

Mortgage help



The Community Foundation
FOR GREATER ATLANTA

At The Community Foundation, we connect people to the issues and organizations making a difference in our region. We have created the current *Impact Philanthropy* focused on the foreclosure crisis because we see this as a critical issue in our communities. We hope you, our donors, will join us in making smart investments in those nonprofits doing exceptional work in this area and be part of bringing back a healthy, strong region.



Potential Solutions

Finding solutions to such multi-faceted personal, community and business problems is challenging. It will require a combined and coordinated response from the public sector, the banking and finance professions, philanthropy and nonprofits (especially those involved in affordable housing creation and consumer advocacy). A weaving of consumer education and protections, regulations requiring proper business practices, an increase in affordable housing stock and access to credit may provide a stronger fabric to prevent such profound rips and tears to local communities.

Federal Reserve Board Governor Elizabeth Duke has outlined several recommendations:

- simpler, more transparent markets
- standardized contracts that spell out how the underlying mortgage can be amended
- aligned incentives for all parties
- consumer protections
- support for consumer counseling

Other suggestions from a range of opinions include expanding the use of mandatory mediation between borrowers and lenders; streamlining the federal Home Affordable Modification Program (HAMP) process so loans are made permanent post-three months of steady payment; enacting bankruptcy reform to protect primary residences; imposing a moratorium on foreclosures for persons who lose their jobs; and finding protections for renters in foreclosed properties.



Foreclosure

50 Hurt Plaza, Suite 449, Atlanta GA, 30303 | www.cfgreateratlanta.org | 404-688-5525 | September 2010

Introduction to the Crisis

Many individuals and families in our communities see the purchase of a home as one of the private and public markers of personal success. Coined as fulfillment of the American Dream, owning a home and its connection to individual status is evident throughout our culture. Providing the anchor for revenue for public services ranging from trash pick-up to education of our children and serving as the place where we care for our loved ones, interact with our neighbors and plant our vegetable gardens, the purchase of a residence is central to our singular and collective well-being. Conversely, the loss of such a purchase to foreclosure has signaled financial failure, corporate mismanagement, rising rates of unemployment and loss of tax and fee revenues for communities.

The current real estate crisis in the nation, and here in the metropolitan Atlanta area, was initially triggered in 2007 by single-family dwelling foreclosures largely driven by unaffordable loan products and a lack of equity in homes.¹ Foreclosure is defined as the right of a creditor or lender to reclaim a homeowner's property if the owner has neglected to make mortgage payments on the property. This removes the rights of the homeowner and allows the lender to retain the property or sell it to recoup losses. A home is considered to be in foreclosure as soon as the lender begins taking action to reclaim the property and evict the homeowners.

The state of Georgia has been particularly hard hit due to a market inviting to predatory lenders and foreclosure laws that offered consumers few protections or mediation opportunities. A perfect storm of high-risk, subprime adjustable mortgage loans, naïve first home buyers, inflated property values and risky, if not illegal, mortgage loan practices fomented the whirlwind in which we remain unsteady.

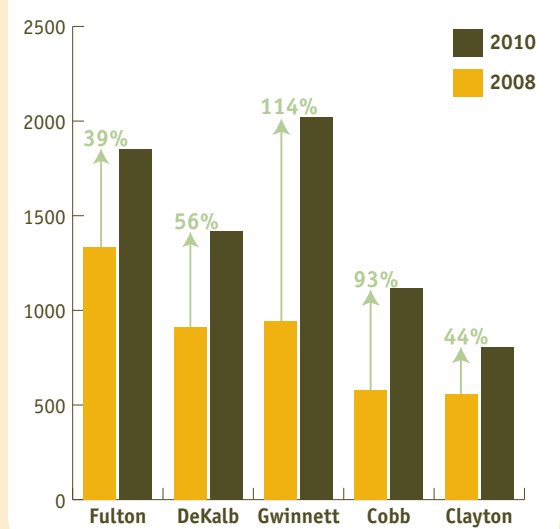
Other economic concerns have dramatically increased foreclosures as well. The FDIC reports that 42 Georgia banks have failed since 2008.² In March 2009, the US Department of Housing and Urban Development released a report noting that residential foreclosures were triggered by loss of income, high unemployment, falling home values and "strategic defaults."³ As of June 2010, unemployment in our state has reached 10%, and Georgia is currently ranked the sixth weakest state economy in the nation.⁴

