

Saving Homes-Saving Neighborhoods: Philadelphia's Data-Based Approach to Stabilizing Neighborhoods Threatened by Foreclosure

Presentation to the NGA Summit on
Foreclosures & Housing Solutions
Arlington, VA - 2008



Capital at the point of impact.

The Reinvestment Fund builds wealth and opportunity for low-wealth people and places through the promotion of socially and environmentally responsible development.

Business Lines



Lending and Investing



Policy & Information Services



Real Estate Development

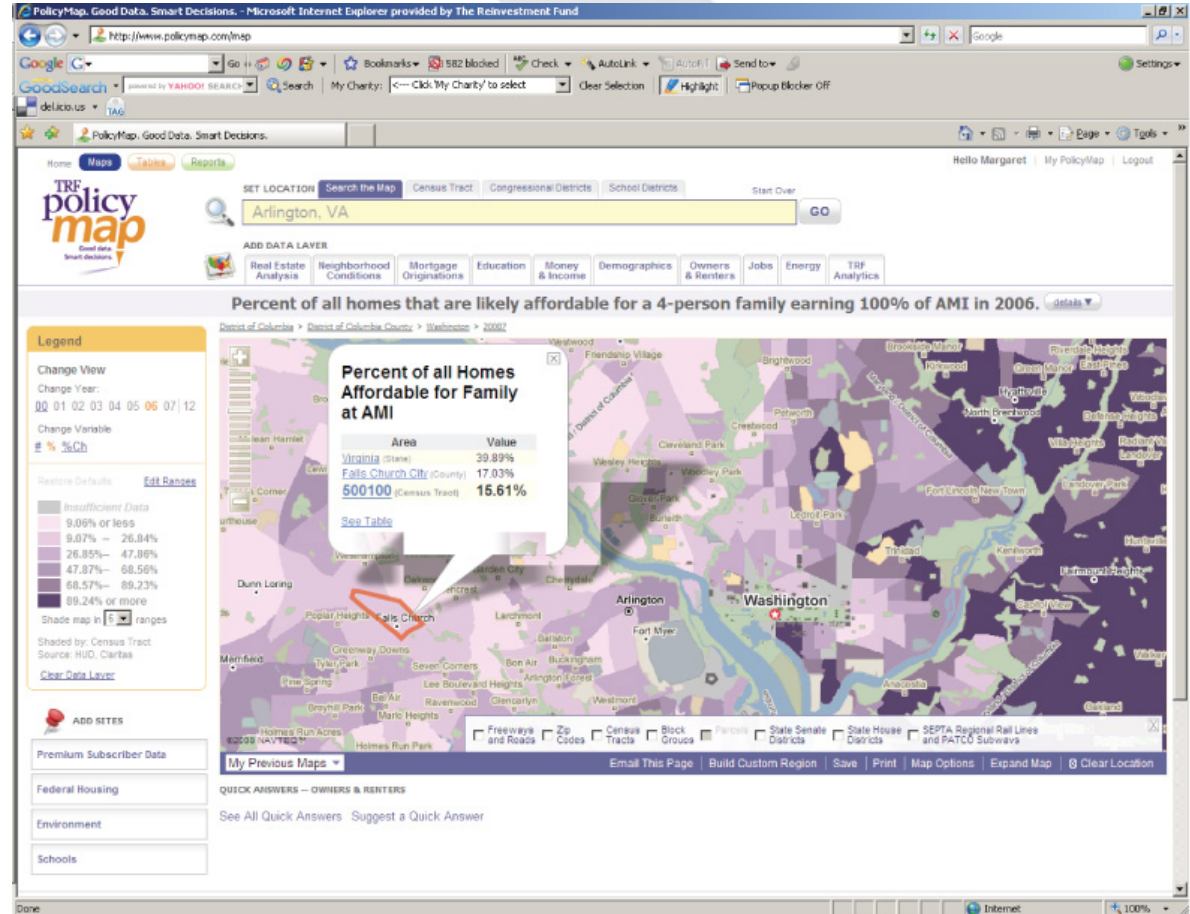
- Founded in 1985
- Over \$710 million in cumulative investments
- Primary Geography: Mid-Atlantic Region; offices in Philadelphia, Washington, DC and Baltimore, MD
- Currently Manage: over \$435 Million
- FY2007: \$102.2 million in loans and investments
- Since inception, more than:
 - 16,400 housing units created, renovated or preserved
 - 9,458 child care slots created or preserved
 - 22,559 Charter school slots created or preserved
 - 6.4 million square feet of commercial space created, renovated or preserved
 - 420 businesses



