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PARODNECK FOUNDATION/CATCH - YEAR 2006 REPORT

In 2007, the Parodneck Foundation plans to continue to carry on a tradition, started by Meyer Parodneck and a group of other consumer advocates 60 years ago, that saw our predecessor organization as a small but significant part of a more just, equitable and cooperative society. In furtherance of that mission, since 1970, the foundation has assisted thousands of families retain and attain their dreams of affordable and resident controlled housing. There are however several large and new challenges in the housing market that we are preparing to, and must address, head on.

They include

- The city and country are in the midst of an affordability crisis. For most of us, and particularly for those we serve, incomes have not kept pace with housing costs. As a result, the challenges are greater than ever for those we seek to assist in the redevelopment of their homes -- whether the small homes of the many seniors we work with or the homes of members of low and moderate income cooperatives in larger, multiple dwelling buildings.
- In New York City, many of the affordable housing projects developed in the past 30 years, from Michel-Lama, to Section 8, to tax credit projects, are coming towards the end of their initial contract terms. If these projects are lost to the affordable housing market, projects that number in the hundreds of thousands of units in New York City alone, it will take decades to recover at a real cost to lower income New Yorkers and to the city as well.
- As hard as it is to preserve housing, it is even harder to produce new housing that is affordable without substantial government subsidy and available, developable, tracts of land.
- Beyond problems of affordability, many resident-controlled properties developed in the seventies and eighties, never having received adequate capital investments, need major systems upgrades.
- As the financial circumstances of the average New York homeowner become more strained, there are more opportunities for exploitation by predators. Having helped pioneer anti-predatory remediation work in New York City (and used as a model in other cities as well), the Foundation continues to work with seniors and others victimized by those engaged in predatory lending, deed theft and other forms of predation.
- Finally, with regard to our senior homeowners applying for loans, we are finding that the needs of these seniors both in terms of renovation and refinancing grows over time, straining our available resources.

These are just some of the challenges we and others in the affordable housing sector face. As you read our 2006 annual report, we trust that you will be confident that we are laying the groundwork to help us meet those challenges.

Our four major programs – SCHAP, Citywide Remediation, the CATCH mutual housing program, and the HDFC Support Program – remain the main expressions of our affordable housing and community development mission. The first three saw substantial progress in the past twelve months, while the fourth consolidated its activities.

SCHAP (Senior Citizens' Homeowner Assistance Program)

This program, operating since 1986, is the only program in the City exclusively targeted to meeting the home improvement needs of senior citizen homeowners and it continues to assist the city's in-need, and at-risk senior citizen homeowners. Once again, the program met its production goals in 2006, assisting 57 low-income senior citizen households (83 units) in critical repairs, upgrades and refinancing needs. Some \$2.3 million in housing loans were provided from a combination of city, state, federal and private funds.

In many cases initial applications to the SCHAP program for repairs also resulted in assistance by our Remediation Program when it became apparent the homeowner's problems were beyond the scope of basic repairs and extended to severe financial distress.

We also noticed an increasing awareness and appreciation of the SCHAP program in various low-income homeowner communities as well as an increased willingness and desire of contractors to participate in the program.

In addition, the Foundation received grant support from one foundation and active encouragement from two others to begin to develop a program to extend SCHAP's reach and perhaps double our capacity. We hope to partner with several CBOs, each of which would be responsible for initial intake functions as well as a social service role. This will potentially free up our central office to concentrate more on its loan underwriting and construction management functions.

Citywide Remediation Project

In the late nineties, the Parodneck Foundation brought together financial institutions (JP Morgan Chase, Citibank, HSBC and others) and Fannie Mae to create a new Fannie Mae New York pilot program to assist in remediating the financial circumstances of applicants who had been victimized by predatory lenders. Since then, the initiative has been expanded through collaborations with NEDAP, South Brooklyn Legal Services and local CBO partners.