Georgia, and the metropolitan Atlanta area, has been one of the storm's epicenters. According to RealtyTrac, Georgia ranked 8th amongst all states in the rate of foreclosed residential properties in July 2010. The Metro Atlanta area accounts for 81 percent of foreclosures in the state with the majority

of foreclosures in the past three years occurring in Fulton, DeKalb and Clayton counties. Currently, the impact of high rates of foreclosure has spread to counties along the rim of the region – Gwinnett, Cobb, Henry, Cherokee and Hall. Local communities currently suffering the highest rates of foreclosure are Atlanta, Alpharetta, Fairburn, Roswell, Union City, Duluth and Palmetto.⁵

Since 2008, the number of foreclosures in Metro Atlanta counties has dramatically increased. For example, the foreclosure volume in these five counties in May 2008 versus May 2010 differs greatly:

Foreclosures In Metro Atlanta by County



One key issue in the recovery of the housing market is to increase the flow of right-size credit to single-family and multi-family housing, particularly for moderate and low-income households. It is widely known that low-income borrowers were often targeted for poorly underwritten loan products prior to the crisis. Today, these potential borrowers find it increasingly difficult to access mortgages at any cost. The Center for Responsible Lending's report, "Foreclosures by Race and Ethnicity: The Demographics of the Crisis," has found that while the majority of households who have experienced foreclosure are non-Latino and white, African American and Latino families have been disproportionately affected relative to their share of mortgage originations. The current volume market in housing is half the size it was a decade ago, despite low interest rates and falling home prices. The elimination of many mortgage products and lenders has forced those remaining to increase their capacity during a time of more restrictive underwriting and the introduction of complex, new federal credit policies and regulations.

1) *Interim Report to Congress on the Root Causes of the Foreclosure Crisis*, HUD, March 2009. 2) FDIC, *Failed Bank List*, 8/26/2010. 3) *Interim Report to Congress on the Root Causes of the Foreclosure Crisis*, HUD, March 2009. 4) *Atlanta Business Chronicle*, "Georgia among nation's worst economies," July 29, 2010. 5) <http://www.realtytrac.com>.

Key Nonprofits in our Region

Locally, there are a number of nonprofit organizations that have worked on issues of affordable housing and community development for decades and are responding to the present need. In this *Impact Philanthropy* we have provided a list of those key nonprofits making an impact on the foreclosure crisis. We selected organizations from a pool of nonprofits that have been reviewed and vetted by The Community Foundation's competitive grants process during the past five years. The key factors in selection include:

- Mission to community redevelopment and/or financial literacy
- Professional, visionary board and staff
- Strong financial stewardship
- Services available in multiple counties throughout the 23 county region
- Programming specific to foreclosure intervention/prevention

We hope that you, our donors, will join us in considering financial support to these strong nonprofits that are making a difference in our communities. Financial support could range from core support of general operations to specific foreclosure targeted programs and/or intervention such as financial literacy education, family counseling sessions and mortgage assistance. To learn more about this issue or one of the listed organizations, please contact your philanthropic advisor for more information.

The Atlanta Neighborhood Development Partnership's (ANDP) mission is to promote, create and preserve mixed income communities through development, lending, policy research and advocacy that result in the equitable distribution of affordable housing in the region. ANDP is serving as a major partner in the use of federally awarded Neighborhood Stabilization Funds with the city of Atlanta, the counties of DeKalb, Douglas, Fulton, Henry and Rockdale. The Neighborhood Stabilization Program (NSP), under the U.S. Department of Housing and Urban Development (HUD), was established for the purpose of stabilizing communities that have suffered from foreclosures and abandonment and encourage the reuse or redevelopment of residential property. NSP funds are distributed to states and communities presenting the greatest need based on the number and percentage of foreclosures, subprime mortgages, delinquencies and defaults. Additionally, ANDP is working with affordable housing developers to extend bridge loans to ease the flow of capital and with local jurisdictions to right-size property appraisals with current market value.

