

Mortgage Giants' Fall May Hurt Nonprofits

Some Worry Takeover Means a Cut in Funds

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The federal takeover of [Fannie Mae](#) and [Freddie Mac](#) has alarmed the Washington region's nonprofit community, sparking fear that the embattled mortgage giants, long among the area's biggest benefactors, could cut back or eliminate their charitable giving.

Last year alone, the two companies or their foundations collectively gave an estimated \$47 million to area nonprofit organizations, including homeless shelters, scholarship programs, food pantries and social service agencies.

The federal government is reviewing the charitable activities of both companies and has not determined whether the takeover, announced last weekend, will change or end their patterns of giving. Officials at both companies declined to comment.

So far, their charitable activities are continuing as planned. [Freddie Mac](#) held its annual Hoops for the Homeless fundraiser yesterday at the [Verizon Center](#), and [Fannie Mae](#) is preparing for its annual Help the Homeless Walkathon in November. But in already fragile economic times, the possibility that two of Washington's philanthropic pillars might topple has stirred deep anxiety among nonprofit leaders.

"If I were a weatherman for the nonprofit community, this is a category five," said Chuck Bean, executive director of the Nonprofit Roundtable of Greater Washington. "The scale of their investments is simply unmatched in our region, and there's no one else prepared to pick up the slack."

The uncertainty is particularly taxing on small agencies whose livelihoods rest heavily on Fannie Mae and Freddie Mac's continued generosity.

At SERVE (Securing Emergency Resources Through Volunteer Efforts), an agency in [Prince William County](#) that serves the homeless and underprivileged children, grants from the two companies make up about 18 percent of the annual budget. Asked whether she worries about the fate of those gifts, President and Chief Executive Cheri Villa said: "Oh my gosh, yeah. I haven't slept in four nights."

"It could be catastrophic, very quickly, to the needs at the bottom end of the rung that we serve: the food, shelter, housing, just the basics," Villa added.

District-based Fannie Mae and McLean-based Freddie Mac are the area's largest corporate donors, and if they were to lessen or stop their giving, the impact on the region's social safety net would be devastating, nonprofit leaders said.

"They are numbers one and two," Bean said. "Numbers three, four, five, six, seven, eight, nine and 10 are not prepared to pick up the slack. There's going to be scores of unmet needs."

"We just look around and wonder who's going to fill that gap," said Linda Dunphy, executive director of Doorways for Women and Families, an [Arlington County](#) shelter.

Mary Agee, president of Northern Virginia Family Service, said less giving would result in "a major erosion of the safety net for our families."

Fannie Mae and Freddie Mac's impact on social services cannot be measured in dollars alone, said Tamara Lucas Copeland, president of the Washington Regional Association of Grantmakers. Both companies organize charity walks to fight homelessness and encourage thousands of employees to volunteer at nonprofit agencies.

"It's the leadership that they've shown as well, along with the resources that have been generated," Copeland said. "When you look at their work, particularly around vulnerable children and homelessness, they are certainly the pillars of the community."

The two companies also make millions of dollars in charitable contributions nationwide. Freddie Mac practices its philanthropy through the independent Freddie Mac Foundation. Fannie Mae, meanwhile, shut down its independent foundation in 2007 during a period of broader upheaval. The corporation has continued to give to area charities through an in-house unit.

Both companies have been accused over the years of making tax-exempt contributions to advance corporate interests, such as by supporting community initiatives to build goodwill with potential political or business allies. But leaders in the nonprofit community defended their grantmaking.

"We do not support any statement that says these grants were made just for political purposes, because we've seen the positive impact and the outcomes on the ground," said Glen O'Gilvie, chief executive of the Center for Nonprofit Advancement.

"The support that they've provided . . . helps prevent crime and violence, increases academic achievement," he added. "If we don't have that, we will as a community see the difference very quickly."

Even if the companies ultimately continue their charitable activities, the uncertainty during the transition could cause delays in awarding grants to groups that are expecting them, creating budget gaps for organizations.

"There's tremendous anxiety," said Phyllis R. Caldwell, president of the [Washington Area Women's Foundation](#). "The uncertainty around what will happen will just cause things to stand still, and that creates more anxiety."

Some nonprofit groups are in a state of panic about where to turn for new dollars.

"There's not a place you can go to sign up and get alternate funding," said Lindsey Buss, president of Martha's Table, which provides meals and other services to needy District residents. "We'll have to either cut down on the number of people we feed, or do we reduce the number of children we serve in our programs, or do we make up the difference somewhere else? There's not an easy answer right now."

Some area groups rose to prominence largely because of sustained financial backing from Fannie Mae and Freddie Mac over the past two decades.

"They've been with me and the organization from nearly the beginning," said Susie Kay, who in 1996 founded the Hoop Dreams Scholarship Fund for D.C. public school students and receives six-figure grants from the companies each year. "You can't put a price tag on that, literally or figuratively."

The story is similar at Alexandria's Carpenter's Shelter, which serves homeless people. "They've had deep pockets for many years and frankly took a risk on Carpenter's Shelter," Executive Director Fran Becker said. "We had a vision, and they're the ones that backed that vision."

Several nonprofit leaders said they hope that by highlighting the impact of Fannie Mae and Freddie Mac's grantmaking, they can persuade federal officials to continue the giving, even with the companies under government control.

"They need to look at how far-reaching the tentacles of Fannie Mae and Freddie Mac are," said Mary Funke, executive director of N Street Village, which helps homeless women in the District. "The ramifications are potentially putting people back on the street. The ramifications are children being malnourished."