

PRESERVING COMMUNITIES

Focus on Foreclosures

Addressing current issues relating to housing and homeownership

www.shra.org

April 2008



Foreclosure Timeline

Step 1. After being instructed by the lender (beneficiary) that the borrower (trustor) is in default, the trustee prepares a Notice of Default (NOD) and files a copy with the recorder's office in the county where the property is located. The borrower typically has three calendar months in which to resolve the default.

Step 2. If the borrower does not resolve the default within three months after the NOD is recorded, the trustee records a Notice of Trustee's Sale and schedules a Trustee's Sale to be held at least 21 days later.

Step 3. On the day of the sale, the trustee will either sell the property to the highest bidder or the lender will take legal ownership of the property and thus it becomes a Real Estate Owned (REO) property. The first bid, made by the lender, is normally equal to the unpaid principal or remainder of the loan plus accrued interest, advances for taxes and prior encumbrances, insurance and foreclosure costs. If the sale is made to a successful bidder, the trustee collects the funds and delivers a trustee's deed and title to the property to the purchaser.

OUTREACH AND EDUCATION

Sacramento Housing and Redevelopment Agency (SHRA), in conjunction with the Sacramento Regional Partners in Homeownership, is 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.

Below is a list of upcoming opportunities for homeowners to obtain information on foreclosure and mortgage default. Foreclosure education and resource information is available at www.shra.org.

COMMUNITY MEETINGS AND WORKSHOPS

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 (Russian & Spanish translation available)

May 17 – 9 a.m. to noon

West Sacramento Civic Center, Galleria

1110 West Capitol Avenue, West Sacramento

(916) 617-4555

NeighborWorks HomeOwnership Center Foreclosure Prevention Seminars (English & Spanish)

Every Thursday from 11:30 a.m. to 1:30 p.m. & 6-8 p.m.

2400 Alhambra Boulevard, Sacramento

Pre-registration required at nwsac.org

ByDesign Financial Solutions Free webinars and workshops on alternatives to foreclosure

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

Homeownership Fair

June 14 – 9 a.m. to 3 p.m.

Pannell Community Center

2450 Meadowview Road, Sacramento

(916) 646-2005

COMMUNITY STRATEGY

SHRA will be sharing the latest information on foreclosures in the area with the Board of Supervisors and City Council on April 29. The information includes the impact foreclosures are having on the community: more than 80% of loans that went into default in 2007 in Sacramento were originated in 2005 and 2006; as of January 2008, property values had declined 35% from the peak in August 2005; just under one-third of Sacramento borrowers received high cost loans in 2005 and 2006; and 36% of current loans in Sacramento face an interest reset in the next 18 months.

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COMMUNITY STRATEGY

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The Agency is working with the District Attorney to provide owners in default with foreclosure resources and anti-scam information.

In May, the Agency will launch a direct mail ad campaign in the PennySaver to help residents find foreclosure information and resources.



EFFORTS AND TRENDS

NATIONAL

Congress is considering two important bills (among many) that deal with different aspects of the subprime mortgage crisis. The Senate passed legislation focused on state and local funding to prevent additional foreclosures, reduce the inventory of foreclosed properties, provide incentives to homebuyers and tax breaks to certain businesses, and fund counseling agencies.

Called the "Foreclosure Prevention Act of 2008," (H.R. 3221), the Senate bill includes a one-time \$10 billion increase in mortgage revenue bond funds to help refinance qualified subprime mortgages, assist first-time homebuyers, and construct rental housing.

Of special importance to Sacramento, the bill contains an emergency appropriation of \$4 billion in Community Development Block Grant (CDBG) funds, allocated on the basis of foreclosures, defaults, and subprime loans in any given area. Funds may be used to purchase, rehabilitate and sell or rent foreclosed properties, including financing for low- and moderate-income homebuyers.

The House of Representatives' Financial Services Committee took direct aim to stem the rise in mortgage foreclosures by introducing a bill to allow the Federal Housing Administration (FHA) to refinance and insure mortgages of at-risk borrowers that have been written down to current market value by the mortgage holder. It is called the FHA Housing Stabilization and Homeownership Retention Act of 2008.

Introduced by Representative Barney Frank, the bill could potentially provide viable mortgages to 1 to 2 million borrowers with the capacity to repay the debt at current market value, enabling these families to stay in their homes. The bill would also provide \$10-\$15 billion in loans and grants to states for allocation to local governments and housing organizations for the purchase and rehabilitation of vacant, foreclosed homes.

These two major bills, among others, will end up in compromise legislation, perhaps by late May.

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) on the use of redevelopment funds.

The bill proposes changes to redevelopment law to allow the use of both housing set-aside and capital ("80 percent") funds to support low/moderate income homeownership. Eligible activities include refinancing, counseling, and the purchase, rehabilitation and resale of foreclosed properties. The legislation would modify the term of affordability covenants, certain underwriting standards and accounting for production.

State legislation is also pending to curtail or prohibit the reckless lending practices that created the subprime mortgage crisis. AB 1830 (Lieu) is the major anti-predatory lending bill, while others enhance reporting and noticing requirements. Assemblymember Dave Jones' bill (AB 2359) extends accountability for lending practices to investors who hold or are assigned mortgages.

LOCAL

The foreclosure response at the local level involves efforts to maximize leverage from anticipated Federal and State resources; positioning for those and other available resources; examining how to modify existing resources and programs, and advocating for more.

Additional work will research how to potentially implement effective local "lender accountability ordinances," the appropriateness of pursuing a lender intervention strategy, and the structure of a bulk sales program.