Inside Snapshot

"In March 2008, our board made a decision to focus on the region's foreclosure crisis. Our real estate development focus shifted to acquiring, rehabbing and repopulating vacant homes. Our loan fund began making loans to developers doing similar work. Our policy efforts pinpointed needs to help keep families in their homes and create opportunities for new families to purchase vacant homes. In the past year, we have acquired, rehabbed or repopulated over 130 vacant homes and provided loans for another 27 families purchasing a foreclosed home. Our policy efforts to address tax inequities facing residents of high foreclosure neighborhoods are saving lower income homeowners more than \$1,000 per year. We remain committed to addressing the crisis over the coming years."

John O'Callahan, President & CEO

Southern Crescent Habitat for Humanity (Southern Crescent) builds affordable houses in Clayton, Fayette and Henry counties. The organization has expanded upon the Habitat model of building homes and focuses on restoring abandoned, foreclosed properties to save communities from the potential blight and reduced revenues of unoccupied houses. On October 24, 2009, Clayton County was awarded \$9,732,126 under Title III of the Housing and Economic Recovery Act, 2008 for emergency assistance for redevelopment (rehabilitation) of foreclosed residential properties. Southern Crescent has partnered with Clayton County to renovate homes with this funding. In addition, Southern Crescent is one of five asset management teams identified to work with the allocated funding for Clayton County's Neighborhood Stabilization Program to rehabilitate and resell at least 83 houses within the county. The partnership between Southern Crescent and Clayton County has been very effective and promises excellent results. In addition to restoring and rehabbing homes, Southern Crescent continues to provide homebuyer education and responsible mortgage assistance.

Inside Snapshot

"While we're hugely in support of home ownership, we see that it's not just about people owning homes but also equipping them to be good homeowners. We've provided education on how to budget for household maintenance and emergency funds. Through our hands-on maintenance education, we show homeowners how to make common repairs and stress the importance of preventive maintenance to preserving the value of your home. Additionally, we've educated homeowners on where to register to vote and how to find information about your district and policymakers. We've also seen how critical 'community' is and how revitalization for the neighborhood helps each individual homeowner. Our efforts have been to prepare the buyer to be successful once they purchase a home and create a community in which we are proud to raise children."

Brenda Rayburn, Executive Director



John O'Callahan, President & CEO, ANDP



New homeowner stands proud



Housewarming celebration



Before home rehabilitation



After home rehabilitation

CredAbility, formerly Consumer Credit Counseling Services of Greater Atlanta, is recognized as an intermediary organization by the US Department of Housing and Urban Development (HUD) to provide housing counseling to consumers throughout the nation. CredAbility provides bankruptcy counseling, housing counseling and debt management, as well as budget and credit counseling services. CredAbility assists distressed homeowners to establish a manageable budget, set financial priorities and develop positive strategies to avoid foreclosure. The agency reports that the average foreclosure prevention counseling client has a monthly deficit of \$1,286, total unsecured debt of \$18,625 owed to five creditors and a negative net worth of \$102,217. As of last year, CredAbility has served a total 184,330 Georgia residents by providing financial education and intervention services.

Inside Snapshot

“The crisis has had a profound impact on CredAbility. In 2006 we were providing fewer than 12,000 housing counseling sessions a year. Last year, we offered more than 122,000 sessions to families and individuals, and 85 percent of those were counseled for foreclosure prevention. Our capacity-building campaign has made this phenomenal growth possible. We’ve hired 180 new counselors and built a new facility in Cobb County to house them. We’ve also increased the number of counseling managers and support staff and strengthened such areas as business continuity, data tracking capability, program software and other infrastructure. We continuously train our counselors as the number of private and government programs available to our clients has increased.”