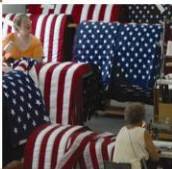
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Foreclosure Filings in Philadelphia

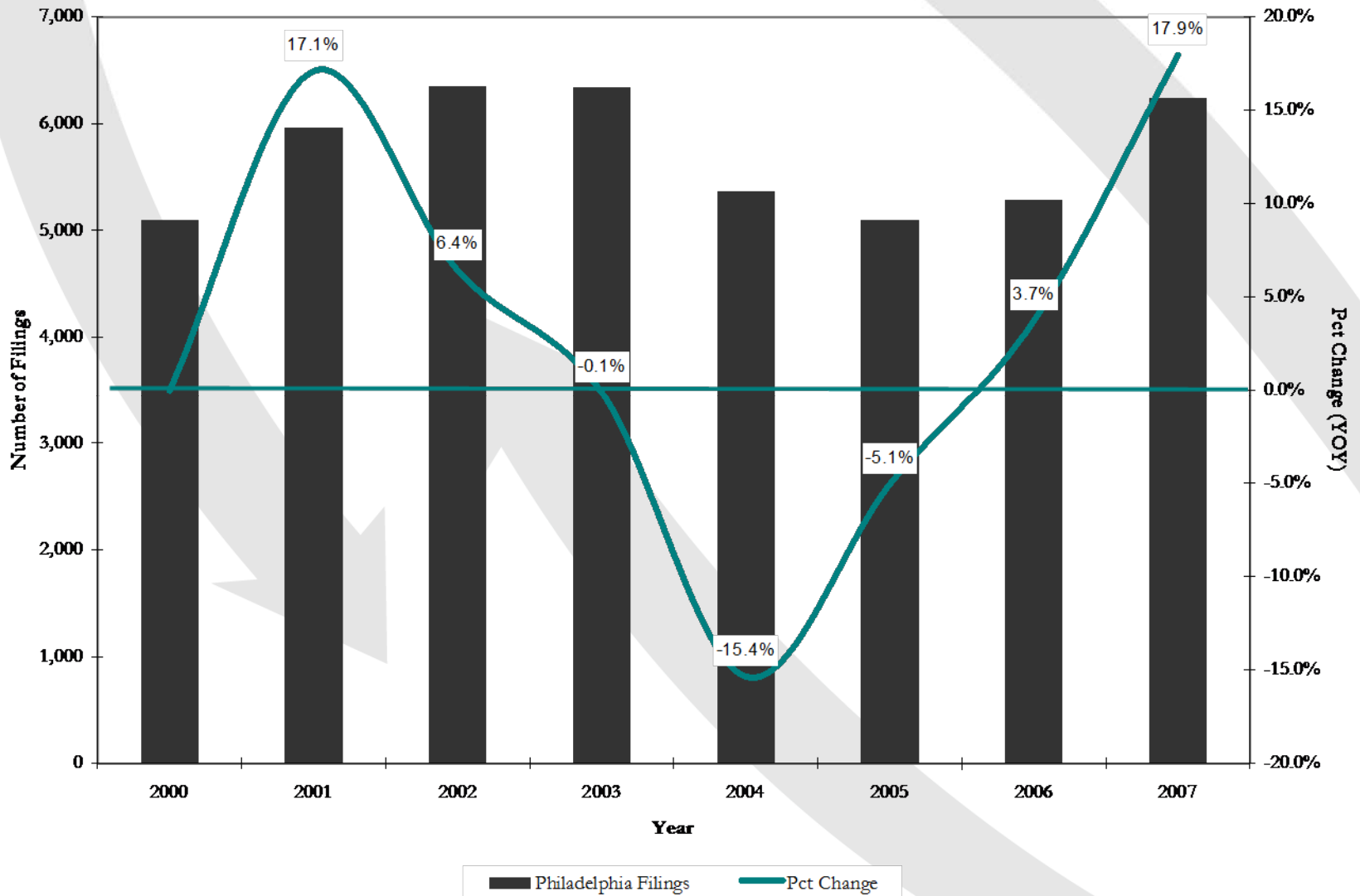


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Foreclosure filings in Philadelphia peaked in 2002/03 then fell, but have since returned to their recent highs

