

Coming Home

Home ownership stands at the center of the American dream. Buying a home has long been a symbol of success, a sign of having made it into the middle class. Two-thirds of Americans own their homes and, among those who do not, a majority ranks home ownership as the highest priority.¹ For most families, their home is their single largest investment and an important source of security. Once a home is fully paid for, the owners can live in it rent-free or pass it on to their children. And, unlike rental costs that may increase each year, ownership makes housing expenses predictable. It also confers certain legal rights. Renters can be evicted from an apartment in ten days if they do not pay the rent. For homeowners, it takes between six and eighteen months for a foreclosure to work its way through the system. In this sense, homes act as a kind of insurance that gives those who are vulnerable a chance to get back on their feet.

Beyond these tangible benefits, home ownership confers tremendous psychological advantages. Most Americans say that owning a home helps them make a better life for their children and lends stability to a marriage.² Home ownership gives people freedom about such simple decisions as whether to plant a garden or own a pet. And homes represent an asset that can be borrowed against to finance an education, start a business, or cushion a family from economic crisis.

Like the other assets discussed in this book, home ownership is not distributed equally. Wealthier Americans are far more likely to own their

homes than are low-income families. Home ownership rates for minorities, while rising, continue to lag behind those for whites. And families headed by single women are less likely than two-parent families to live in a house of their own.

The benefits of home ownership and the gaps in this area have led government agencies and private organizations to promote home ownership as a strategy for moving low-income families out of poverty. Unlike many policies designed to help the poor, this one has long enjoyed broad-based political support. Traditional antipoverty advocates welcome initiatives that enable poor families to leave behind overpriced rental housing and improve their living conditions. Those who emphasize self-reliance and personal responsibility as the keys to ending poverty also see home ownership as a desirable strategy. Initiatives designed to increase home ownership among the poor have proliferated in recent years among such diverse entities as Fannie Mae, Bank of America, the NAACP, and the nonprofit Center for Community Self-Help.³

While the emphasis on creating new assets embodied in these approaches is welcome, it is not enough just to help people buy homes. Many homes already owned by low-income families are in areas where property values are declining. In such neighborhoods, it makes little sense for owners to improve their homes because the money invested is unlikely ever to be recouped. A downward spiral sets in, with homes sinking into disrepair and property values falling further. As neighborhoods deteriorate, low-income families find themselves holding assets that are actually declining in value. This dynamic has led to a growing recognition that for home ownership to benefit the poor, it must be linked to strategies for keeping neighborhoods healthy. The difficulty lies in achieving this.

One place to look for answers is in Battle Creek, Michigan. Here, a nonprofit organization called Neighborhoods Incorporated has helped revitalize some of the city's most distressed areas by lending for home purchase and rehabilitation while strengthening the social capital of these same communities. Neighborhoods Incorporated's unique approach requires home buyers to invest in their homes and neighborhoods. By working street by street, not only to upgrade the physical quality of homes but also to build relationships among the people who live in them, Neighborhoods Incorporated has accomplished several goals. Property values have increased, providing many low-income homeowners with a new economic resource. Residents have organized to make their streets safer and cleaner, improving both the reality and perception of their neighborhoods. And

the well-being of the larger community has increased as its stock of economic, human, and social assets has grown. These achievements are by no means comprehensive. With limited resources, Neighborhoods Incorporated has been able to focus on just a few target neighborhoods, and even in these areas much remains to be done. But the organization's efforts have resulted in positive change in the neighborhoods—and in the lives of their residents. The story of how this transformation came about offers lessons that can be included in other efforts to increase the assets of the poor through home ownership.

The Long Road Back

Greenwood Avenue was a frightening place for a young girl, yet Denise Washington had to walk down it each afternoon. The street, which runs through the heart of Washington Heights, a largely African American neighborhood on the northwest side of Battle Creek, had a long history of violence, drugs, and prostitution. On her way to and from elementary school and junior high, Denise managed to avoid Greenwood, but once she started high school it was the quickest route home. "When I got to that street," she remembers, "I would start running until I got through, and I wouldn't look back. Anything and everything was happening on that street."

A few years later, just out of high school, Denise and her baby daughter needed a place to live. An apartment on Greenwood was the only place she could afford. "I remember at night there was gunfire, there were drugs," she says. "There was always some kind of police action going on. Three people were murdered in the daylight on that street. This one guy was coming out of his house; he was just walking out of the house at eight in the morning and was shot. They just left him there." Elderly residents slept in their basements to avoid the gunfire. Even during Battle Creek's hot and humid summers, Denise kept her windows closed in fear.

Denise knew the neighborhood well. One of four children, she was raised by her grandparents just a few blocks away. She describes her father as a rolling stone; it seemed that after each of his visits home another baby was born. Overwhelmed, Denise's mother agreed to let her parents care for her eldest daughter. Denise is grateful to her grandparents for providing her with a safe and stable home, but nonetheless the family was marked by tragedy and upheaval. One of Denise's two sisters died in her late teens and her brother was killed in prison, where he was serving time for murder, at the age of twenty-seven. Denise graduated from Battle Creek Central High School and went to work at a local bank, but lacking a

college degree could make little progress. A brief marriage that left her with a baby made it hard for her to return to school. Instead, Denise joined the military, serving for eight years in Germany. The stresses of military life took their toll on Denise's second marriage, which ended after seven years. She returned to Battle Creek in 1986, again divorced and now with two young children. The skills she had gained as a stock accountant in the army, however, helped her land a good job with the city, meaning that she could now afford an apartment in a nicer part of town. It seemed that her life was finally on track.

Within four years of her return from Germany, Denise was desperate. Things had somehow gone terribly wrong. Another short marriage had resulted in a third child; her husband walked out before their son was even born. Denise's grandfather became ill and moved in with Denise and her children. His medical expenses, coupled with the costs of caring for the family on her own, were more than she could handle. Just as damaging was Denise's propensity to help others even when she couldn't afford to. "I felt it was my personal duty to save the world," she says today. "My mentality was if you have a loaf of bread and somebody needs it, give them the whole loaf. You'll get some more." Credit card bills mounted and Denise found it hard to keep up. "I have this real personal spot in my heart for single parents," she explains. "I would see families who were less fortunate than myself and I would take my credit cards and buy them snowsuits and boots and whatever else they needed. I don't want to say I was stupid, but I wasn't very cautious. . . . I looked at it like, 'If I need [help], I know these people will come through for me.' I never intended on collecting, but you figure you have all these markers out there. . . . I trusted everyone. With that mentality, you don't expect anyone to take advantage of you." In 1990, Denise declared bankruptcy. Her fall from a sound credit rating had taken less than a year.

Denise's financial crisis was made worse by the relatively high cost of the family's housing. Ironically, it was her stable city job that had created the problem. Each cost-of-living raise Denise received had led to an increase in her rent. By now she was paying \$500 a month for substandard housing that was going for \$100 a month to families on welfare. She could not afford to go on like this. When she had first returned to Battle Creek, Denise had heard about a nonprofit housing organization based in Washington Heights. At the time, Neighborhoods Incorporated had not been able to help her, but five years later, with nowhere else to turn, she decided to give them another try.

