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## Remarks by Governor Edward M. Gramlich

At the 30th anniversary of the Neighborhood Housing Services of America,  
Washington, D.C  
September 10, 2004

### Introductory Remarks

First of all, congratulations to Neighborhood Housing Services of America (NHSA), to the NeighborWorks® organizations honored here today, and to the seven neighborhood pioneers.

Helping people fight for their communities--helping to lift them up and keep them strong--is the core mission of the NeighborWorks System, which now consists of over 230 NeighborWorks organizations, NHSA, and the Neighborhood Reinvestment Corporation (NRC). We recently celebrated the 25<sup>th</sup> anniversary of NRC, and today we celebrate the 30<sup>th</sup> anniversary of its partner, NHSA. Over this period, these organizations have together created millions of new homeowners, helping to bring American homeownership rates to record highs. Statistical analysis shows the value of these efforts, proving time and again that people who have a stake in the place where they live fight to keep it a good place to live. These new homeowners also build wealth and participate in other aspects of the American dream.

But while homeownership rates are at a record high, many individuals and families are still left out. The consistent barrier is the need for down-payment assistance. In the past, NeighborWorks organizations have tried to provide down-payment assistance, but without much help from capital markets in general. The network has been able to provide its support because of the efforts of local communities, NRC, and NHSA's social investors.

I currently serve as chairman of the Neighborhood Reinvestment Corporation's board. We at NRC and NHSA have been working to increase our effectiveness by opening up capital markets for the nonconventional down-payment loans that are made by NeighborWorks organizations. We believe that an open-ended source of funds for down-payment assistance loans will energize local organizations to promote homeownership in ways they otherwise could not. Today I am delighted to announce that Neighborhood Reinvestment, NHSA, and Fannie Mae have made significant progress toward developing a stable and predictable outlet source of these loans--the most difficult component of lower-income housing.

We partners are collaborating on a pilot program in which Fannie Mae agrees to purchase for its own portfolio second-mortgage loans created to provide low-income borrowers with down-payment assistance. This initial pilot will be executed via a cash sale. The expectation is that NeighborWorks Network's demonstration of its ability to manage the program will eventually lead to the development of broader stand-alone mortgage-backed securities, making such loans effectively financed by capital markets at large.

This forward-looking pilot, operated in cooperation with the Ventura County, California Community Development Corporation, combines the strength of Fannie Mae and its access to capital markets with NRC's and NHSA's experience and track record of serving the homeownership needs of low- and moderate-income families.

But I see this project as just the beginning of a larger design, one that reflects the ever-growing and ever-changing nature of housing financial markets. In a collaborative effort involving public and private institutions, many of us in this room are crafting a different but, we hope, an extremely effective way for low-income people to participate in homeownership. This approach would extend the conversion of the obligations of low-income borrowers into acceptable capital market instruments. If we could provide loans to low-income homeowners through capital markets, we could solidify the gains we have been making in homeownership financing over the last thirty years.

I would like to thank Fannie Mae, Neighborhood Reinvestment, NHSA, and the local NeighborWorks organizations for their commitment to addressing the issues of affordable housing. I would also like to thank the handful of committed investors who have supported NHSA for the past thirty years. We could not have achieved what we have without your support. We recognize that through our work, we all have a role to play--an obligation to help families realize their dreams of homeownership.

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