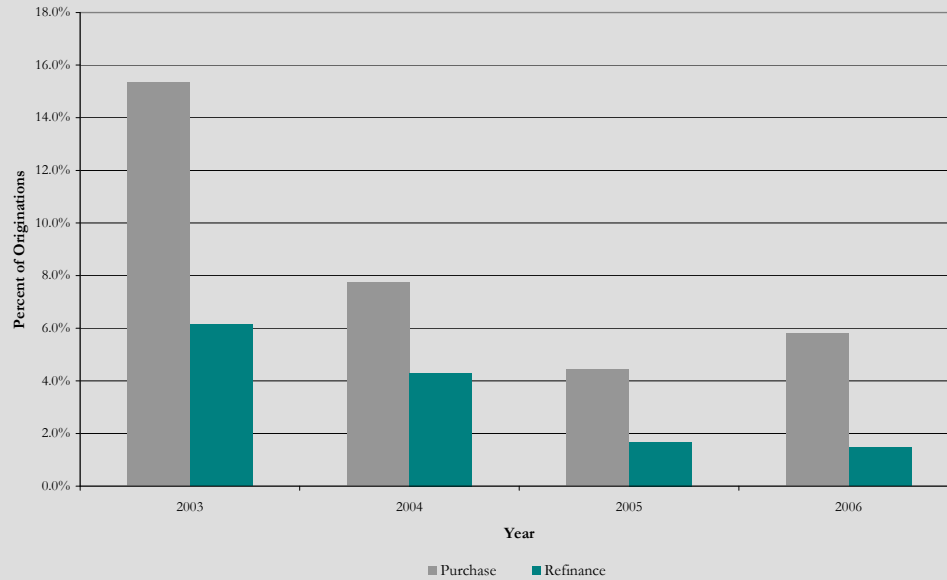
**Foreclosure Filings in Philadelphia;
2000-2007**



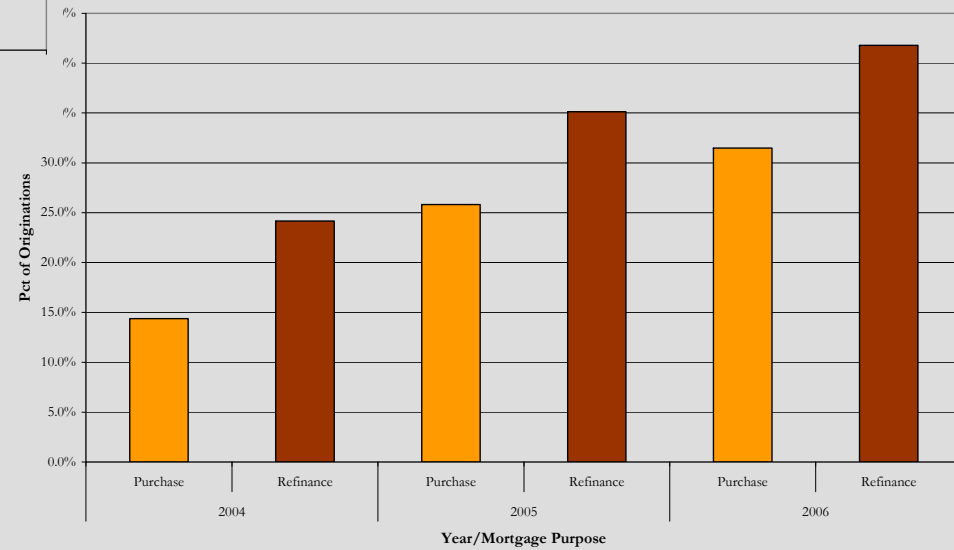


As government-insured loans became less frequent, subprime lending filled the void