Michele Pearce, Vice President Development

Resources for Residents and Communities (RRC) is a community development corporation established in 1989 by the Reynoldstown Civic Improvement League, the community’s 50-year old civic organization. RRC has a HomeOwnership Center that guides the home buyer from pre-qualification to closing and beyond. Aside from post-purchase education and financial literacy, RRC offers foreclosure prevention services including Home Preservation Clinics, one-on-one counseling and a revolving loan fund. The HomeOwnership Center staff assists individuals in communicating with their lender or servicer to determine the best resolution for their situation, whether it be a workout plan, refinancing or obtaining a source of rescue funds. RRC was recently awarded a U.S. Department of the Treasury’s Community Development Financial Institutions Fund grant to demonstrate a model of enhanced financial education services for low-income participants. The goal is to ensure that program participants have the skills to maintain monthly budgets, reduce their debt and achieve personal savings goals.

Inside Snapshot

“Foreclosure is devastating; regardless of how a person or family got there. We know that homeowners who receive counseling services are 60 percent more likely to avoid losing their homes to foreclosure than those who don’t. As the crisis grew we had to bring on additional support for counseling. Those two positions started out as consultants and now they represent two new employees in our HomeOwnership Center. For us, it’s important to help clients set realistic expectations around homeownership. Having a practical approach to homeownership means you can have the home of your dreams but in incremental steps. Start small and adjust up as your income increases. Don’t buy more house than you can afford. Our services continue to be of great need at this time, stabilizing neighborhoods and providing families with education and opportunity.”

Young Hughley, CEO

Atlanta Legal AID Society attorneys represent, without charge, clients that have little to no means to pay for legal representation. Since the late 1980s, Atlanta Legal Aid has been assisting low-income and elderly clients with mortgage fraud problems. Its Home Defense Program (HDP) provides foreclosure counseling and referral services to CredAbility as well as legal representation to low and moderate income homeowners victimized by home equity and home purchase scams. These include foreclosure assistance fraud, home improvement fraud, predatory mortgage lending and home purchase schemes. HDP staff has had significant success litigating individual cases, negotiating payment compromises for clients with lenders, collaborating with private practice attorneys on their cases and writing amicus curiae briefs in cases with important public policy implications for low income and elderly consumers. These cases involve revision of the state code regarding foreclosure procedures and consumer fraud protections. HDP responds to clients’ needs with multifaceted advocacy: litigation, media exposure, administrative and legislative advocacy, community and consumer education and social services for clients.

Inside Snapshot

“We’ve tripled the number of lawyers and paralegals working on foreclosure cases since the beginning of the crisis about three years ago. With this increase, we’ve been able to focus our efforts on three main areas – legal advice, loan modifications and predatory lending. We found that while we couldn’t take on as clients many of the people contacting us, we could advise them and refer them to the best possible resources for their needs. For our clients experiencing life changes who couldn’t continue payment on their loans, we’ve worked with lenders to adjust loans and help clients understand their rights as a homeowner and make sure they don’t fall through the cracks. For the most vulnerable of clients who are dealing with predatory lending, we’ve worked hard to get loans cancelled in some cases, and in others to get principal balances reduced, interest rates adjusted, and to end up with a monthly payment that is affordable and keeps our client in their homes.”

Sarah E. Bolling, Staff Attorney



Trash left behind at vacant property



Homeownership counseling

Additional Organizations

In addition to the key nonprofits mentioned above, our Atlanta region is home to several other nonprofits focused on foreclosure and community development. Each of the organizations listed below has met criteria in one or several of the aforementioned key focus areas.