Over six feet tall, her hair pulled back off her face, Denise Washington cuts an imposing figure. In her mid-forties, she dresses elegantly and wears a large cross. Although she is not a regular churchgoer, Denise considers herself a deeply spiritual person and credits her faith in God for much of the good that has happened in her life. The rest she attributes to Neighborhoods Incorporated. Denise's story emerges slowly—the big picture first, the painful details later on. Articulate yet soft-spoken, she is willing to share her story in the hope of helping others.

Kim Winfrey took Denise's call that day in 1991 and came out to see her the very same evening. Denise told Kim that she had recently filed for bankruptcy and did not see how she would ever be able to own a home. It was clear that Denise's financial woes had sapped her confidence as well as her credit rating. "I went through this thing of failure," she remembers. "I mean, it devastated me. When Kim came along, I had resigned myself to the fact I would never be a homeowner. I would always be mediocre. There was just nothing in store for me."

In Kim Denise found a powerful advocate. A woman of strong opinions and iron will, Kim had joined Neighborhoods Incorporated a few years earlier with a background in public relations. Initially she ran volunteer events and prepared the organization's newsletter but soon traded in her computer for a tool belt and began working on home repair. By the time Denise approached Neighborhoods, Kim had become the organization's housing counselor, responsible, among other things, for assessing whether new clients were ready for home ownership. Although many years have passed since their first meeting, Denise can recall Kim's words as though it were yesterday: "If you believe that I can help you, I can help you," Kim said. "It might not be overnight, but if you're willing to work with me on these issues I can get you into a house."

Denise's dream of becoming a homeowner was one most Americans share. But realizing this goal is harder for some than for others.⁴ While the home ownership rate for whites stands at 74 percent, it is only 46 percent for Hispanics and 48 percent for African Americans. Only about half of those earning below the median income are homeowners, compared to more than 80 percent of those earning more than the median. And of single-parent women, only 31 percent own their homes, as opposed to 77 percent of married couples with children. Even apart from her bankruptcy, Denise faced formidable odds in buying a home. Kim Winfrey and the organization she worked for were there to help her beat these odds. To understand how and why, it is necessary to take a brief look back at the

history of Battle Creek and the reasons Neighborhoods Incorporated came into being.

Battle Creek was once a boomtown. In the late 1800s, the city had become home to leaders of the Seventh Day Adventist Church who promoted a new kind of health regime that quickly grew in popularity. Wealthy individuals came from around the country to check into the Battle Creek Sanitarium. Run by the Adventist doctor John Harvey Kellogg, the sanitarium offered cures that included vegetarianism, massage, vigorous exercise, and the consumption of a newly invented grain-based food. It was John's brother, Will, who transformed the Adventist promotion of a healthy diet into a commercial venture and, along with C. W. Post and a bevy of other cereal entrepreneurs, turned Battle Creek into the mecca of the breakfast food industry.

By the standards of the day, W. K. Kellogg and C. W. Post were enlightened businessmen, committed to the flourishing of their hometown and their workers.⁵ Post built a tract of two-story homes just south of his plant that were offered to employees of his Postum Company at cost. Payment schedules were tailored to income and down payments were as low as \$5. Other Battle Creek residents could purchase the lots at slightly higher prices—although in a reflection of the racism of the day, black employees and residents were excluded from the development. Over the years, the company offered cash prizes for the best-maintained homes and gardens and, by 1915, more than 81 percent of Postum employees owned their homes. Battle Creek became known as a “city of homes”; even during the Great Depression, seven of ten residents lived in their own homes—a rate substantially higher than the national average.

In 1917, the U.S. government established a military base on a 10,000-acre tract of land just outside town. Fort Custer served for the next forty-five years as the site of induction and training for U.S. Marines heading off to fight in both World Wars and Korea. Able to accommodate up to 80,000 troops at a time, the installation played an important role in Battle Creek's economy. By mid-century, the city had become a hub of conventional and military manufacturing and home to a number of other important government facilities. Cutbacks in military spending and broader economic trends spelled an end to Battle Creek's boom. By 1964, Fort Custer had closed, costing the downtown business district the spending dollars of thousands of military personnel. Also in the 1960s, two of Battle Creek's largest manufacturers shut down, wiping out 5,000 jobs. Other firms relocated to the South or overseas in search of cheaper labor and

more modern plants. Even the once-thriving cereal industry scaled back, as outdated production facilities, labor-management tension, and new competitors hindered profitability. A shopping mall was built outside of town and residents fled to the suburbs, taking their buying power with them. The city's population fell by one-fifth and downtown businesses faltered. By 1980, unemployment had risen to 20 percent. The city center was a shambles, with nine out of ten storefronts standing vacant on the downtown mall. One journalist described the scene as something out of the film *War of the Worlds*, "after the aliens disintegrated all the people."⁶

Beginning in the 1970s, Battle Creek fought back against decline through the combined leadership of the city, private businesses, and local philanthropies. These efforts met with limited success until a key turning point of 1982, when the Kellogg Company, which had been based in Battle Creek since 1906, announced that it needed a new headquarters but could not justify spending \$70 million of shareholders' money in a dying town. Unless Battle Creek cleaned up its act, Kellogg would relocate. With the threat of Kellogg's departure hanging over their heads, city leaders set about doing everything possible to retain and attract business. A pivotal step was the merger of the City of Battle Creek with its wealthier suburban township, increasing the tax base and eliminating political rivalries. Local businesses, including Kellogg, plowed money back into an economic development fund and a downtown revitalization effort began. The old pedestrian mall was replaced by a landscaped street and new retailers moved in. The W. K. Kellogg Foundation, one of the nation's largest, built a gleaming new headquarters a few blocks away. An industrial park was established at Fort Custer and the city undertook a marketing campaign to attract foreign auto parts manufacturers and service firms to the area. Eight thousand people now work at Fort Custer, securing its reputation as one of the most successful military base conversion projects in the country.

David Rusk, a leading urban expert, says that Battle Creek has done as well with its physical environment as any American city he's seen.⁷ But an even more important consideration in Rusk's view is the ability of community leaders to transcend particular interests on behalf of the greater good. Many of those involved in the renaissance of downtown Battle Creek claim it was the severity of the crisis—the sense of real desperation—that served as a catalyst for change and made possible a unified effort. Whatever the cause, these patterns of partnership would play an important role in efforts to extend that renaissance beyond the city's center.

As the downtown retail district began to revive, the contrast with the areas surrounding it grew stark. Denise's Washington Heights neighborhood, just a mile away from the center of town, had long been a trouble spot. In 1978, newspapers reported that drug use, prostitution, and alcohol abuse were the daily routine at parks in the area.⁸ A decade later, residents of Greenwood Avenue were complaining to journalists that "13- and 14-year-olds have knife fights, parents stand like bodyguards while their children fight and youths smoke dope or drink while music blasts from car radios and boom boxes."⁹ In 1989, Domino's Pizza announced it would no longer deliver to the area because of concern for the safety of its drivers.¹⁰ By the early 1990s, the quality of life in Washington Heights was bleaker than ever. A community group estimated that there were at least fifty crack cocaine houses in the neighborhood.¹¹ And one summer night, Greenwood's worst elements closed off both ends of the street, stationed armed guards at the barriers, and charged people to enter a block party where drug sales and prostitution were among the chief entertainments.¹²

Residents clamored for greater attention from the city, and the city responded with stepped-up policing. But while a stronger police presence helped keep drug dealing and gang activity in check, it did nothing to alleviate the deteriorating physical condition of the northwest side, with its crumbling houses, vacant lots, and massive building code violations. As the overt violence subsided, city officials and residents turned their attention to these issues.