Percent FHA of All Loan Originations



Percent Subprime of All Originated Home Purchase and Refinance Mortgages; 2004-2006



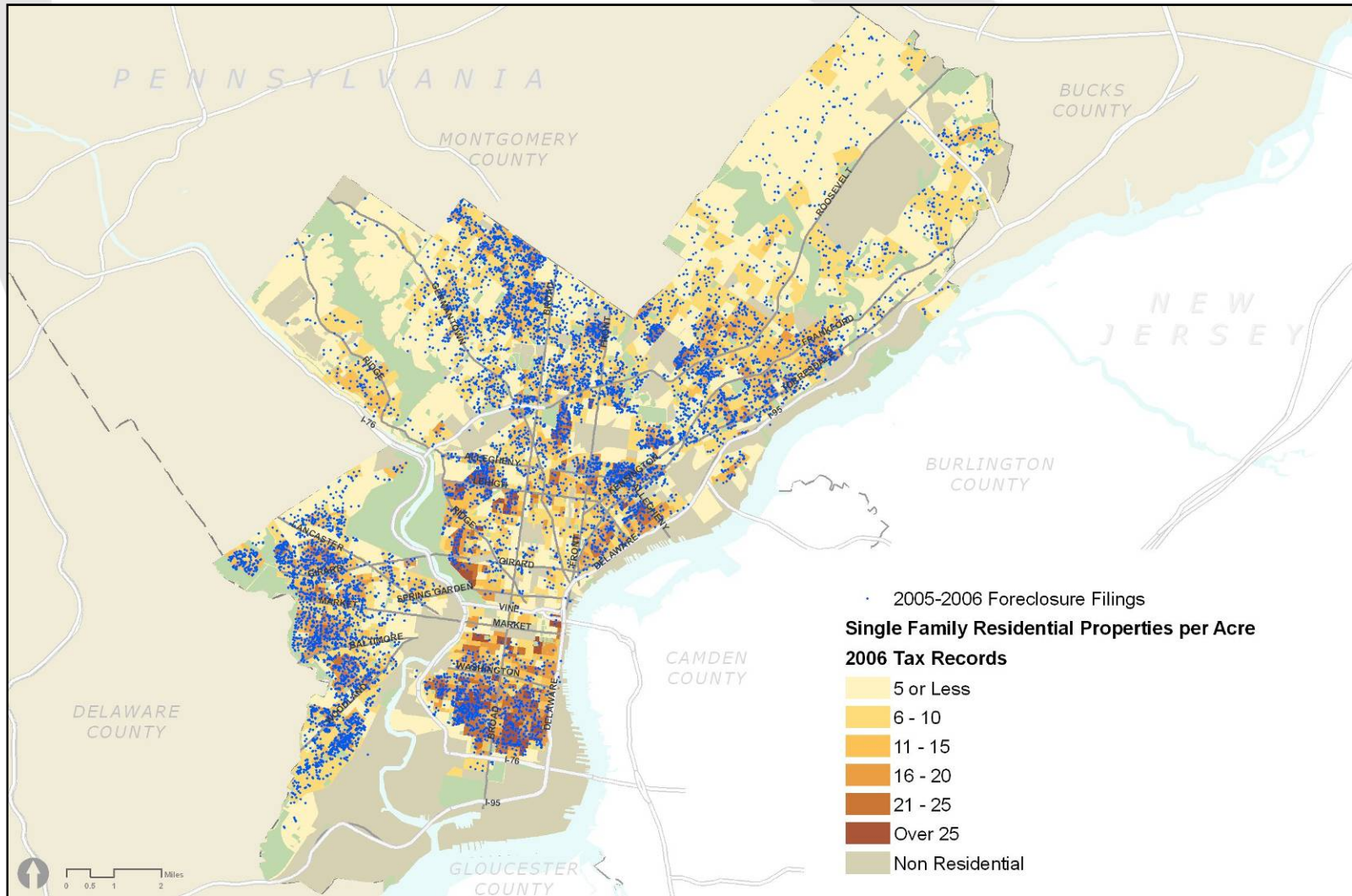


What does the future hold for foreclosures in Philadelphia?

