



SAVE AMERICA'S NEIGHBORHOODS

ENACT COMMUNITY STABILIZATION FUNDING NOW!

Turning Foreclosures into Community Assets

For the first time in 40 years, Americans' homes are worth less today than they were the year before. Foreclosures are rampant. Scores of communities are drowning in a growing glut of vacant, lender-held homes. Foreclosed properties depress neighboring house values and attract vandalism, arson and other criminal activity, further threatening to destabilize neighborhoods.

Buying these bank-owned and abandoned foreclosed properties and selling them to qualified buyers as affordable housing will help reduce downward pressure on house prices and create opportunities for sustainable homeownership. Debating whether subprime borrowers were more at fault than unregulated mortgage companies is no more productive than arguing about whether the negligent camper or the neglected forest clearance practices contributed more to the rapid spread of a wildfire. The first order of business is putting out the fire before it consumes more homes.

To halt the foreclosure crisis driven by rapid price deflation and frozen local housing markets, Congress should provide **at least \$4 billion** in flexible neighborhood stabilization funding for states and localities.

Local Community Involvement

Neighborhood stabilization funding would be primarily used states and cities along with their public and non-profit partners to acquire foreclosed and abandoned homes. City agency, community land trusts, community development corporations or other high-capacity non-profit organization could help acquire and rehabilitate properties where necessary. Working in low- and moderate-income neighborhoods with high concentrations of foreclosures or high rates of loan defaults, these entities would purchase foreclosed or vacant absentee-owned homes, preferably in bulk, from banks holding title. Purchase prices would be discounted from as-is, up-to-date appraisals of the properties. The price would be steeply discounted from the original mortgage balance, *preventing scarce resources from becoming a bank bailout*.

Long-Term Affordability

After purchase, these homes would be rehabilitated if necessary and then quickly resold to a qualified low- or moderate-income homeowner. Homeowners would receive home buying counseling and an affordable fixed-rate mortgage based on local guidelines. The homeowner would enter into a shared equity affordability arrangement, such as a community land trust, consistent with existing federally subsidized homeownership programs and monitored by an expert organization. If no qualified homeowner is available, homes could be rented affordably to low- or moderate-income households, including in rent-to-own arrangements.

Flexible Block Grant Funding

Congress should appropriate emergency block grant funds to state and localities. Timing is critical to successful neighborhood stabilization, and some rules and regulations, such as local match requirements, should be relaxed to deploy resources quickly. These funds should only be used for community stabilization in the most impacted areas.

Appropriate Safeguards

Some fiscal controls on neighborhood stabilization funding are necessary to prevent waste and overspending, but overregulation should be minimized. Each locality has only a limited pool of resources and would use area median house prices as a cap on purchase prices—therefore having incentive to purchase foreclosed homes at minimum cost.