In 2006, 156 requests for remediation assistance were received from all areas of the city. The types of assistance needed varied: sold tax liens; threatened mortgage (private) and tax foreclosures; contractor scams, and more. Of the applications received, all are currently being monitored (if referred for legal or other assistance) or directly assisted. Of these, 9 have already been refinanced, resulting in over \$2.8 million in affordable mortgages and 2 more are in process, while 145 cases were referred to other programs or did not qualify. Our staff also conducted 8 training or educational events with over 280 persons attending.

This Parodneck pilot project and an earlier experiment (targeted by geographic area and utilizing existing civic and CBO infrastructures to saturate an area with prevention and remediation efforts) led to the development, with the city, of an exciting new program called PACE. The Preserve Assets and Community Equity program began in October 2005. HPD is spearheading the program, which is also supported by several local banks. It is a consumer education, legal services, referral and financial services program geared towards rooting out predatory lending in specific targeted neighborhoods and zip codes. It will create or enhance the infrastructure to serve those who are eligible for prime loans and honest credit mechanisms; prepare others for appropriate and affordable financing; and assist actual victims of predatory lending. The two-year program uses a very wide variety of outreach methods as well as supplemental staffing and capacity building funding for local CBOs, many of which are our local partners. Its goals for a two-year period include 570 clients receiving financial counseling and \$4.2 million in loans being approved.

In addition to our citywide activity described above, Parodneck as a PACE partner in the 4 targeted neighborhoods (two in Brooklyn and one each in Queens and the Bronx) held an additional 13 training or educational events with 1,780 persons attending. In this initiative we processed 169 requests for assistance with 140 of these referred to our CBO partners, while 28 were handled by the foundation. Of that total, 13 resulted in refinance remediations totaling \$4.1 million in assistance. In all, our staff assisted with refinancings, debt consolidations, reinstatements, and loss mitigation, including assistance with the sale of a home to save equity. Several cases are still pending. In PACE's second year we observed an improved level of communication among the partners, improved data reporting, and most importantly, a much greater understanding of the program in the targeted neighborhoods.

We should note that we have also found this same increased level of understanding by CBOs throughout the city in the non-PACE areas. Parodneck has also become more proficient in loss mitigation practices in the past year, as a result of an arrangement with the Consumer Rescue Fund. We have thus been able to obtain forbearance agreements, loan modifications, and had refinancings approved through CRF for our clients, roles formerly associated with our local legal services partners.

Another outgrowth of our remediation activity is a new initiative called the Mortgage Foreclosure Emergency Prevention Program. The program is supported by a \$750,000 City Council grant spearheaded by City Councilmember Lewis Fidler from Brooklyn, along with his Council colleagues in other areas. It will be managed by Parodneck and will involve participation by seven community based organizations: two in Brooklyn, two in Queens, and one each in Staten Island, the Bronx and Manhattan. The program aims to educate homeowners about the actual and potential dangers of the increasing prevalence of innovative mortgage products that provide consumer-homeowners with initial affordable monthly debt service payments in the face of what many believe is, at worst a deflation in the housing market, and at best a leveling of values. The goal of this program is to develop a risk assessment in seven neighborhoods; recommend follow-up intervention strategies based upon that assessment; provide immediate assistance to identify homeowners that are at-risk and to train seven groups to identify, analyze and refer clients for assistance. The program began only in the very last weeks of 2006, but we anticipate its impact will be significant in 2007.

HDFC (Housing Development Fund Company) Support Program

This program represents our organization's longest-running effort to create and preserve affordable housing. Through advocacy, technical and financial assistance, we have been instrumental in creating thousands of units that remain affordable through state law and city regulatory agreements and that are resident-controlled. In 2006, we maintained staff resources and the capacity to support not-for-profit rentals and low-income cooperatives organized as HDFC's even though loan application/volume was minimal during the year.