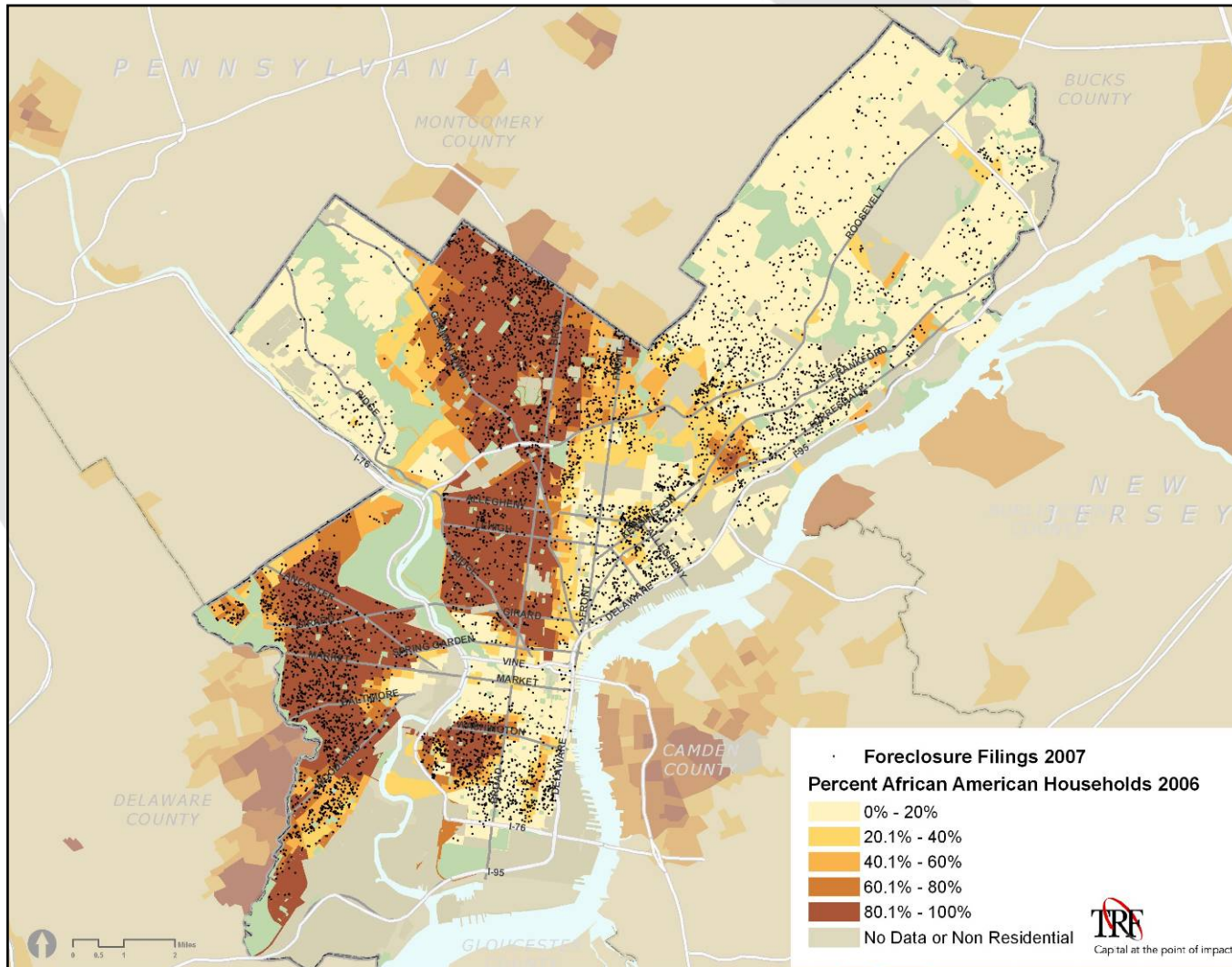
- In 2004, 19% of loans to purchase or refinance homes in Philadelphia were subprime; that percentage rose to 35% in 2006.
- In 2004, 15% of loans to Whites and 32% of loans to African Americans were subprime; those percentages rose to 25% and 54% respectively.
- In 2004, 29% of loans in low income areas and 6% of loans in high income areas were subprime; those percentages rose to 48% and 9% respectively.
- Loans originated in 2006 (especially subprime adjustable rate mortgages) are already experiencing acute levels of delinquency and default. Therefore, the problem will get worse before it gets better.
- Using the United States Congress Joint Economic Committee's recent report as a basis for calculation, TRF conservatively estimates that with 7.6% of the state's owner occupied property value located in Philadelphia, we expect that there is likely more than a \$183 million loss of property value to homeowners over that same time period



