



MEMORANDUM

Date: December 13, 2007

To: Mayor Heather Fargo
Councilmember Ray Tretheway Councilmember Lauren Hammond
Councilmember Sandy Sheedy Councilmember Kevin McCarty
Councilmember Steve Cohn Councilmember Robbie Waters
Councilmember Robert King Fong Councilmember Bonnie Pannell

From: Lisa Bates, Deputy Executive Director

SUBJECT: Report: Foreclosures in Sacramento

Foreclosure activity in the Sacramento region is the sixth highest in the nation as of the third quarter of 2007. The impact of this high foreclosure rate ripples through our community: the personal tragedy of the loss of one's home, the deteriorating effect vacant foreclosed homes have on our neighborhoods, and a myriad of profound economic effects.

This report is intended to provide policymakers an overview of this complex issue in a way that can help frame local solutions. To provide context, the report first discusses data trends, contributing factors and a summary of state and federal responses. It then highlights local efforts currently underway or planned for the near term and calls for a more comprehensive and purposeful strategy that coordinates, intensifies, and publicizes the response efforts. Current efforts and next steps are summarized below; Section V of the report provides more detail.

Sacramento's **current efforts** address prevention of foreclosure primarily through local counseling efforts and maintenance of vacant properties through enhanced code enforcement tools. Of particular note, planning is underway for a community meeting to be held at the beginning of the year for distressed borrowers to provide information on where to go for help and how to avoid foreclosure scams.

- **Counseling Efforts.** Four HUD-certified counseling agencies operating in the greater Sacramento region and beyond provide individual foreclosure counseling through ten trained counselors. A fifth agency is currently hiring a counselor. All of the agencies have stepped up efforts, but resources are stretched thin. Coordination of outreach efforts has occurred primarily through Regional Partners in Homeownership, the local group of stakeholders

responsible for the annual "Homeownership Fair". Publicity to reach affected homeowners has recently been improved through the InfoLine phone referral system and the Beehive website. Additional outreach using public service announcement to advertise the national HOPE hotline and local counseling is also underway.

- **Outreach to Vulnerable Communities.** Some counseling agencies have stepped up their outreach to vulnerable communities, including seniors and limited English speakers. Among other things, this involves translation and coordination with agencies serving these groups.
- **Code Enforcement.** Both the City and County have recently adopted or modified ordinances setting minimum standards for maintenance of vacant properties and levying fines for neglect. It is anticipated that code enforcement will be an increasingly vital tool in the effort to protect neighborhoods from the blighting influence of long term vacancies.
- **Additional Data and Statewide Coordination.** SHRA is working with the California Reinvestment Coalition to collect neighborhood level data and to coordinate with other local foreclosure efforts throughout the state.

While these efforts begin to address some of the impacts, this report recognizes the **need for additional action**. Elements of an effective local strategy are:

- High level coordination and strategic planning among all local stakeholders, including counseling agencies, City and County staff, such as code enforcement, redevelopment staff, legal services, and lenders.
- Increased publicity and outreach to distressed homeowners with local resource information;
- Local government partnership with counseling agencies to ensure that counseling can be delivered once advertised;
- Encouragement to major lenders through the "bully pulpit" of local leaders, creating expectations that lenders will
 - Make all efforts to avoid foreclosure;
 - Maintain, secure, and find buyers for foreclosed homes;
 - Participate with HUD-approved counseling agencies, including providing lender financial support for default counseling;
- Advocacy for higher lending standards at the state and federal level; and
- Local programmatic response aimed at moving foreclosed homes more quickly from bank-owned to owner-occupied. This may include buyer and/or developer incentives.

SHRA intends to provide regular updates, including details on the community event, to the City Council and will return with program or policy elements that need governing body approval or policy input. Please contact Cindy Cavanaugh at 916-440-1317 or at ccavanaugh@shra.org if you wish to discuss or schedule a briefing.