

**Memphis and Shelby County Foreclosure Summit
October 30, 2008**

“Community Stabilization: Collaborating for Success”

Kenneth D. Wade

Good morning! I'm honored to join you to talk about the importance of community stabilization efforts. Today's foreclosure crisis threatens to undermine decades of community development efforts to strengthen and revitalize communities. It is very encouraging that all of you have gathered here today to develop a coordinated, comprehensive strategy to reduce the impact of foreclosures on residents and neighborhoods in Memphis and Shelby County.

We must act quickly if we are going to mitigate the impact of this crisis through strategies that stabilize communities and preserve home values. Fortunately, we've got a robust community development infrastructure to build on, we've learned many lessons over the years regarding effective property reclamation and recovery, and we have new resources that will enable us to meet the challenges of this crisis.

My remarks this morning will focus on **three** things. First, I will talk about the scale of the foreclosure crisis, how NeighborWorks has been engaged in foreclosure prevention efforts nationally and locally, and why community stabilization efforts are critically important, especially here in Memphis and Shelby County.

Second, I will highlight some of the new resources and tools available to communities to address this crisis. And, third, I will draw attention to the essential ingredients for success—leadership, coordination, and collaboration.

The magnitude of the housing crisis is unprecedented. Some experts predicted the foreclosure problem, but I don't think anyone adequately anticipated the scope and scale of the crisis, which is having a global impact. Up until recently, the focus of attention has been on how to help struggling homeowners avoid foreclosure, not the broader community impact of the crisis.

NeighborWorks America has been at the forefront of foreclosure prevention efforts, working both nationally and with our local affiliates, including United Housing here in Memphis. We've focused on four key areas: raising awareness, building counseling capacity (training), conducting research, and fostering public and private partnerships in foreclosure hotspots.

One of the key areas where we thought we could make a significant contribution is getting homeowners in financial distress to reach out for assistance sooner. We partnered with the Ad Council to implement a national public service campaign designed to encourage homeowners in financial distress to contact their lender or HUD-certified housing counselor. The key message of that campaign is "nothing is worse than doing nothing." A partnership with the Memphis Housing Counseling Network has allowed NeighborWorks to produce local advertising that runs in tandem with the national campaign to provide residents of Memphis and Shelby County with a local point of contact for assistance—that increases the likelihood they will reach out for the help they need.

We've stepped up our training efforts to ensure that housing counselors are equipped with the knowledge they need to assist struggling homeowners achieve the best resolution possible to their delinquency or default. In partnership with our Great Lakes District Office, NeighborWorks America hosted a regional training here in Memphis in September.

We have also partnered with HUD-approved intermediaries, such as the Urban League, and the Tennessee Housing Development Agency to bring additional training workshops to Memphis and Shelby County. To date we've awarded more than 200 training scholarships to counselors from the region.

I also want to recognize the Tennessee Housing Development Agency for being a strong champion of the National Industry Standards for Homeownership Education and Counseling. They are requiring all of their providers to adopt the Standards in order to receive funding and access to other services, both for pre-purchase, post-purchase and foreclosure counseling. This is critically important for ensuring that consumers receive high-quality services and support.

NeighborWorks America has also been participating in the Hope Now Alliance, an alliance of lenders and mortgage market participants who are working together to reduce the number of foreclosures. We have helped Hope Now coordinate foreclosure prevention workshops and events throughout the country. One of the Hope Now homeowner events was conducted here in Memphis in May.

And NeighborWorks America is also serving as the administrator of the \$360 million dollar National Foreclosure Mitigation Counseling Program designed to rapidly increase the availability of counseling for homeowners at risk of foreclosure. We awarded more than \$130 million dollars to HUD-approved intermediaries, state housing finance agencies and NeighborWorks organizations in the first round of grantmaking for that program. We are presently in the review stage of the second round of grants and expect to announce those awards by December.

The good news is that many homeowners have been able to avoid foreclosure through early intervention, counseling, new loan products and rescue programs created to stem the tide of foreclosures.

But we also know that many foreclosures are inevitable, particularly those subprime loans that were unsustainable from the outset. The magnitude of the foreclosure crisis is already becoming evident in communities across the country. As you know, here in Memphis and Shelby County there were more than 11,000 foreclosures county-wide in 2007 and 2008, and from January to early October 2008, there were 7,100 foreclosure sales. A recent analysis by the Local Initiatives Support Corporation (LISC) found that more than 16% of all loans in the City of Memphis are currently delinquent—nearly 20,000 loans.

Subprime lending is clearly a factor here in Memphis. The Memphis metro area has a delinquency rate of 31.6% for nonprime loans—the second highest in the nation, out of 365 metropolitan areas. It is estimated that more than 32,000 loans in Memphis are subprime, more than one-quarter of all loans. If this community does not come together to take immediate and coordinated action, the ripple effects of these foreclosures will be unprecedented.