In 1991, Neighborhoods Incorporated was a small and underfunded operation. Formed a decade earlier, it had served mainly as an advocate for community groups seeking federal money for local projects. Its volunteers also worked in poor neighborhoods, painting, repairing, and weatherizing old homes. But nothing Neighborhoods did had any effect on the market and for every house that was fixed up, another deteriorated. As the city looked for answers to the continuing decline of its oldest neighborhoods, it consulted with several national housing organizations. The solutions proposed by the Neighborhood Reinvestment Corporation (NRC), a congressionally chartered nonprofit corporation, made the most sense to city leaders.¹³ Instead of focusing on individual families and their homes, NRC advocates a neighborhood-based strategy that relies on resident leaders, community-building efforts, and the reclamation of abandoned and distressed properties. With substantial input from the community, a plan was created for a new Neighborhoods Incorporated

that would be part of NRC's NeighborWorks network—a web of over 200 groups nationwide seeking to revitalize communities through partnerships of residents, government officials, and business leaders. The mission of the new organization would be tightly focused. It would not take on all the city's problems. The quality of the schools, the ability of the economy to generate jobs, downtown redevelopment—these tasks would be left to others. Neighborhoods Incorporated would do just two things: develop strategies to increase home ownership and stimulate the housing market in Battle Creek's inner city and work with residents of its target areas to improve their capacity to contribute to the health of the neighborhood. With a generous grant from the W. K. Kellogg Foundation and support from the city, the new Neighborhoods Incorporated set about its work.

Building Value

If you were to call Neighborhoods Incorporated today to inquire about buying a home, you would not find Kim Winfrey; after ten years with the organization, she moved on to start her own mortgage company. Neither should you expect a house call; Neighborhoods stopped making these years ago as lending volume expanded. You would, however, be asked essentially the same three questions that were asked of Denise in 1991. First, do you have a full-time job that pays at least \$8.50 an hour, or \$1,400 a month? For Denise, the answer was yes. She earned just over \$20,000 a year at her city job, well above Neighborhoods' cutoff. Second, are you able to save between \$1,000 and \$2,000 for a down payment? This was a trickier proposition, since Denise not only had no savings but was in debt. And third, is your credit history reasonably stable? Having declared bankruptcy the year before, Denise's answer to this question was an emphatic no. But rather than turn Denise away, Neighborhoods offered to work with her to resolve her credit problems. The same would be true today.

In many respects, Neighborhoods Incorporated resembles a traditional lending institution. It buys and sells properties, charges interest on the money it lends, and sells its loans in the secondary market. But unlike a bank or mortgage company, Neighborhoods is willing to help potential clients address the barriers they face on the road to home ownership. And because Neighborhoods is not a profit-making organization, it can offer substantially more education and support to its clients than they would receive from a private lending institution. To ensure that customers have

the skills and resources they need to succeed as homeowners, Neighborhoods staff counsels them before their home is purchased, during the transaction, and after the deal is closed. “They stick with you, they monitor you,” says Denise. “If you have problems, they’re there to catch you and help you get through it. They understand that life isn’t peaches and cream all the time, you’re going to have setbacks. Instead of just saying, ‘Tough luck, we want our money,’ they say, ‘Let’s work out a plan to get you out of this trouble.’” While Neighborhoods sometimes forecloses on a mortgage, it is far more common for a revised payment plan to be agreed upon.

Denise was a prime example of a client who had had little experience making major financial commitments and even less success managing those she had made. Repairing her credit was only the first step. If Denise was to assume responsibility for a mortgage, she would need to change her spending habits and learn how to handle her finances. Kim showed Denise a copy of her credit report and told her what she would need to do to qualify for a mortgage. “She said, ‘This is what you need to work on in order for us to get ready. This is the money you’ll need in order to get your down payment.’ So I proceeded to start cleaning up,” Denise remembers. “And as I got over another hurdle, then I would sit down [with Kim] and we would work on it some more.”

Today, these lessons are incorporated into a series of training sessions that all prospective home buyers must attend. The classes are taught by members of Neighborhoods’ staff of twenty-eight, dedicated individuals who endure long hours and low pay because they believe in the value of what they are doing. (Like many nonprofits, Neighborhoods Incorporated struggles with staff turnover and hiring difficulties because of a lack of resources for investing in its human and organizational infrastructure.)

First is an orientation session led by a member of Neighborhoods’ home ownership team. Next comes Dollars and Sense, which introduces budgeting concepts, offers tips and tricks for saving, and asks participants to look at how their spending behavior can affect their ability to buy and care for a house. (Those clients with more severe credit problems receive one-on-one counseling, as Denise did.) As customers get ready to apply for their loans, they attend HomeRun, a session at which they hear about the different financial products available to them, assess what they realistically can afford, and learn what Neighborhoods expects from them as homeowners. In Kim Winfrey’s words, “We take responsibility very seriously here. We expect families to be responsible for their own behavior, to be responsible for their house, to be responsible for their neighborhood.”

Session leaders make it clear that they expect a reciprocal relationship with their clients. Neighborhoods will help you buy a house you can afford. In exchange, you must abide by the terms of your loan, improve your property, and contribute to the quality of life on your block.

A number of optional, one-time classes are also offered to Neighborhoods' clients. Often, it is the residents themselves who identify a need for training in a given area, such as landscaping, summer maintenance, or winterizing a home. Neighborhoods has also offered sessions on financial literacy wherein they warn residents about predatory lending—efforts by unscrupulous mortgage companies to encourage low-income homeowners to take out high-interest rate loans using their homes as collateral. These transactions can result in owners losing their homes if the loan payments cannot be met. And almost every year, one evening is dedicated to teaching residents how to decorate their homes for the holidays while staying on a tight budget.

With Kim's support, Denise began to come to terms with her credit problems. "She made it real," Denise says. "She was constantly reflecting personal experiences of her own so that you could relate and not feel so overwhelmed or feel so inadequate. . . . If I had a question or a situation, she was right there to keep me from getting off track." The first step was learning to say no to family, friends, and her own impulses. This task was made easier by the fact that when she declared bankruptcy she had lost all her credit cards ("the best thing that could have happened to me," according to Denise). With Neighborhoods' help, she learned to budget and buy needed goods on layaway. Highly motivated by the prospect of home ownership, she was able to save \$700 toward a down payment.

