

# Neighborhood Stabilization

The Open Society Institute Neighborhood Stabilization Initiative supports effective and timely responses to the national subprime lending and foreclosure crisis. As part of OSI's Equality and Opportunity Fund, the initiative advances that fund's mission to eliminate barriers that prevent people from participating fully in economic, social, and political life and to ensure that the benefits and burdens of society are shared equitably.

Because homes are often a family's strongest financial asset, opportunities for homeownership are closely linked to wealth creation and financial security, particularly for African American and Latino households. The current subprime and foreclosure crisis threatens to reverse the substantial gains in minority homeownership that the country has witnessed in recent decades. The Neighborhood Stabilization Initiative supports a range of systemic reform efforts aimed at promoting sustainable homeownership, mitigating the impacts of the current crisis, and preventing its recurrence in the future.

## About This Initiative

The Neighborhood Stabilization Initiative supports interventions into the subprime lending and foreclosure crisis aimed at any of three overlapping goals:

- Preventing foreclosures for homeowners in mortgage distress;
- Stabilizing communities with high concentrations of mortgage foreclosures; and
- Expanding access to fair and affordable credit.

## Preventing Foreclosures

The principal—and typically most cost-effective—intervention into the foreclosure crisis is to ensure that homeowners who are able to remain in their homes under fair and reasonable loan terms are provided the opportunity to do so. The Neighborhood Stabilization Initiative focuses its grantmaking on overcoming two significant barriers to preserving homeownership for borrowers who can afford to remain in their homes.

First, the volume and depth of loan modifications have not kept pace with the escalating crisis. Despite the high costs associated with foreclosure, servicers have been notoriously slow to modify unaffordable loans, and foreclosure actions continue to outpace modifications by a significant margin. The Neighborhood Stabilization Initiative supports innovative efforts to overcome the servicer bottleneck in loan modifications, including research into the legal and economic structure of the servicing industry, advocacy to encourage greater transparency and accountability in the mortgage industry, and the implementation of timely and effective loss mitigation policies.

Second, existing legal institutions and resources in most jurisdictions are inadequate to deal with the scale and complexity of the current foreclosure crisis. Courts are inundated with an unprecedented number of foreclosure filings and borrowers facing foreclosure often are unaware

of legal remedies or unable to afford legal counsel. As a result, the vast majority of borrowers facing foreclosure lose their homes and lenders endure costly legal proceedings only to wind up with unwanted and distressed properties. In response, the Neighborhood Stabilization Initiative supports emerging efforts to improve the legal foreclosure process (including bankruptcy reform, foreclosure diversion and mediation programs) and model legal services programs.

## **Stabilizing Communities**

Although improved loss mitigation policies are critical, many borrowers are so overleveraged that loan modifications and other market-based solutions will be unable to keep them in their homes. With credit markets contracting at the same time that more foreclosed properties are going on the market, it is increasingly unlikely that foreclosed properties will be purchased by responsible homebuyers, resulting in a glut of real estate owned (REO) properties, absentee ownership, and vacancies. Each of these outcomes threatens to trigger further cycles of neighborhood disinvestment and abandonment.

In response, grassroots coalitions in a handful of cities are mobilizing to prevent foreclosures from blighting their communities by facilitating the transfer of foreclosed properties to responsible entities, such as new owner-occupants, or to local non-profits to develop as affordable housing. The Neighborhood Stabilization Initiative seeks to help develop and test local models aimed at the productive reuse of foreclosed properties.

In particular, the program supports efforts to:

- Facilitate the reuse of foreclosed properties as affordable housing for low-income households and particularly vulnerable populations;
- Protect renters in foreclosed properties through stronger legal protections, eviction defense, and relocation assistance; and
- Link neighborhood stabilization to workforce development and broader economic opportunities for residents of the hardest hit communities through the use of transitional employment programs in property rehabilitation and asset management.

## **Expanding Access to Fair and Affordable Credit**

Despite federal and state laws prohibiting discrimination in lending, glaring disparities in access to credit between white borrowers and borrowers of color persist. While subprime loans filled the credit void created by historic racial redlining, our current experience with unprecedented rates of foreclosure in minority communities suggests that many of these loans were unsuitable or unaffordable when originated. In the wake of the subprime meltdown, credit has once again dried up in these same communities, leaving scant resources for new borrowers to purchase (or existing owners to rehabilitate) their homes.

The Neighborhood Stabilization Initiative supports policy research, litigation, and advocacy to expose and reverse the racial biases underlying the current subprime mortgage crisis. The initiative also supports an array of interventions aimed at expanding sustainable credit options

for lower-income borrowers, including the development of alternative financial products and improved scoring models that better serve immigrant households and borrowers of color.

## **Guidelines**

The Neighborhood Stabilization Initiative provides funding for a wide range of policy advocacy strategies, including:

- Grassroots organizing and mobilization
- Coalition building
- Public awareness and strategic communications
- Impact litigation
- Policy-driven research and analysis
- Model programs

The initiative primarily supports efforts that will have a national impact. The program will consider letters of inquiry from organizations or projects with a local or regional focus only if the proposed activities have a clear and demonstrable potential for national impact and/or replication in other localities or regions.

The program will consider letters of inquiry from advocacy groups, community groups, scholarly or research institutions, government agencies, associations of elected officials, and nonprofit business associations or initiatives. The program encourages proposals that reflect collaboration between groups working on similar issues or between public and private entities.

The program also strongly encourages proposals from organizations that are led by (or cultivate the leadership of) those most severely impacted by the foreclosure crisis, including low-income individuals, immigrants and people of color.

### ***Ineligibility***

The Neighborhood Stabilization Initiative does not provide funding for:

- Direct services that do not also advance one of the advocacy strategies listed above
- Lobbying activities
- Annual fundraising drives
- Projects undertaken by individuals
- Capital costs, including equipment or real estate purchases/renovations
- Film production or post-production

### ***To Apply***

To be considered for funding from the Open Society Institute Neighborhood Stabilization Initiative, applicants must first complete a letter of inquiry as indicated below. Letters of inquiry should be up to four (4) pages in length, including a project budget. Please do NOT submit supporting materials, such as brochures, press clips, newsletters, and annual reports.

All letters of inquiry must include:

- Full contact information, including principal contact name, mailing address, phone, fax, and email;
- A description of the organization that would undertake the proposed project;
- A description of the project for which funds are sought, including a specific description of how the project's goals will be achieved;
- A description of the organization's track record in foreclosure prevention or neighborhood stabilization efforts and how the proposed work will advance the organization's broader mission;
- A description of how the project would advance one or more of the funding priorities described on the initiative's [About](#) page; and
- A preliminary project budget and amount requested.

The program requests that all materials be submitted electronically in Word (.doc), Excel (.xls) or Adobe Acrobat (.pdf) format. Incomplete inquiries will NOT be considered.

### ***Deadline***

The Neighborhood Stabilization Initiative accepts inquiries on a rolling basis. You will be notified within two to four weeks that your request has been received. Please allow approximately one to three months for a decision on your inquiry, at which time you will receive a letter of declination or an invitation to submit a full proposal.

### ***Submission***

Please email your letter of inquiry and preliminary budget to [NSI@sorosny.org](mailto:NSI@sorosny.org).