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Financial Reform Bill Contains Funding for Neighborhood Stabilization/Foreclosure Prevention:

Abandoned homes on Upswing as Congress Passes 3rd Neighborhood Stabilization funding, State CD Officials Say
--17 million foreclosures predicted over next 5 years, abandonment rate as high as 25%
-- Foreclosure Prevention Funds Especially Needed

Washington, DC—7-20-10—Congress was right in including \$1 billion funding for neighborhood stabilization (known as NSP 3) in the financial reform legislation passed last week, the leader of the **Council of State Community Development Directors (COSCDA) said**, as the problem continues to be urgent with as many as 25 % of potential foreclosed homeowners walking away from their properties in many states.

“Foreclosures may be off the front page, but neighborhoods are still suffering the aftershock of massive defaults, and the growing trend of “walk-aways,” **Rick Ballard, President of COSCDA and the Director, Office of Community Development, Michigan State Housing Development Agency said**. All states, but especially states like **California, Nevada and Arizona** that are suffering with the highest foreclosure rates will benefit from both additional funding for NSP, but also from the additional \$1 billion allocation in the bill relating to foreclosure prevention.

There were nearly 4 million foreclosures in 2009, with as many as 17 million projected for the next 5 years according to realty tracking services.

State Development Directors Administer Fed Funds to Restore Communities: Foreclosure Prevention is Key

“As the agencies that work to restore neighborhoods and develop communities at the local level, we can see the devastation is not over. We need to protect the assets for communities—homes—vacant or abandoned—so that they will no longer be a burden either on the neighbors or on public budgets, such as dealing with crime resulting from abandonment,” Ballard said.

An occupied home is a deterrent to crime, so redeveloping abandoned homes and foreclosure prevention are both continuing goals of State CD Agencies, working with local government and non-profits to ensure that everything is done to prevent further foreclosures, Ballard stated. **The Financial regulatory reform bill has included funding for emergency mortgage relief/foreclosure prevention and State Community Development Agencies are pleased that Congress made this a priority with “teeth” to try to halt additional foreclosures.**

“Because state agencies are frequently central clearinghouses for information, especially as dispensers of much of the NSP funding, we will continue to work with communities on the prevention side of the equation. Obviously, if foreclosure can be prevented, it serves everyone’s purpose, especially in preventing the kind of devastation and upheavals that have impacted family life for many of our citizens.

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Streamlined Regs Improve NSP Effectiveness; Local business, Rental Housing Amendments in NSP 3 Important

Ballard lauded Congress and said the NSP 3 funds have further streamlined regulations, which “will help achieve the intended purpose more quickly.”

Dianne Taylor, COSCDA’s Executive Director said COSCDA had worked with other groups and HUD to modify NSP 1 and 2 to incorporate measures such as definition of foreclosure and inclusion of vacant properties into the regs to improve the program usage. Taylor said her members also worked with non-profits to develop plans for the granting process of NSP 2.

Funding Allocation

Taylor said an amendment requiring grantees to hire and benefit employees and small businesses from the area is a big plus in the NSP 3 regs. Also, a requirement that state and local governments establish procedures to benefit the development of affordable rental housing, much needed in many communities, was also an improvement.

Survey of Effectiveness, Model Activities Planned

COSCDA plans to conduct a survey of its members to determine their views on success in NSP implementation, for release at its annual conference in Sacramento in September 12-14th.

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The Council of State Community Development Agencies (COSCDA) represents state community development and housing agencies responsible for administering Department of Housing and Urban Development (HUD) programs, including the Community Development Block Grant (CDBG) program, the HOME Investment Partnerships (HOME) program and the McKinney-Vento Homeless Assistance Programs. www.coscda.org.