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PHOTOS BY MARVIN JOSEPH — THE WASHINGTON POST

Teacher Morena Parada helps students Jason Cruz, 4, left, and Joeli Arias-Lopez, 4. Their school's Freddie Mac funding is on hold.

The Littlest Victims Of the Mortgage Crisis

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By BRIGID SCHULTE
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The long arm of the global financial crisis reached down into Morena Parada's preschool classroom, where a little girl named Joeli Arias-Lopez painted bright green and orange splotches on an oversize easel and pronounced it a house.

The 4-year-old was blissfully unaware that her school, the Child and Family Network Center, stays open in this converted warehouse with a grant from the now-foundering Freddie Mac Foundation. Or that without that money, which was expected last month, her school, filled with bright puzzles, toys, blocks and dedicated teachers, might end the year early or close down altogether.

For 15 years the Freddie Mac Foundation, one of the largest corporate donors in the Washington region, has helped this little preschool, which charges nothing and serves about 150 needy children at six locations in Alexandria and Arlington County, stay afloat. But when the government announced in September that it had taken over the mortgage-finance giant to



Katherine Milliner teaches English to parents of students at the Child and Family Network Center. Loss of funding from troubled Freddie Mac could cause problems.

avert a collapse, officials put all charitable grants on hold, just two days before the preschool's grant was expected to be approved.

Now the preschool is in limbo. No one can tell its officials when or wheth-

er their grant, and those of several other area organizations that work primarily to help children and families, will come through.

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Freddie Mac Troubles Felt at Preschool

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"Which of these kids do you want to tell can't have an education?" asked Steve Nearman, the preschool's board chairman, watching Joeli paint as other classmates sang "Twinkle, Twinkle, Little Star," played with blocks or traced butterflies with stencils. "They're not widgets. They're children. They're lives. They're the future of our community."

The board is also considering cutting back on social work services it provides to help families become self-sufficient, scaling back English classes for parents or closing the school early, Nearman said. The school year normally ends late in June. Without Freddie Mac's \$250,000, or about 14 percent of the school's \$1.8 million budget, the school might be lucky to make it to March. And with the economic downturn affecting everyone's bottom line and donation habits, school officials don't count on anyone else to pick up the slack.

Chief Operating Officer Lee Jackson has a stack of bills on his desk. He pays the ones he must, such as the mortgage, utilities and food for the children's meals. The others he "prioritizes."

"People think about the financial crisis, and they think about corporate executives," said Barbara Fox Mason, the preschool's director. "They don't realize how it's affecting people from the other side of the street."

The Freddie Mac money is usually the one donation Mason can depend on. In July, as in previous years, Mason met with a Freddie Mac official to craft the school's grant proposal. Two days later, Freddie Mac called and told her to expect \$350,000. Although she had submitted a grant proposal for that amount, to be conservative, Mason budgeted \$250,000, which is what

the school had received in previous years. "It wasn't irresponsible of us to put in our budget what they typically give us," she said. "They were the *rock*. No one saw this coming."

In early September, Mason was gathering the documentation required as part of the grant process, including information showing the school's success. (Independent benchmarks show the preschool's students, who often start far behind their peers, progress at twice the national average through the year.)

Then, Sept. 9, two days after the federal government announced the Fannie Mae and Freddie Mac takeovers, Mason got a call on her cellphone saying the Sept. 11 board meeting to approve grants had been postponed. And she hasn't heard anything since. "We're under conservatorship, and as the conservator said in September, they're reviewing our charitable investments, both for the company and the foundation," said Shawn Flaherty, spokeswoman for the Freddie Mac Foundation. "Final decisions haven't been made. It's an ongoing process."

With the delay, Mason was forced to ask the City of Alexandria to release about \$150,000 earmarked for the preschool now rather than in January. Those funds will keep the lights on through March, Mason said. "Otherwise, we couldn't make it."

Freddie Mac posted third-quarter losses of \$25.3 billion and asked for \$13.8 billion of the \$200 billion the government has set aside to salvage Freddie Mac and Fannie Mae. Between the Freddie Mac corporation and foundation, Washington area charities have received more than \$250 million since 1991, \$45 million in 2007 alone. Fannie Mae and Freddie Mac have consistently been rated the top two corporate givers in

the region. So other agencies depending on the funding share Mason's worries.

"There's a tremendous amount of anxiety," said Chuck Bean, executive director of the Nonprofit Roundtable of Greater Washington. "When I talk to my peers, the frequent phrase is: 'What's your Plan B?' 'How will we keep our shelter open?' 'How will we cut our day care?' 'How will we turn people away from our food bank?' There are a lot of us who are working on contingency plans."

Judith Dittman, who runs Alternative House for young homeless mothers in Northern Virginia, said she had budgeted \$50,000 from Freddie Mac, as she has for the past four years, but also has heard nothing. Freddie Mac funds make up 14 percent of the organization's budget. "I'm holding my breath," she said.

Ditto for Judith Sandalow, executive director of the Children's Law Center in the District. Although the law center received its \$100,000 in May — Freddie Mac typically has two board meetings a year to approve grant requests of more than \$50,000 — a smaller organization that Sandalow works with, Foster and Adoptive Parent Advocacy Center, which depends on the foundation for a quarter of its budget, is also waiting to hear.

"Freddie Mac has been a stable and reliable funder," Sandalow said. "Good and thoughtful foundations, when they change their focus, give a year or two of warning to their grantees so they can begin to change their funding sources, because very few organizations can replace 25 percent of their funding that quickly. Best-case scenario: We scale back, help fewer people. Worst case: We close."

Maryland's Advocates for Children and Youth received \$115,000 in the spring



BY MARVIN JOSEPH — THE WASHINGTON POST

Director Barbara Fox Mason, with Jason Cruz and Joeli Arias-Lopez, fears for her preschool.

grant cycle. So for now, Executive Director Matthew Joseph is not worried. "But in early March, if things are still stalled, I think we would start hitting the panic button."

At the Child and Family Network Center, tucked into a warehouse behind the Birchmere music hall in the low-income Alexandria area, Mason is already panicking. As the economy has slowly soured during the past two years, donations have dropped, and she has cut accordingly. She once ran preschools in nine high-poverty locations. Now there are six. She once taught more than 200 children and assigned three teachers to every classroom. Now she has closed five classrooms, laid off seven teachers and has only two teachers per classroom.

That particularly stings, she said, because all the teachers, like Parada, were once mothers who received services from the center, who later were trained, receive associate or bachelor's degrees and turn their lives around. Two social workers left and have not been replaced, boosting caseloads from 40 families each to 62.

"It's like being Solomon," Mason said. "There's so much need, and who do you cut?"

Down the hall, Joeli and her classmates sang a rousing round of "Bringing Home Baby Bumblebee." Another little girl pressed her nose to the classroom window, her breath leaving a splotch of fog on the glass. She's one of the 104 children, Mason said, on the preschool's waiting list.