

Program Summary:

The Center for Community Self-Help (Self-Help) seeks \$15,000,000 from the Neighborhood Stabilization Program (NSP2) to establish financing mechanisms under Eligible Use A, to finance the purchase and redevelopment of foreclosed upon homes and residential properties. Self-Help will leverage these funds at a 2:1 ratio with our own capital, to provide \$45,000,000 in total financing and redeploy more than 560 foreclosed units over the course of the three-year performance period.

The primary objective of Self-Help's Foreclosure Recovery Initiative is to match developers and homebuyers with the resources they need to stabilize communities under threat of further deterioration from rising foreclosures. The funds will be deployed as a loan loss reserve, which will primarily support a number of permanent financing tools. Most of this long-term financing will be provided by Self-Help's national secondary market program, including:

- **A lease-purchase mortgage** that enables families to rent foreclosed upon properties while they prepare to become homeowners
- **Our standard secondary market home purchase mortgage**, for families that are ready for homeownership

Additionally, Self-Help will be offering direct financing, including:

- **Direct home mortgages** from our federally-chartered credit union, for families purchasing foreclosed upon properties
- **A mortgage product for investor-owned properties**, to support smaller-scale efforts to redeploy foreclosed properties as affordable rental units
- **A developer line of credit product** to serve as a backstop in case developers struggle to access local sources of affordable construction financing

Lastly, a share of the award (up to \$2.5 million), will be deployed as **subsidies to help overcome any underwriting barriers** that might compromise our impact on these stabilization activities, particularly those seeking to reach very low-income households and/or incorporate energy-efficiency building standards.

Although our program will have a national reach, our initial focus will be on specific markets where we are strategically positioned to have a transformative impact on foreclosure redeployment efforts. These markets include portions of the Central Valley and Bay Area of California, as well as targeted areas in the Chicago, Los Angeles, New Haven, and Atlanta metropolitan regions. We have selected these areas, and in many cases they have selected us, because of a mutual recognition that a variety of permanent financing options are essential to the continued success of their NSP activities.

As illustrated in the opening narrative of our proposal, our targeted regions are among those that have been hit hardest by the national foreclosure crisis. The need for large-scale redeployment of foreclosed properties in these areas is particularly acute, and has been validated by the significant amount of NSP resources already committed to these geographies. Because of the clarity of need and the demonstrated capacity of local partnerships to effectively deploy these funds, our target areas will likely receive an even greater share of the funds available through NSP2.

There is little doubt that these groups will be able to effectively acquire and redevelop foreclosed properties. Yet, it is far from clear whether or not they will be able to redeploy the capital used to redevelop these units. There is no shortage of properties and projects to choose from in these areas. However, the supply of mortgage-ready buyers and institutional sources of permanent financing may prove to be the deciding factor in the success of local NSP programs. Programs with a variety of permanent financing options for low- and moderate-income borrowers will be able to recycle more NSP funds into future projects. Those that do not have such access will take a much longer road to achieving scalable impact, if they get there at all.

Accordingly, the permanent financing tools we describe are best appreciated as mechanisms for amplifying the impact of existing and future NSP investments. In this capacity, Self-Help's Foreclosure Recovery Initiative has been designed to complement and enhance regional efforts, rather than to compete with or duplicate these activities. As illustrated by research from the Enterprise Community Partners, 21% of the NSP1 funds were allocated toward Eligible Use A - establishing finance mechanisms.¹ Since the majority of these funds are likely to be deployed as soft-second mortgages and other gap financing, the percentage of NSP funds directly supporting the provision of permanent financing could easily be in the single digits.

Regardless, the need for longer-term financing, particularly in the current state of the mortgage industry, is not constrained by geographies (NSP or otherwise). For precisely this reason, colleagues working in housing intermediaries, community development corporations, and municipal governments across the country have contacted Self-Help, seeking to engage us in their neighborhood revitalization efforts.

As illustrated in greater detail in the enclosed application, Self-Help is uniquely qualified and committed to carry out the proposed activities. We are one of the nation's leading community development financial institutions, recognized by its peers, academia, and government for its innovative programs which employ the

¹ The Challenge of Foreclosed Properties: An Analysis of State and Local Plans to Use the Neighborhood Stabilization Plan. Enterprise Community Partners, 2009.

tools of private finance to bring economic opportunities to low-wealth people. Accordingly, we consider participating in the Neighborhood Stabilization Program a natural extension of our mission to help these disadvantaged groups to build and protect their wealth.

Through the work of our advocacy affiliate, the Center for Responsible Lending, our nationally recognized secondary market home mortgage program, and our affordable housing development and financing, Self-Help has gained a holistic understanding of the forces working to destabilize neighborhoods. These multiple perspectives have helped us identify effective strategies for arresting and reversing decline. It is this experience and desire that spawned the Foreclosure Recovery Initiative and culminated in the development of lending products to address the crisis.

We now consider the lease-purchase product to be the hallmark of the Foreclosure Recovery Initiative, as it is particularly well-suited to NSP activities. This product assists in neighborhood stabilization by making it easier for non-profit developers to quickly find occupants for foreclosed properties and revolve their acquisition/rehab capital back into the community to procure additional units. By offering a more gradual and supported path to homeownership, it also helps to bring stability to families seeking to overcome credit challenges and save for a down-payment.

Accordingly, Self-Help's lease-purchase mortgage product is specifically designed to complement the efforts of high-capacity housing developers, to help them overcome liquidity constraints in highly distressed areas. By providing a range of permanent financing options in addition to the lease-purchase mortgage, our proposal activities have been deliberately structured to dovetail with existing and proposed NSP plans that focus on acquiring and rehabbing properties. By helping these groups to sustain their momentum, we will collectively achieve a much more decisive impact and significantly amplify the long-term economic benefits.