Mortgage Foreclosure Filings; 2005-2006



Mortgage Foreclosure Filings; 2007

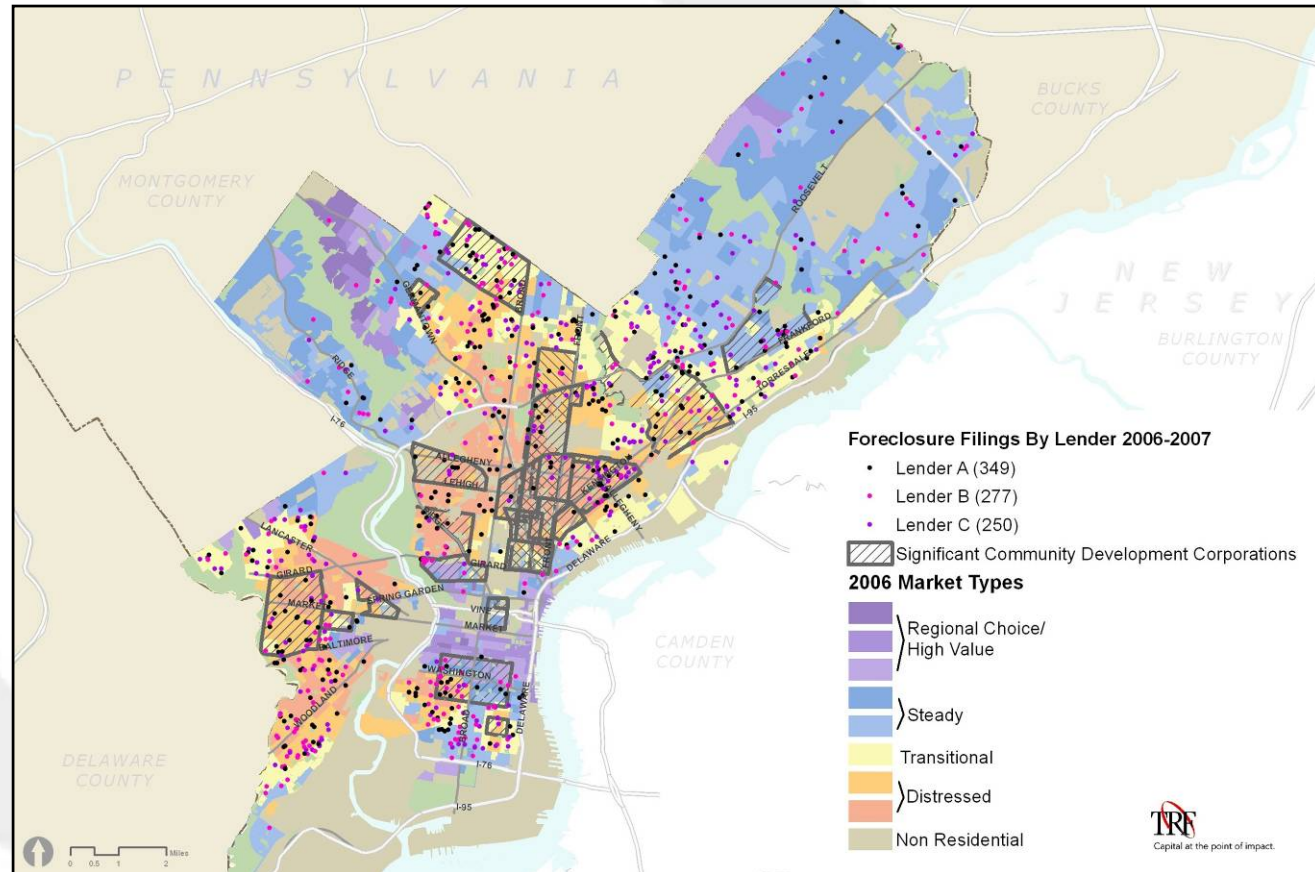


Saving Homes – Saving Neighborhoods



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Managing a scattered site portfolio of real estate is difficult and expensive; typical per-unit rental maintenance costs vary around \$4,000-\$5,000.



