

PRESERVING COMMUNITIES

Focus on Foreclosures

Addressing current issues relating to housing and homeownership

www.shra.org

March 2008



GLOSSARY OF GENERAL TERMS

OUTREACH AND EDUCATION

Sacramento Housing and Redevelopment Agency (SHRA), in conjunction with the Sacramento Regional Partners in Homeownership, are working with HUD-certified counselors, local lenders and real estate brokers to provide outreach and resources to assist, educate, and inform homeowners facing the loss of their home and to preserve homeownership. Foreclosure education and resource information is available at www.shra.org.

The City and County of Sacramento websites now include a link to the foreclosure information on the SHRA website.

COMMUNITY MEETINGS AND WORKSHOPS

NeighborWorks HomeOwnership Center Foreclosure Prevention Seminars

March 13, 20, 27

Pre-registration required at nwsac.org

2400 Alhambra Boulevard, Sacramento

Sacramento Regional Partners in Homeownership Foreclosure & Mortgage Default Consumer Workshop

March 24 – 6:30-8:30 p.m.

Oak Park Community Center

3425 Martin Luther King, Jr., Blvd., Sacramento

RSVP to (916) 264-1500

Chase Homeownership Preservation Foreclosure & Mortgage Default Consumer Workshop

April 23 – 6:30-8:30 p.m.

Regency Park Elementary School

5901 Bridgecross Drive, Sacramento

RSVP to (916) 264-1500

City of West Sacramento Foreclosure Prevention Community Forum

March 29 – 9 a.m. to noon

West Sacramento Community Center

1110 West Capitol Avenue, West Sacramento

(916) 617-4555

ByDesign Financial Solutions

Free webinars and workshops on alternatives to foreclosure

www.bydesignsolutions.org or (800) 750-2227

Foreclosure

A common term used to describe the procedure followed in enforcing a lender's rights when a mortgage secured by a lien on the home is in default; however, the correct term for a "Foreclosure" involving a deed of trust is a trustee sale proceeding.

Notice of Default (NOD)

A formal written notice to a borrower that a default (typically three missed or delinquent payments) has occurred and that legal action (foreclosure) may be taken.

Notice of Trustee's Sale (NTS)

A written document that sets forth the day, date and time of the trustee's sale. It describes the property to be sold and gives an estimate on the unpaid debt.

Trustee

A legal term for the holder of the property on behalf of the lender. The trustee handles the trustee sale of a property.

Trustee's Sale Proceeding (foreclosure)

The non-judicial procedure followed by the trustee in enforcing a creditor's (lender's) rights when a debt secured on real property is in default.

Real Estate Owned Property (REO)

A property that is not sold at a trustee's sale and is now legally owned by the lender.



Congresswoman Doris Matsui (D-5th District) talks with Sacramento residents at a consumer workshop on mortgage default and foreclosure in North Highlands on February 20 sponsored by the Sacramento Housing and Redevelopment Agency in conjunction with the Sacramento Regional Partners in Homeownership.

COMMUNITY STRATEGY

The City, County and SHRA have created a joint Foreclosure Taskforce to coordinate efforts, share resources, and facilitate a local, efficient response to the foreclosure crisis. Current efforts underway to aid at-risk homeowners include continued expansion of advocacy and outreach efforts to borrowers and lenders; development of foreclosure prevention programs that provide emergency assistance to delinquent homeowners and the potential ability to restructure existing loans or refinancing into a new loan. Efforts are also underway to address foreclosed properties, including programs that assist homebuyers and partnering with developers who will purchase and resell the properties to low and moderate income families.

SHRA will report in the coming month the latest information on foreclosures in the area. This information will further showcase the ability of local agencies to respond with current resources. The report will also identify actions that can be taken to position local agencies to respond when new resources may become available.

EFFORTS AND TRENDS

NATIONAL

Congress is considering the following proposed legislation:

S.2636 (Reid), Foreclosure Prevention Act of 2008, would help counties deal with threatened and actual home foreclosures due to the crisis in the subprime mortgage market.

The proposed bill contains an additional \$4 billion in Community Development Block Grant (CDBG) funds to help communities acquire, rehabilitate and sell foreclosed homes. Funds would be allocated to state and local governments with the greatest need including the number and percentage of foreclosures, subprime loans and homes in default or delinquency.

The proposed legislation also provides a one-time \$10 billion increase in the tax-exempt private activity bond cap to allow local and state housing finance agencies to issue Mortgage Revenue Bonds to assist borrowers who are facing foreclosure on their subprime loans, to assist other first-time homebuyers, or to provide rental housing.

STATE

Several bills have been introduced in the Senate and Assembly to address the foreclosure crisis. The California Redevelopment Association (CRA) supports AB 2594 (Mullin and Nunez), "Use of Redevelopment Tax Increment Funds.

The bill proposes changes to redevelopment law to allow the use of both housing set-aside and capital ("80 percent") funds to prevent subprime mortgage foreclosures and support low/moderate income

ANATOMY OF FORECLOSURE

- More than 80 percent of the loans that went into default in 2007 in Sacramento were originated between 2005 and 2006 when non-traditional and subprime loans with relaxed underwriting guidelines were particularly common in California.
- An estimated 44 percent of homeowners in default in 2007 lost their homes through foreclosure.
- Slightly more than 33 percent of all defaults in Sacramento County were within the City of Sacramento in 2007.
- Incorporated cities other than the City of Sacramento account for approximately 25 percent of all defaults within the County.
- Almost 50 percent all defaults in Sacramento County were in the unincorporated areas.

SOURCE: California Reinvestment Coalition

homeownership of foreclosed properties. Eligible activities include refinancing, credit counseling, and the purchase, rehabilitation and resale of foreclosed properties. The legislation proposes modifications of the term of affordability covenants, certain underwriting standards and accounting for production. The legislation is undergoing revisions and should be introduced in the near future.

LOCAL

SHRA presented a staff report to the City of Sacramento's Law and Legislation Committee on March 4 proposing support of certain state and federal legislation addressing foreclosures.

SHRA will present a staff report to the Sacramento Housing and Redevelopment Commission on March 19 and the City Council and Board of Supervisors on April 1, reporting back on the findings of the CRC study and proposed actions to be undertaken in response.

Funds awarded to help homeowners

Five local counseling agencies are among 130 recipients of a \$130 million federal award to help families facing foreclosure. Acorn Housing Sacramento, Home Loan Counseling Center Sacramento, Legal Services of Northern California, NeighborWorks HomeOwnership Center Sacramento Region and ByDesign Financial Solutions Fresno may use the funds to directly assist families who are at risk of losing their homes and to train foreclosure counselors.

The goal of the mitigation program is to eliminate mortgage default and foreclosure on single-family owner-occupied homes.