The process was a long one. It was not until a year after Denise and Kim had first met that the call finally came from Kim saying she had found Denise the perfect house. Naturally, Denise wanted to know where precisely this perfect house was located. The reply came: "On Greenwood." "You must be out of your mind," Denise blurted out, as she remembered the nights spent with the windows closed and the doors locked, the trash, the gangs, the gunshots. "There's no way I'm going to live on Greenwood," she said.

Still, Kim persuaded Denise to keep an open mind. In an odd twist of fate, the house Kim had in mind was located across the street from Denise's old Greenwood address—a location that did not endear it to her any further. Since Denise and her daughter had lived there fifteen years earlier, Greenwood's most visible problems, especially drug dealing, had subsided.

But the street was still plagued by what Neighborhoods' staff and customers call "issues." Homes were in disrepair, garbage littered the street, and neighbors seldom spoke. One house on the corner saw a heavy traffic in half-dressed women and their male customers. Both apathy and fear were evident. As Denise says: "There were still issues that had never been challenged because, if a resident said they lived on Greenwood, nobody messed with them. It was still a really tough place."

Kim showed her the house and, much to her amazement, Denise fell in love immediately. "I can't explain it," she says, "but when I walked into the house, it felt like I had been there before. It felt like it was my house." Close to a hundred years old, the house had its problems, not the least of which was a driveway paved so badly that when it rained the runoff drained directly into the basement. But with four bedrooms, a large living room, a dining room, and an enclosed back porch, it was more spacious than anywhere Denise had ever imagined living. Best of all, these palatial quarters would cost less than the rent for her two-bedroom apartment. The possibility of owning a home, *this* home, outweighed Denise's fears and, to her own surprise, she found herself willing to return to her old neighborhood.

But before Denise could buy the house, she had to prove to Neighborhoods she was ready for home ownership. Under a lease-to-own program designed for higher-risk customers, Denise first moved into her Greenwood Avenue home as a renter, to live there for a year while Neighborhoods monitored her monthly payments. Only if she made them on time would she get a mortgage. Denise held up her end of the bargain and so did Neighborhoods. By the end of the year, her payment record was perfect and her savings had grown to \$1,000—enough for the down payment and home insurance. Now the organization converted her rental agreement to a mortgage.

Neighborhoods makes loans in three ways. Most common is a tandem loan, in which the home buyer gets a first mortgage at the market interest rate from a commercial bank and a second mortgage, sometimes at a reduced rate, from Neighborhoods Incorporated. Banks are eager to make such loans because they count toward federally mandated low-income lending requirements and have proven to carry little risk because of Neighborhoods' involvement. But not every applicant will qualify for a bank loan. Banks do not look kindly on recent bankruptcies and often require customers with past credit problems to pay higher interest rates to make up for the greater risk. Neighborhoods has more flexibility than traditional lenders in determining whether to make a loan. It can take into

account special circumstances, such as divorce or an illness, that might have contributed to the bankruptcy. It can also make judgments about whether a reasonable repayment plan is in place. If Neighborhoods decides to make a loan on its own, it has two options: the loan can come from a pool contributed by several local banks and operated by Neighborhoods, or it can come from Neighborhoods' own revolving loan fund and then be sold on the secondary market. In Denise's case, the organization felt she was ready to assume a mortgage. While Denise probably could have qualified for a bank loan by then, she opted to keep her mortgage with Neighborhoods.

Whatever the instrument, Neighborhoods operates as a sophisticated financial institution. It abides by conservative housing and debt ratios similar to those found in the private sector: a purchaser's monthly home loan payment must be within 28 percent of his or her income, and all debt combined (the mortgage plus any other debt, such as a car loan) may not exceed 36 percent of income. Neighborhoods has never lost money on a secured loan and, of the \$17.6 million loan portfolio it manages, only \$75,000 has been written off since the new organization was established in 1992.¹⁴

Lending plays a central role in Neighborhoods' activities, but it is only a means to an end. The organization's larger purpose is to build healthy neighborhoods, which it defines as places where people are willing to invest their time, effort, and money, and where neighbors manage the day-to-day issues that arise on their block. But converting parts of inner-city Battle Creek from neighborhoods of last resort to neighborhoods of choice after decades of neglect, white flight, and disinvestment is a tall order. To accomplish this task, Neighborhoods Incorporated differs in key respects from most community-based housing organizations. These focus on helping individuals improve their living situations; Neighborhoods Incorporated instead sees the neighborhood as the client. The goal is to restore its overall health in terms of image, market, physical condition, and the ability of residents to manage change. In other words, it was not enough to get Denise into a home. Neighborhoods also needed her to contribute to rebuilding the quality of life on Greenwood Avenue. Several strategies flow from this neighborhood-centered goal.

Unlike many housing programs that take a "scattered site" approach, renovating individual properties dispersed throughout a given area, Neighborhoods' efforts are concentrated geographically. When it began work in Washington Heights, Neighborhoods chose specific blocks on which to

focus. Greenwood was one of these. Members of the organization's outreach staff learned about each and every property and developed a plan for the street. To date, around three-quarters of the homes on Greenwood have been affected by Neighborhoods Incorporated in one way or another. Neighborhoods deploys a variety of techniques in its quest for a healthier neighborhood. A dilapidated house might be purchased and torn down and a new one built in its place. Purchasers who can afford to take on major renovations might be attracted to the neighborhood by a low interest rate or down payment subsidy. Houses might be bought and rehabbed by Neighborhoods before being put on the market. Where underbrush needs to be cleared, a demolition contractor will be brought in. If neighbors express an interest in landscaping their yards, Neighborhoods will connect them with volunteer gardeners from the nearby arboretum. This geographically targeted approach allows for visible and often dramatic improvements in the look of a street. These changes, in turn, help convince residents of neighboring streets, along with realtors and others, that an area is improving.

Most community-based housing programs serve only low- and moderate-income households; Neighborhoods' programs are open to people at all income levels. Missing from the organization's publicity material is any mention of poverty, even though the organization works in some of the most troubled areas of Battle Creek, a city where the poverty rate exceeds the state average and where the percentage of children who qualify for free or reduced-price school lunches runs higher than the state average at virtually every elementary school.¹⁵ Not surprisingly, Neighborhoods serves a largely poor population, with almost half its loans going to low-income customers.¹⁶ But one of the organization's core tenets is that a neighborhood populated by residents of different income levels, age groups, and ethnic or racial backgrounds has the greatest prospects for success, and it strives for diversity in its lending. In 2000, for example, Neighborhoods Incorporated made loans to families whose incomes ranged from \$18,400 to \$97,000 a year, for properties with sale prices from \$33,000 to \$95,000.¹⁷ Organizations that depend heavily on federal or state funds are restricted to making loans to households below a certain income level or to concentrating their efforts in low-income census tracts. Neighborhoods is bound by neither of these limitations, in part because its funds come from a diverse group of sources, giving it maximum flexibility in its lending decisions.¹⁸

Neighborhoods has a carefully considered strategy for choosing its target neighborhoods. When it began work in 1992, the organization se-

lected areas where at least half the homes were still owner-occupied and no more than a quarter of lots stood vacant. There were worse neighborhoods in Battle Creek, but the idea—and it is one that remains crucial to Neighborhoods’ work today—was to build from strength. Rather than beginning in the most distressed parts of town, where success would come far down the road if at all, the organization chose neighborhoods that still had some sources of vitality: long-term homeowners, interesting (if dilapidated) housing stock, residents who cared. By shoring up these pockets of relative strength, Neighborhoods could create a kind of firewall to keep the forces of decline from spreading. It could then move outward to focus on the weaker areas that surrounded its target neighborhoods.