Charis Community Housing (Charis) was founded in 1980 as a Christian community development ministry and as a member of the FCS Ministries collective. The organization supports the economically poor by creating viable, sustainable mixed-income communities in Atlanta neighborhoods such as Adair Park, Ormewood Park and East Lake. Working with local residents, faith-based organizations and businesses, Charis builds affordable and workforce housing, provides transitional housing and facilitates the development of market-rate homes. Currently, Charis is focusing its community development work on housing reclamation in southeast Atlanta. This neighborhood (NPU-Y) has been hard hit by foreclosure of recently developed properties. Charis is working with a number of funders to refurbish several of these properties and to arrange interest-free mortgages for families with incomes that are 50–80% of the metropolitan area’s median income.

Atlanta Habitat for Humanity partners with working families, sponsors and communities to build affordable, green, quality homes and to provide support services that promote successful home purchase and ownership. The organization works with its first-time homebuyers to provide education courses to help them become *successful* homeowners. Before closing on the purchase of their homes, Habitat homebuyers must have taken at least 12 *Home Smart* education courses on topics from finance and one-on-one budgeting to legal aspects of homeownership and home maintenance courses. In addition to purchasing empty lots on which to build, Atlanta Habitat has been buying foreclosed, blighted properties in targeted Atlanta neighborhoods to demolish and construct affordable, energy-efficient houses for eligible families.

Initiative for Affordable Housing (IAH) is located in DeKalb County and develops, constructs, sells and rents affordable housing to low and moderate income families throughout metro Atlanta. The organization owns and maintains 20 single-family homes as well as four apartment complexes with 355 rental units and is a recent recipient of four foreclosed properties owned by Chase Bank. A grant of \$25,000 from Citi Foundation and the volunteer labor of more than 100 individuals have enabled IAH to complete rehabilitation work on three of the properties during the summer, and the homes will now be added to IAH’s stock of affordable rental properties. Case management staff offers participating homebuyer and renters a litany of supportive services ranging from emergency food assistance to debt repayment plans.

Atlanta Volunteer Lawyers Foundation (AVLF) provides legal representation, education and advocacy for at-risk, low income individuals by working with volunteer legal professionals to address the unmet civil legal needs in the Atlanta community. A key area where AVLF provides support is assisting tenants at foreclosure with a specific focus on enforcing the Protecting Tenants at Foreclosure Act (PTFA). Enacted in May 2009, PTFA dramatically increases protections for tenants at foreclosure in most states, including Georgia, where innocent people could be evicted summarily and without much warning. In an effort to educate both the legal system and the tenants themselves about their rights, AVLF does extensive PTFA outreach in both the legal and local communities and provides direct assistance to tenants when needed.

The IMPACT! Group is a community development corporation in Gwinnett County offering housing services that span from assistance to homeless families to homeownership counseling and classes. IMPACT!’s HomeOwnership Center provides homebuyer and homeowner education, comprehensive housing counseling and foreclosure prevention to residents of metro Atlanta and northeast Georgia. The foreclosure prevention sessions begin with an orientation offered weekly and taught by a HUD-trained IMPACT! housing counselor who has experience working with lenders to prevent foreclosures. In addition, The IMPACT! Group is a contractor with the state’s Georgia Dream Homeownership Program for first-time home buyers.

How You Can Help

The issue of foreclosure is a critical one in our metro Atlanta communities. Our hope is that by providing you with current information about the effects of the crisis and strong nonprofits doing excellent work in this area, you will consider recommending a grant from your fund to one of these organizations. For more information about any of these organizations or to visit a nonprofit or recommend a grant, please contact your philanthropic advisor, Erin Drury, Audrey Jacobs, Barrett Krise or Robert Smulian, at 404-688-5525.

In addition, The Community Foundation will be hosting a future community conversation about the foreclosure crisis in the Atlanta region for you, our donors later this fall. Contact information and website links for all organizations featured in Impact Philanthropy are available on The Community Foundation's website at www.cfgreateratlanta.org.



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The Community Foundation's Impact

In 2009, The Community Foundation responded to the foreclosure crisis by supporting a coordinated response with four nonprofit housing advocate organizations. With steadily declining property values and neighborhoods plagued by blight and crime, the following agencies were awarded a total of \$100,000 to focus on a three-year project along the southern crescent of the city of Atlanta. This area was identified as being disproportionately overwhelmed by high rates of foreclosures.