Three lenders with a significant number of foreclosures in Philadelphia

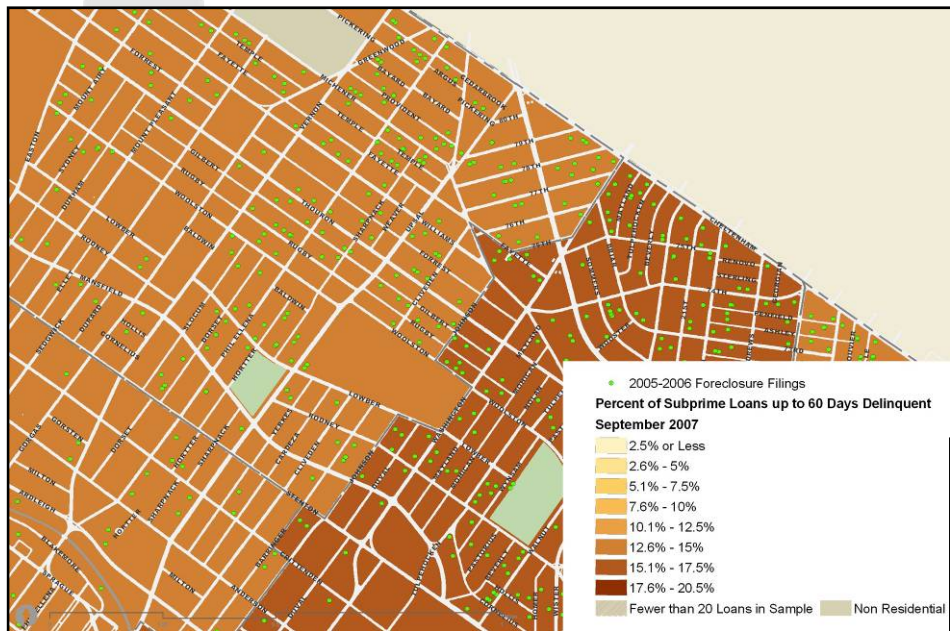
Therefore: Keeping people in homes must be the objective

Our Team:

- **Community Legal Services**
- **Consumer Credit Counseling Services of Delaware Valley**
- **Greater Philadelphia Urban Affairs Coalition**
- **The Reinvestment Fund**