This approach has drawn criticism from some residents of the city’s poorest areas who believe that they should be first in line when it comes to revitalization efforts. Neighborhoods acknowledges the problem, but has resisted pressure to spread its resources too thinly. Pat Massey, the organization’s CEO and a woman who has spent much of her adult life involved in community housing issues, reiterates, “The strategy can’t be done in a shotgun approach. Therefore, if we are going to make it work, we have to have enough resources. That just defines some of the neighborhoods that we cannot yet tackle.” In areas with more rundown or less appealing housing stock, the size of the subsidy provided by Neighborhoods would have to be that much higher. Like most nonprofits, Neighborhoods inhabits a world of limited resources and difficult tradeoffs. It must target its efforts for maximum impact and seek neighborhoods where its intervention will make enough of a difference to turn the housing market around.

Neighborhoods pays careful attention to the market in its quest to revitalize neighborhoods. Its work is based on a belief that market forces can be relied on to keep healthy neighborhoods strong. In places where the market is not working, Neighborhoods intervenes to bring values back into line with those that prevail in healthy neighborhoods. A generally accepted formula within the housing industry is that in a healthy neighborhood, houses should sell on average for about 150 percent of the residents’ median income. In the early 1990s, values in Washington Heights and the other target neighborhoods were well below this level. The question Neighborhoods asked was, Why was the market not working? The answers were clear. The housing stock was old and in poor condition. Maintenance by existing homeowners was being deferred. Low housing values were attracting nonresident owners who bought properties to use as rental units, leading to greater density and lower standards. And the

neighborhoods suffered from major image problems among realtors, prospective home buyers, and the general public.

Less obvious was how to tackle these issues. Scattered-site housing initiatives—building, rehabbing, or demolishing a house here and there—would do little to reverse such powerful trends. Instead, Neighborhoods needed to jump-start the market and create a dynamic that would lead to upward pressure on housing prices. If values could be induced to rise, residents would have a greater incentive to maintain their homes, prospective buyers would be attracted to the area, and the neighborhood's image would improve.

Its commitment to catalyzing the market led Neighborhoods Incorporated to break with one of the rules that prevailed among traditional lenders well into the 1990s. In making home loans, banks and mortgage companies are guided by a loan-to-value ratio, generally lending a borrower only up to 80 percent of the appraised value of the property. Unless special arrangements are made, the remaining 20 percent comes from the down payment. If the down payment is below this level, private mortgage insurance—an expensive transaction—is usually required. The reasoning is that if the borrower decides to sell the house tomorrow, or cannot make good on his or her mortgage payments, the bank will be sure to recoup the value of its loan. Neighborhoods Incorporated has from the beginning been willing to make loans that exceed the appraised value of a home, often going as high as 120 percent, provided the customer understands that he or she is making a long-term commitment to the property. This aspect of Neighborhoods Incorporated's lending appears less innovative now that traditional lenders have moved to more liberal lending standards, but most are still reluctant to go above a loan-to-value ratio of 100 percent. So the question remains: Why is Neighborhoods Incorporated not only willing but eager to lend its customers—including some like Denise, a woman with a troubled credit history—more money than their homes are worth? The answer lies in what Neighborhoods expects its customers to do in exchange for their loan.

Neighborhoods places a great deal of importance on the appearance and structural integrity of the homes its customers buy. Before any deal is signed, one of the organization's rehab counselors inspects the house. Working with the customer, Neighborhoods determines what work needs to be done and writes the improvements, along with their cost and a timetable, into a "spec." The amount of the loan is calculated to cover both the price of the house and the cost of planned repairs and improvements.

Renovations begin with the exterior—a paint job, new roof, or porch—and on structural repairs like Denise’s flooding basement. When it comes to the outside of the houses it finances, Neighborhoods is very specific about what it will and will not allow. Driveways must be paved, storm windows and doors cannot remain unfinished, front porches are never enclosed. Only after the exterior and structural measures are complete may the customer begin any interior renovations he or she chooses (and can afford) to make.

The goal is to break a cycle often seen in declining neighborhoods, where homes fall into disrepair and the neighborhood deteriorates, taking housing values down with it. As housing values drop, those who can afford to do so move out. The poorest residents are left behind with homes that are quite literally falling apart. It is easy to fault the people who live in such homes for failing to take care of them, but in economic terms these homeowners are acting rationally. In a neighborhood where housing values are depressed, it makes no sense to invest money in maintenance or renovation, since the resident will not get that money back when the house is sold. So repairs go unmade, the housing stock deteriorates further, and the neighborhood slips into an even steeper decline.

Neighborhoods Incorporated has succeeded in reversing this downward spiral in Battle Creek through the strategy it refers to as “leading the market.”¹⁹ The premise is that once people begin investing money in their homes, values begin to rise. As the houses on the street get a fresh coat of paint or new windows, other residents start thinking about improving their own properties. By lending customers more than their home’s appraised value and requiring that they spend that extra money on structural and cosmetic improvements, Neighborhoods is driving values up. This is a controversial approach and not suited to housing markets where prices are already high. But in many small and mid-sized cities of the Northeast, South, and Midwest, where the problem with housing prices is not how high they are but rather how low, this innovation can help ensure that the homes of low-income residents become appreciating assets rather than white elephants.

Leading the market is not a short-term strategy. Denise would not have broken even if she had gotten her loan, rehabbed her house, and put it on the market the following year. The staff of Neighborhoods stresses to prospective borrowers the need to make a multiyear commitment to their new home and neighborhood. The organization is looking for residents who will have a positive impact on their street, not those interested in a quick profit.

Some people in community development circles disparage Neighborhoods' approach as a "gentrification model" in which property values are pushed to the point where poor people are driven out of their homes. This argument falls flat when one visits Battle Creek's older neighborhoods. They are clean and well cared for, but they are worlds away from the kind of setting one associates with soaring housing prices and an influx of young professionals. These are neighborhoods where, on any given block, one can find houses that are affordable for people of a wide range of incomes. The difference is that a poor resident may now live next door to a middle-class family rather than an abandoned house or vacant lot. Jenna Tomalka, a consultant to Neighborhoods, puts it this way: "In most cities, it is an us-and-them thing. 'This is what *we* want. But *those* poor people, they want something else. And that is what we will give them.' Here, we decided that poor people want the same thing everyone else wants—safe, healthy, clean neighborhoods. And they will work for it."²⁰ Bill Jones, a housing activist from Chicago, agrees, saying, "I've never met a poor person who wants to live in a poor neighborhood."²¹

When people speak of gentrification, what usually lies at the heart of their concern is displacement due to rising housing prices. There is no sign that Neighborhoods' policies have led to such an outcome. Rance Leaders, the former city manager of Battle Creek who served as Neighborhoods' CEO in 2000–1, points to one target area, Park Hill, where the organization has built several new homes that have been appraised in the range of \$80,000. "What that means," Leaders explains, "is, if you were one of the homeowners that stayed, the value of your property is going to go up as well. If you look at the number of homeowners who have lived there all their life, those folks are still there. There's a lady that lived in that neighborhood all her life. And because of what was going on there, she actually physically tore down her house on her lot and built a new house on that same site. And that is a lot different scenario than the gentrification model that I know of." As better-off residents—and those encouraged to do so by Neighborhoods Incorporated—invest in their homes, others on the block follow suit. Standards rise rather than sinking to the lowest common denominator.