- \$20,000 to Enterprise Community Partners for project coordination
- \$15,000 to Focused Community Strategies (FCS) Urban Ministries, Inc./Charis Housing for home purchase and rehabilitation
- \$50,000 to Atlanta Neighborhood Development Partnership for home purchase and rehabilitation
- \$15,000 to Resources for Residents and Communities for homeowner and tenant credit counseling

All four organizations have either been Foundation grant recipients/and or community initiative partners. The grant focuses on three core activities:

- **Homebuyer Education Program** – managed by RRC this is a vehicle to insure a healthy pipeline of qualified homebuyers and tenants for reclaimed foreclosures.
- **Acquisition and Rehabilitation** – Enterprise Community Partnerships will offer possible financing facilities through its loan fund to provide capital to purchase properties; ANDP will purchase a mix of properties in the Sylvan Hills neighborhood; FCS will purchase foreclosed homes in five South Atlanta neighborhoods.
- **Property Management and Marketing** – shared responsibilities among partners for management and security of acquired properties and marketing to target, potential home purchasers.

Since these initial investments, each of the pilot grantees has participated in the implementation of the federal Neighborhood Stabilization Program receiving stimulus money with very specific uses, high-accountability requirements and short timelines for completion. In 2010, they were able to complete acquisition, refurbishment and place on the market a total of 153 homes with these funds as a result of a working together to submit a coordinated application instead of potentially competing for funds. In addition, as of July 2010 Atlanta Neighborhood Development Partnership indicated that they were able to “acquire, rehab and repopulate six foreclosed homes” as a direct result of the pilot grant.



Why I Give

“For 30 years I devoted myself to a career in the investment field and during that time, I saw the chasm between the “haves and have-nots” widen dramatically. Ten years ago, I made a 180-degree turn to devote myself to a great passion, leveling the playing field of opportunity for others. In 2000, I began serving on the board of FCS Urban Ministries, which at the time had committed itself to partnering in the revitalization of Atlanta's historic South Atlanta neighborhood. In 2007, all involved were shocked and dismayed as we witnessed first-hand the impact of the foreclosure crisis. Most of us cannot imagine what happens to a neighborhood when more than 35 percent of the houses become vacant. After all the resources neighbors had invested, South Atlanta became buried by plummeting property values, as well as vagrancy, crime, drug activity and prostitution.

That's when I became part of the FCS Redemption Foreclosure Task Force to help Charis Community Housing, the housing division of FCS Urban Ministries, complete its plan to purchase and rehab 50 homes in historic South Atlanta over the next three years. In February 2010, we worked with private and nonprofit partners to develop Charis South Atlanta LLC, a working capital fund that would allow us to quickly seize, rehab and sale properties. The fund has been extremely successful and to date we have rehabbed and sold four properties. In this difficult economic environment for attracting funds from traditional sources, it has provided an innovative vehicle to enlist social investors.

Like millions of other Americans, I have watched the terrible destruction the financial meltdown caused in people's lives. I felt motivated to get involved but unsure how to get plugged in. Now I am part of an effort that has already made a difference. I have spent



Left to right: Rachel Epps Spears (Pro Bono), Kathryn Furman (King & Spalding), Billy Mitchell (Charis Chair), Angie Allen, Jim Wehner (Charis ED), Jenny Miller (King & Spalding), Bob Lupton (FCS President), Florida Ellis (FCS Chair)

time these past three years with people who have passionately devoted their time and funds to turning things around in South Atlanta. To say it has been personally rewarding is an understatement. It has really reinforced my belief that, in Atlanta, we care enough about our neighbors to do something to right these terrible economic injustices. For me, it has come full circle; combining what I'm qualified to do with what I am passionate about and with something that needs to be done.”

— Angie Allen, Board Member Emerita, FCS Ministries, Donor, The Community Foundation