said, “If you have come to help me, you are wasting your time. But if you have come because your liberation is bound up with mine, then let us work together.”

Check out our members PRIs to the organizations above in the PRI Activity Database!

- *Boston Community Capital Management* funded with PRIs from the Tides Foundation and the MetLife Foundation
- *Mercy Housing, Inc* funded with PRIs from the F.B. Heron Foundation, the MacArthur Foundation, the Ford Foundation, and the Tides Foundation
- *Greater Minnesota Housing Fund* funded with a PRI from the McKnight Foundation
- *Village Capital Corporation* funded with a PRI from the Cleveland Foundation

ⁱ Frame, Scott; Andreas Lahnert; and Ned Prescott “A Snapshot of Mortgage Conditions with an Emphasis on Subprime Mortgage Performance” *Board of Governors of the Federal Reserve*. (Aug 2008).