This is what has taken place on Greenwood Avenue. Denise, an avid renovator, has helped raise the standards of her entire block. With money borrowed from Neighborhoods Incorporated, she has undertaken a series of improvements that have increased the value of her property. An alarm system was added when the house was purchased. When Denise moved

in, her youngest child was a toddler. Her first rehab loan was for a fence so her daughter could play outside safely. With three children at home, she needed more than the one and one-half baths the house offered, so she had a shower installed in the upstairs bathroom. Over the years, she has added a new porch and a deck. In addition, the house has been painted, the chimney rebuilt, the yard landscaped, and the windows replaced. Denise has tried to balance high-quality, low-maintenance improvements with cost-effectiveness. When it came to replacing the pipes in the house, for example, she opted for the more expensive copper. Denise plans to live on Greenwood for the rest of her life, then pass the house down to her children. There's no point, she says, to putting in pipes that will wear out any time soon.

Denise's efforts seem to have made a difference. As she tells it, "In the summertime, I would literally have an audience. My neighbors would sit on their porches, they'd watch me clip my bushes, they'd watch me do all this landscaping. It would be 90 degrees outside and I'd be out there painting or whatever, and they'd be sitting on the porch sipping a beer looking at me and thinking, 'Is she an idiot, or what?'" Gradually, though, the other residents of Greenwood began stopping by to tell her what a nice job she'd done and to ask questions.

Soon Denise and a neighbor decided to work with Neighborhoods' outreach staff to install decorative iron post lights in the front yards of the homes on the block. Through a program called Building Blocks, Neighborhoods makes small sums of money available for community-building projects of this sort. With the assistance from Neighborhoods, the residents of Greenwood were asked to pay just \$40 of the cost of the post lights. Even so, fewer than half of those who lived on the block signed up to participate. But once the others saw how the lights improved both the appearance and safety of the street, everyone wanted to join in. Landscaping projects followed, and the street grew greener and more welcoming. Recently a couple living in one of Greenwood's most ramshackle houses began installing new windows. Denise calls it "The Jones syndrome," as in keeping up with the Joneses. "I did it, then it started spreading, other neighbors started doing it. People say, 'I'm not going to let them outdo me.' I look at it as being healthy. People take pride now."

The house that Denise bought for \$32,000 is probably worth around \$75,000 today. This more than covers the amount of money she has borrowed for renovations. More striking, though, is the fact that houses in the area are now selling for \$50,000–\$60,000 *before* rehab, while a newly

built house down the street from Denise recently sold for \$112,000. Rising values, along with stronger building code enforcement by the city, have created an incentive for the owners of rental properties—usually the worst-maintained houses around—to take their money and run. Houses that had been chopped into several apartments have been returned to single-family status. Long-term residents are also improving their homes, sometimes with rehab loans provided by Neighborhoods Incorporated, sometimes with other resources. Greenwood Avenue is becoming a neighborhood of choice, not of last resort. It is also becoming more diverse. While middle-income people are among those moving in, the street's long-term low-income residents are staying put. And for the first time in years, their homes represent a valuable asset.

Neighborhoods' achievements extend beyond Greenwood Avenue and the streets around it. In Historic Northside, Neighborhoods' first target area, property values have risen substantially. An evaluation study of a small number of properties carried out by Michael Schubert, a former Chicago housing commissioner who consults for housing groups around the nation, gives some insight into the magnitude of the change. During the first three years of intervention (1992 to 1995), the average appreciation for the properties considered was almost \$19,000.²² This meant a substantial increase in equity for the residents of these homes, all of whom were low income. Housing prices in the area have continued to rise, and Historic Northside is currently one of Battle Creek's most desirable neighborhoods. Realtors, too, view the area favorably. One sign is that when properties come on the market, they generally sell quickly. In 1992, Historic Northside properties remained on the market an average of 124 days; by 1996, their stay on the market had dropped to half that, and today attractive properties in the area sell as soon as they are listed.²³

In Post Addition, the second area where Neighborhoods became involved, the properties evaluated by Schubert had appreciated on average by \$4,510 between 1992 and 1995. (The lower appreciation rate is due in part to the fact that Neighborhoods was less active in this area, but also to the nature of the homes, which are smaller and closer together than those in Historic Northside.) While the number of homes included in these evaluations is limited, another indicator of Neighborhoods' impact comes from a much larger sample. When Neighborhoods began work in 1992, the average selling price of homes in its target neighborhoods, before any rehab, was \$25,783. By 1999, the average prerehab price had more than doubled to \$54,685.²⁴ Finally, data from the 2000 Census show that in

Battle Creek the home ownership rate rose while the rental rate declined between 1999 and 2000—a change that city leaders attribute in part to the activities of Neighborhoods Incorporated.²⁵ These developments suggest that the organization’s efforts benefit not just its customers but their neighbors as well.

There are other signs of revitalization. Citizen surveys commissioned by the city show that residents have a high degree of satisfaction with their communities, feel safe on their streets, and play an active role in beautifying their neighborhoods.²⁶ David Rusk says that Neighborhoods Incorporated is the only community housing program he has encountered whose beneficial impact can be seen in the public schools. Between 1993 and 1996, eight Battle Creek elementary schools showed a significant drop in the percentage of children receiving free or reduced-price lunches. Six of these schools were in Neighborhoods’ target areas. (By way of comparison, in the nearby city of Kalamazoo, in every elementary school that showed a significant change in free or reduced-price lunches, it was an increase.) The number of low-income children attending Battle Creek’s schools did not fall, but new students entering the schools came from higher-income families, a good indication that Neighborhoods’ efforts were helping contribute to a better income mix in the central city.²⁷ An equally important trend is that the turnover rate has fallen at these schools, suggesting that Battle Creek’s older neighborhoods are also becoming more stable.

For many years, Denise’s mother and sister lived in San Diego. They often urged Denise to join them. But she has never had any intention of leaving. “They don’t understand,” she says. “Greenwood is my baby. I’ve seen so many changes on my street. I’ve got a vested interest. I know how it was when I moved on the street, I know how it is now. I have literally gone to bed at night with my screen door locked but the front door wide open. I’m not the only person responsible, but I feel like I’ve been a part of it. I’ve seen a beautiful change evolve right before my eyes. Why would I want to leave something like that?”