As part of the Mortgage Foreclosure Emergency Prevention Program referred to above, the Parodneck Foundation is undertaking a distinct risk assessment approach, starting with Manhattan Community Board 9. This effort will target small owners (there are over 130 tax lots in CB 9 zoned for 1-2 family homes) and HDFC's. As a result of this and our other outreach efforts, we expect loan activity to resume in 2007.

CATCH (Community Assisted Tenant Controlled Housing)

CATCH now has over 50 buildings with approximately 730 units in its portfolio. To accommodate the tremendous growth in Central Harlem, a Residents Council is now successfully functioning as an advisory group to the board. It elects a majority of the local MHA board, and serves as a bridge between the individual building resident associations and the board of directors.

Rather than embark on any major new projects in 2006, CATCH concentrated on consolidating its existing programs and buildings as well as developing capacity for future expansion. For example, we transferred our property management contract to the WestHab organization to afford greater efficiencies. We also continued "parenting" the return of the Banana Kelly Community Improvement Association in the Bronx to full stature. Stephen Carter, who has over 30 years of construction and management experience, has been acting as a consultant to Banana Kelly and will, in early 2007, join Parodneck as Associate Executive Director. Here he will continue his role as technical advisor and owner's representative to Banana Kelly as well as taking on added responsibilities with the CATCH program.

CATCH also continued its first homeownership program – the Neighborhood Homes Program - with 24 units in eight Central Harlem brownstones. We are renovating 9 of these units and are in the process of closing on title and financing loans on the final 15. Priority will be given to CATCH members who will be able to utilize skills earlier developed in other CATCH buildings--- thus maturing into ownership responsibility while still remaining in the community.

Our 2005 purchase of Logan Gardens, a foreclosed property in Harlem, from HUD, saved 104 units in this 202 project benefiting seniors, disabled and homeless. During the past year we successfully renovated 60% of the units and will complete the others in 2007. We accomplished this complicated renovation while the building was occupied by temporarily relocating tenants in vacant units in the building. We continued to benefit from the services of a resident social worker financed by a grant from HUD.

CATCH is engaged with two Neighborhood Redevelopment Program (NRP) projects. At one, our Bradhurst project in Central Harlem, we are renovating seven buildings, formerly with 110 units, into 77 apartment units. In 2006 we finished construction at five of the buildings, which are now fully occupied, and are currently completing renovation of the remaining two. Our other NRP project is a 203(k) city program, also in Central Harlem, but which is much more dispersed than Bradhurst. It involves 8 former SRO buildings that formerly contained 77 units. Last year we started a gut rehab of 5 of the 8 buildings as rental units and will complete the other 3 this year.

In the Bronx, our 44 unit Highbridge Project received a tax credit allocation and began accepting tenants. It is now fully occupied. Also in the Bronx, we received a construction loan in 2006 for our 43-unit property on Topping Avenue, acquired through the Third Party Transfer program, and began renovations on half the units. We envision this as potentially developing into an HDFC limited equity co-op.

While no new projects were developed in 2006, we believe our consolidation and internal capacity building will enable us to explore a variety of new initiatives, such as, for example only, a 50 unit Third Party Transfer project in Bushwick and a bid on some of the larger housing projects being offered for competitive bids by NYCHA/HPD.

Board of Directors

The board's membership remained unchanged during 2006. The only changes in officers involved our former CEO, Harold DeRienzo, who relinquished his role as President to become Assistant Treasurer. He also continues to serve on staff as General Counsel and Director of Compliance.

During 2006, the board put into operation its new committee structure. The Executive Committee took over direct oversight of all lending operations, as well as providing guidance and support to the other committees. The Audit Committee reviewed financial systems and audit practices, and should be in a better position in 2007 to take more of a role. The Asset Management Committee, working in conjunction with the Asset Management Committees of CATCH-affiliated entities, helped to shepherd the transition of a major portion of the CATCH portfolio to a new management company.