The impact of foreclosure on communities is devastating – not only for families facing foreclosure –but also for neighborhoods and communities where the stock of vacant and abandoned properties is growing. Once a property is foreclosed, ownership reverts to the lender or investor. Tenants may be evicted and the property is left vacant. Vacant properties are an attractive target for thieves who have been stealing everything from household appliances to copper pipes and aluminum siding, adding to the cost of rehabilitating and reusing these properties. The concentration of subprime lending in particular neighborhoods magnifies the challenge.

The ripple effects of hundreds and thousands of vacant and abandoned properties are serious and include:

- Erosion of property values

- Increased crime, vandalism and fire—which strains City services
- Declining tax base
- Increasing homelessness and increases in the need for temporary shelter and emergency housing assistance
- Loss of local businesses and services

Those communities that come together to craft a coordinated response will fare much better than those that presume the crisis is inevitable. As our Ad Council campaign says, “nothing is worse than doing nothing.”

At NeighborWorks, we are spending a lot of time working with our network of 235 local affiliates to support local and national efforts to stabilize communities in the wake of the foreclosure crisis. We know that it will take planning, resources, coordination and collaboration at the local level to effectively address the challenge.

As I mentioned earlier, there are new tools and resources available that will enable us to develop and implement more effective solutions.

Several weeks ago, NeighborWorks launched a new web resource

www.stablecommunities.org

The website is a one-stop shop for information and strategies on community stabilization. Support for the website is provided in part by the Federal Reserve System. I also want to recognize the Federal Reserve Bank of St. Louis—Memphis Branch, and Martha Perine-Beard, in particular. The Federal Reserve has been an important partner here in Memphis.

The new website provides the latest information on best practices and innovative strategies, and allows community development practitioners around the country the opportunity to share their experiences and learn from each other.

In addition, NeighborWorks America and three of the other major national housing intermediaries—Enterprise, LISC, and Housing Partnership Network—have formed an unprecedented partnership to create the National Community Stabilization Trust. The Trust will support the development of strong local programs that can stem the decline of communities with high concentrations of vacant, foreclosed properties.

The Trust will coordinate the transfer of real estate owned (REO) properties from lenders, loan servicers, investors and GSEs to local housing organizations, in collaboration with state and local governments. The goal of the Trust is to effectively link the servicer/investor community with local housing providers. This will be a more efficient and cost-effective means of facilitating the transfer of properties so they can be rehabilitated and made available for sale and for rent--primarily for low- and moderate-income families.

The National Community Stabilization Trust has already developed relationships with many of the largest servicers and GSEs and will commence pilot efforts in 5 to 7 communities across the country this fall. NeighborWorks America is working with our local affiliate, United Housing, on a potential pilot here in Memphis.

The National Community Stabilization Trust has become increasingly important since the passage this July of the Housing and Economic Recovery Act, which includes a \$3.9 billion set-aside for the HUD Neighborhood Stabilization program. Under the HUD program, states and some cities with high concentrations of foreclosed properties will be able to use the funds to: finance purchase of foreclosed homes, purchase and renovate abandoned or foreclosed properties,

land bank, demolish blighted properties, or redevelop vacant lots. The City of Memphis and Shelby County will be receiving approximately \$12 million through this program—but in order to access those funds you'll have to have a plan that identifies how and where these funds will be used.

Which brings me to my last points—essential ingredients for success. To effectively respond to the foreclosure crisis, communities need effective leadership, coordination and collaboration. Let me be the first to congratulate you on exemplary leadership. Through today's summit, the Memphis and Shelby County Foreclosure Prevention and Community Impact Steering Committee is issuing a call to action that joins many stakeholders to develop a coordinated, comprehensive plan of action. It's great that both mayors are working together to mobilize the community, including private sector and nonprofit partners. Clearly they've done a great job of bringing together the diverse array of organizations represented here today.

NeighborWorks has been working in Memphis for quite some time and we know there are some particularly committed organizations that can help move things forward. Obviously our affiliate, United Housing—Tim Bolding and his staff, has a citywide presence and a long track record of success in homeownership education and housing development and rehab. The Tennessee Housing Development Agency and the Memphis Housing Counseling Network have also been critical partners on the ground here, and as I mentioned earlier, the Federal Reserve is a key partner.

And we know that progress is already being made through a partnership that engages the Center for Community Building and Neighborhood Action and the University of Memphis across several departments, including real estate, sociology, anthropology and School of Urban and Public Policy. The University has conducted a robust analysis of the local and national housing market data.

This is essential groundwork that will inform the conversations today and future decisionmaking. The goal is to ensure the development of the “right” neighborhood-level interventions that can stabilize the housing market and restore value to homeownership.

Successful resolution of the foreclosure crisis in Memphis and Shelby County will require a comprehensive, coordinated effort that brings as many resources as necessary to the table. Together you can accomplish more than any one institution can alone, and today’s Summit is a tremendous step forward in the right direction.