Learning to Lead

Until recently, Zoe Kimmel, an outgoing woman with short gray hair and lively eyes, lived down the street from Denise. Zoe and her husband got their home loan through Neighborhoods Incorporated, and Zoe later went to work for the organization. The Kimmels were also one of the first white

families to buy a house on Greenwood. Zoe tells what happened when she went away for the weekend shortly after moving onto the block. She turned on the alarm, locked the doors, and left town. When she returned Sunday evening, her neighbors were waiting to speak to her. They told her in no uncertain terms never to go away again without telling them. On their block, they keep an eye out for each other. If she does not let them know she is out of town, how can they look after her property?

This sense of shared responsibility is part of what Denise loves about her neighborhood and part of what keeps her in Battle Creek. Today, Greenwood Avenue strikes the visitor as an unremarkable street in a quiet, older neighborhood—and that is saying a lot. Where teenagers once fought with knives, people are planting flowers and replacing windows. Where Denise once picked up trash when she returned from work each evening, the street is clean, and the neighbors that ignored her now let her know when they see someone unfamiliar loitering in front of her house. There are still rough spots, including a convenience store a few blocks away that attracts an unsavory crowd at night. But these days, as a local journalist writes, “It is almost as if the problems stick out because there are so few.”²⁸

The transformation of Greenwood Avenue suggests that for a neighborhood to remain healthy it is not enough for residents to have a stake in their dwellings. They must also have a stake in their relationships with the people next door and the larger community. Robert Putnam writes, “Homeowners who are also good neighbors take their social capital to the bank,” citing a study showing that neighborhoods with high social capital were far less likely to decline in value than those with low social capital, regardless of other factors like racial composition, proximity to downtown, or residents’ socioeconomic status.²⁹ The revitalization of Battle Creek’s older neighborhoods has hinged not just on Neighborhoods’ success in raising property values, but also on its ability to tap the talents and energy of local residents and increase their stock of social capital.

On a warm June evening, a graduation ceremony is under way in the airy, whitewashed sanctuary of Battle Creek’s First Congregational Church. As in the many graduations taking place this month around the country, family members are in attendance, holding flowers and carrying babies. Inspirational speeches are given; then the graduates, dressed for the occasion, make their way across the stage, receiving certificates and gifts. But this is not your average graduating class. Its members range in age from twenty-three to sixty-nine. They work in factories, day care centers, and

for the federal government. Some have two jobs and others are retired. One is a photographer and another is working on her doctorate. These 26 graduates are marking the completion of Community Builders, joining 140 alumni who have been through the program since it began in 1995.

When the new Neighborhoods Incorporated came into being, no one envisioned the need for a formal leadership training course. The organization's mission statement had called for residents to be able to manage the day-to-day issues that arise on their block, but all that was meant by this was that neighbors would be encouraged to communicate and share ideas about how to keep their street in good condition. Neighborhoods' staff members thought specific projects carried out by a block's residents might promote such communication, and they received a grant from the W. K. Kellogg Foundation to give the approach a try. In what became the Building Blocks program, Neighborhoods offered groups of residents grants of up to \$5,000 if they met two simple criteria: do something positive for their block and then celebrate their success. Initially, projects focused on achieving immediate positive outcomes—in an afternoon, flowers might be planted, a fence painted, trash cleared. At the picnic or barbecue that ended the day, neighbors who had never spoken before would have the chance to socialize and take pride in their accomplishment.

In asking people to take matters into their own hands, Neighborhoods had to swim upstream against the prevailing idea that "others" were responsible for what was wrong in the community. Residents felt victimized and out of control and blamed the city for many of the problems on their streets. When Neighborhoods offered to provide them with the resources to carry out projects that they considered important, its efforts were met with distrust. People were suspicious of an organization that claimed it would respond to their priorities, not impose its own. Yet the desire to live in a cleaner, nicer neighborhood outweighed the skepticism, and the tangible changes wrought by block projects led to enthusiasm for larger-scale efforts.

Soon residents began to undertake more substantial projects, renovating parks, designing neighborhood banners, or installing post lights as Denise and her neighbors did on Greenwood Avenue. Residents also requested more training, new tools with which to improve their surroundings. In response, Neighborhoods offered occasional workshops on landscaping, public speaking, conflict resolution. But residents wanted more. They asked Neighbor-

hoods to devise a longer-term training course and the Community Builders program was born. In evening and weekend sessions over two eight-week periods, Community Builders learn to set goals, make decisions, and develop other leadership skills. They also spend time thinking about how to market their neighborhoods, carry out block projects, and find community resources to help them in these endeavors. Perhaps most important, they have the opportunity to forge connections with their neighbors, connections that often endure beyond the end of the program. The course, which costs \$40 per term (\$25 scholarships are readily available), feels nothing like school. Concepts are presented through games, activities, self-reflection, and group discussion, and participants create relationships that carry over into later work in the community. As one recent graduate put it, "I don't know if we were supposed to have fun, but I did."

It took Denise four tries to complete Community Builders. Work, family, and other responsibilities intervened, but she stuck with it and eventually graduated in 1997. With her habitual tendency to look on the bright side, Denise says that every time she went through the program she learned something new. In fact, Denise became so familiar with the Community Builders curriculum that when funding for the program grew tight a year after she graduated, she volunteered to teach a session of the course. Neighborhoods had helped her buy a home, manage her finances, and develop leadership skills; this was her chance to give something back. In leading the class, Denise found that people related best to examples from her own life: "You need to be able to stand behind what you're saying. It's not that you read it out of some journal, but that you've been through it yourself."

In order to graduate from Community Builders, every participant must carry out a project. Denise's idea was to hold a workshop for homeowners in the community. She recruited speakers from city government and local insurance companies who could respond to common homeowner concerns and went door-to-door handing out leaflets. At the workshop, which was attended by about sixty people, homeowners heard suggestions about how to keep from falling behind in their property taxes and utility bills, how to find affordable insurance, and how to cope with other problems that might threaten the loss of their home. Through her growing community involvement, Denise has overcome her basic shyness, although she still describes herself as a quiet person: "If two years ago someone had told me that I'd be standing up in front of people and leading a class, I would have said, 'No way.'"

Like Denise, many of those who complete Community Builders go on to become more deeply involved in local affairs. One graduate, in his first foray into public office, won election to the Battle Creek School Board by one of the largest margins in recent history. His campaign manager had also been through the Community Builders program. Another has taken on responsibility for maintaining the renovated Quaker Park, a small park on the Historic Northside that had once been a magnet for dangerous and illegal activity. A third Community Builder, a longtime resident of the Park Hill neighborhood, remembered that a local park had once contained a rock garden built in the 1920s by a famous landscape designer and enlisted the city and the nearby arboretum to uncover and restore it. Community Builders volunteer at events throughout the city. They plant flowers, clear vacant lots, throw parties for the children on their block. As Marta Howell, a former director of Neighborhoods, summed up in her speech to the June graduates, “All the money in the world can’t make a healthy neighborhood. It’s people that make healthy neighborhoods.”