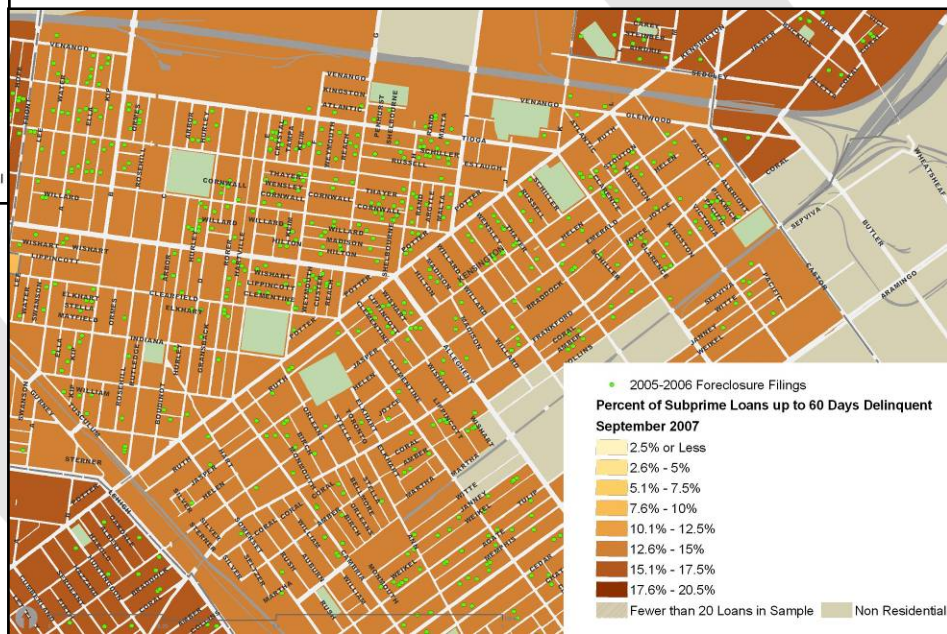


Areas of Potential Interest: High (and growing) delinquencies and moderate to high foreclosures



East Mount Airy

Kensington/River Wards





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Your Selection Criteria

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- Household Income(s)
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- Estimated Home Value(s)
\$1 TO \$99,999
- Housing Information
HOMEOWNER
- Type of Marketing Campaign
DIRECT MAIL
- Mortgage Indicator
YES
- Mortgage Amount
UNDER \$25,000 TO \$149,999
- Records per Household
ONE PER LOCATION
- Geography-Zip + 4 Omit(s)
ZIP + 4 RECORDS ONLY

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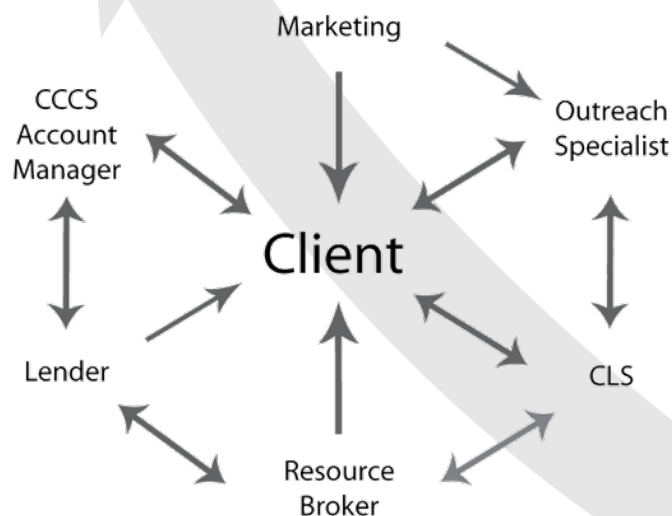
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- Lack of access to bank resources
- Loans are made at the neighborhood level
- Dependency on word of mouth and local marketing
- Lack of knowledge and sophistication around new financial products
- Limited trusted resources for advice & consultation

- National model to the subprime meltdown: triage with a national counselor

Client in Philadelphia ← → Counselor in California

- Our model: client-centered, local service



- Local Marketing: top down and bottom up
- Outreach Specialists
- Resource Brokers
- Product Development

- Data driven & responsive to change
- Personal approach leads to individual family solutions & identification of neighborhood trends
- Work at neighborhood level: local knowledge, local resources, convenient, quick or detailed
- Link the individual to solutions crafted at local, state and national level

Traditional route: Reactive Model

- Homeowner contacts CLS after court judgment, sheriff's sale impending.
- Homeowners often come to CLS when effective action requires time- and attorney-intensive litigation.
- CLS sees 50 people per month, from throughout the city, facing foreclosure.
- Many cases are lost due to limited time and high threshold for undoing a court judgment.



Saving Homes, Saving Neighborhoods Route: Strategic Case Handling

- Most referrals will involve homeowners earlier in the delinquency/foreclosure process.
- Legal representation is less complicated in most cases because CLS can work with homeowner, earlier.
- CLS has opportunity to avert or delay foreclosure through court filings and negotiating favorable resolution.
- More homeowners retain their homes, with reasonable/sustainable loan payments.

Market Value Analysis

Understanding **www.trfund.com** and Resources



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