Neighborhoods Incorporated is considered a model in the field of community building not just for its bricks-and-mortar achievements but for its work with resident leaders. The organization recently received a grant from the W. K. Kellogg Foundation to oversee a resident-driven planning process to increase educational attainment and create economic assets in Battle Creek’s seven highest-risk elementary school districts. The project is a natural outgrowth of Neighborhoods’ Building Blocks and Community Builders programs and marks a recognition of its track record in identifying and nurturing the resident leaders who can help increase the community’s stock of social capital. The partnership with the W. K. Kellogg Foundation provides Neighborhoods not just with resources but also with a platform to disseminate its ideas nationally. A parallel initiative involves plans to market the Community Builders curriculum to other community organizations around the nation and offer training in its use. While some of the principles used to revitalize Battle Creek’s older neighborhoods are not appropriate for every environment, the ideas that lie behind Neighborhoods’ resident leadership training and social capital-building efforts are applicable everywhere. In big cities and small towns, in a climate of high or low housing prices, a healthy neighborhood requires the commitment of the people who live there. By bringing residents together and empowering them to manage change, local housing organizations can ensure that a neighborhood’s vitality is more than skin deep.

With her financial situation stabilized and her housing crisis resolved, Denise's depression lifted. She went back to college to finish her associate's degree, applied for a series of better jobs with the city, and became an active volunteer and member of Neighborhoods Incorporated's board. In 2001, after eight years of night school, Denise finally completed her bachelor's degree, with a double major in accounting and business administration. Three weeks later, she started classes toward a master's degree in organizational leadership. She has had some setbacks at work, but continues to look for job openings with opportunities for advancement and recently received a promotion to the post of income tax collection agent.

Denise believes in people's ability to improve themselves, and she is well aware of how she has changed from the days when she was naive enough to run up her credit cards on behalf of others. "Now I know," she says, "if you've got a loaf of bread, you can give half of it away, but at least keep half for yourself." She has found another way to contribute. "Through educating myself, through becoming involved in the community, through all the things that I've learned being with Neighborhoods Incorporated, I've found that there's a different way I can help people. The way I help them now is by educating them, by helping them help themselves. The light was slow in coming on, but it came on." In January 2000, Denise's community work drew the attention of Spencer Abraham, then U.S. senator (R-Mich.), who nominated her for the prestigious President's Service Award, the top voluntary service award in the nation. While she did not expect to win, Denise took the nomination as a vote of confidence that, despite the setbacks and frustration she sometimes feels, her efforts are appreciated.

Denise is grateful to the people and principles of Neighborhoods Incorporated. "When they found a way for me to get the house . . . that was the turning point. Nobody ever took a chance on me before, except my grandparents. They [the people of Neighborhoods] didn't even know me, but they were willing to take that chance. They saw something inside of me that I didn't see but that was there. It was there all the time, I realize that now. But from them taking a chance on me, I started seeing it too, and it made me evolve. And I don't know when I'll stop. It's because of what they've done for me that I can be out there and do all the things that I'm doing. I always use myself as an example. I'm living proof that your life can change."

The lives of many individuals, Denise Washington among them, have been changed by the work of Neighborhoods Incorporated. Only a handful of Neighborhoods' clients have gone on to the same level of community involvement as Denise, but even those who are not activists have become responsible homeowners, good neighbors, and a source of stability in their community. Other housing organizations nationwide have developed similar approaches and still others look to Neighborhoods as a model. Even so, the lessons of Neighborhoods' experience deserve a wider audience and broader adoption. Not all of them will hold true in all cases—in particular, putting upward pressure on housing values in an already-overpriced housing market is a bad idea. But many of the core aspects of Neighborhoods' strategy point the way toward greater success in building assets for the poor.

First, Neighborhoods does not limit its services to low-income families. It takes seriously the adage that poor people should not have poor programs. Home buyers and potential resident leaders of all income levels are welcome at Neighborhoods, helping the organization achieve greater diversity in its target neighborhoods. A block that has a mix of homeowners of different incomes, ages, and ethnicities is one where homes are more likely to be maintained and a positive image projected to the larger community. These are key ingredients in ensuring that the housing market functions and that homes represent valuable assets to their owners.

Second, Neighborhoods takes a geographically targeted approach to strengthening neighborhoods. The scattered-site lending done by many other housing organizations may affect an equal number of homes while having little impact on a neighborhood overall. By working block by block to restore property values and achieve visible change, Neighborhoods has altered not just the reality but also the perception of its target neighborhoods among residents and the broader community.

Third, Neighborhoods is not concerned with just bricks and mortar. Its home buyer education sessions, block projects, and Community Builders program focus on people, not buildings. A new roof, paint job, or even a newly built house may increase property values, but such gains will not endure unless residents are able to recognize issues as they arise and work together to manage change. In the end, Neighborhoods' impact must be judged not simply in terms of economic assets, but according to the value of the human and social assets it has also helped build.

Fourth, Neighborhoods is willing to intervene aggressively to ensure that market forces work. The organization cooperates closely with market-based institutions, such as banks and realtors, and insists that its borrowers adhere to the same high standards imposed by traditional lenders. At the same time, however, it recognizes that the market does not function properly in many of the city's low-income areas. Neighborhoods works to reverse that trend by lending ahead of market value in an effort to jump-start housing price appreciation and by creating incentives for residents to raise standards on their block. Through block projects, rehab loans, and leadership training, Neighborhoods seeks to harness the power of peer pressure. As residents conform to the expectations of their neighbors, the image of the neighborhood improves, contributing to the successful functioning of the housing market.

Fifth, Neighborhoods pursues cooperative relationships. Early on, the organization's leaders decided, as they put it, "We're not going to be part of marching on anybody." This nonconfrontational approach has yielded results, and the same partners that succeeded in reviving Battle Creek's commercial center are now devoting themselves to rebuilding the city's older neighborhoods. As in all effective partnerships, each party plays an essential role. A nonprofit organization with roots in the communities it serves, Neighborhoods enjoys the trust of most local residents. The City of Battle Creek is a strong supporter of the organization and has responded readily to requests for more policing, street repairs, and other services in the target areas. Private philanthropies have contributed money to Neighborhoods and granted it unusual flexibility in how it may use those funds. Local banks, too, have supported the organization's efforts, providing mortgages to its customers and contributing to its loan fund. Bank representatives also sit on Neighborhoods' loan committee and serve on its board. Neighborhoods' emphasis on giving credit where credit is due has cemented these partnerships.

Finally, Neighborhoods continually strives to achieve a balance between helping people and holding them accountable for their actions. Kim Winfrey took a chance on Denise, providing her with the education she needed to become a homeowner and helping her buy a house she could afford. At the same time, Kim made sure Denise understood that, in exchange, she would need to manage her finances responsibly, improve her property, and give something back to the community. Like Denise, Greenwood's other residents have seen their street become safer and more desirable, but they know that these gains could evaporate if they neglect their homes or

become unwilling to work together to solve problems. The people who live in the older neighborhoods of Battle Creek take pride in what they have achieved. And they know that if more is to be done, they will be the ones to do it. As Denise says about her street, “It can’t get anything but better, because I’m going to do everything in my power to make it better.” This dual message of empowerment and responsibility is Neighborhoods Incorporated’s legacy to Denise and to anyone who seeks to make home ownership an effective tool in the fight against poverty.