

PRESERVING COMMUNITIES

Focus on Foreclosures

Addressing current issues relating to housing and homeownership

www.shra.org

July 2008



Be Alert to Foreclosure Scams

Scam artists follow the headlines and know homeowners are falling behind in mortgage payments or are at risk for foreclosure. Their pitches may sound like a solution to your problem, but their intentions are less than honorable. The bottom line is they want to take advantage of you. Among the predatory scams reported are:

Foreclosure prevention specialist:

The "specialist" is a phony counselor who charges unreasonable fees for making a few phone calls or completing some paperwork that a homeowner could easily do for himself. None of the actions results in saving the home. This scam gives homeowners a false sense of hope, delays them from seeking qualified help, and exposes their personal financial information. See page two for counseling agencies that provide free help.

Lease/buy back: Homeowners are deceived into signing over the deed to their home to a scam artist who tells them they will be able to remain in the house as a renter and eventually buy it back. Usually, the terms of this scheme are so demanding that the buy-back becomes impossible, the homeowner gets evicted, and the "rescuer" walks off with most or all of the equity.

Bait-and-switch: Homeowners think they are signing documents to bring the mortgage current. Instead, they are signing over the deed to their home. Homeowners usually don't know they've been scammed until they get an eviction notice.

Source: Federal Trade Commission

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, resource information and dates for scheduled workshops are available at www.shra.org.

COMMUNITY WORKSHOPS

NeighborWorks HomeOwnership Center

Foreclosure Prevention Seminars (English & Spanish)

Every Thursday from 11:30 a.m. to 1:30 p.m., and 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

President Signs Significant Foreclosure Assistance Law Sacramento Expects To Benefit

The President signed legislation to help reverse the deteriorating economic conditions brought on by the subprime foreclosure crisis. Major financial provisions of the Housing and Economic Recovery Act of 2008 include:

- \$300 billion in FHA insurance to refinance subprime mortgages into affordable fixed-rate, 30-year loans
- \$3.92 billion in new Community Development Block Grant (CDBG) funds for localities hardest hit by foreclosures for the purchase, rehabilitation and resale of foreclosed properties. Based on the rate of foreclosures, Sacramento City and unincorporated County could possibly receive between **\$12 million to \$30 million**
- \$180 million for foreclosure counseling, including legal assistance
- \$11 billion in new mortgage revenue bond allocation to states for new mortgages, including refinancing
- \$7,500 (maximum) tax credit for first-time home buyers

Other important provisions include the federal government's back-up for Fannie Mae and Freddie Mac to maintain their ability to purchase mortgages; updating FHA rules; an increase in tax credit allocations; and long-sought improvements to the Low Income Housing Tax Credit and tax-exempt mortgage revenue bond program. SHRA, which administers the City/County CDBG program, is identifying target areas and programs for allocating the resources. These programs will be presented to the City and County for consideration in coming months.

COMMUNITY STRATEGY

In June, the Sacramento County District Attorney, in cooperation with SHRA, began sending scam warning letters to homeowners who have received a Notice of Default (NOD) from their lender. The first batch of approximately 2,000 letters went to homeowners who received a NOD between mid-May and mid-June, and future mailings will occur about once per month.

Each letter includes descriptions of scam warning signs and phone numbers for federal and state fraud hotlines. In addition, the letter recommends that the homeowner immediately contact their lender about their situation. For homeowners that want additional assistance, the letter provides contact information for the six local home loan counseling centers.



75 percent of homeowners who attend local government sponsored community workshops get help to avoid foreclosure. But that assistance doesn't always mean the homeowners get to keep their home.

REPORT FRAUD

Federal Fraud Hotline (800) 437-2838
California Attorney General's Office (866) 275-2677

HUD APPROVED COUNSELING CENTERS

Home Loan Counseling Center of Sacramento (916) 646-2005
NeighborWorks Homeownership Center
 (916) 452-5356 ext. 229
ByDesign Financial Solutions 1 (800) 750-2227

Senior Legal Hotline – Legal Services of Northern California

(916) 551-2140
Acorn Housing Corporation
 (916) 451-9659
Sacramento Mutual Housing Association
 (916) 453-8400 ext 43

EFFORTS AND TRENDS

National

The President signed the Housing Economic Recovery Act of 2008. See page one for details.

State

Earlier this month, the Governor signed SB1137 (Perata). The new law does three specific things relating to foreclosure: 1) provides a timeline and guidance to lenders on reaching borrowers and discussing their financial situation prior to issuing a Notice of Default (NOD); 2) increases eviction notification to tenants occupying a unit being foreclosed from 30 days to 60 days; and 3) raises the maximum fine a local government can penalize a property owner for failure to maintain a foreclosed property to \$1,000 per day.

Local

A workshop sponsored by the San Francisco Reserve Bank highlighted the latest developments in reaching at-risk borrowers and assisting them in avoiding foreclosure. Only 3-5 percent of at-risk borrowers attend community workshops organized and supported by local

governments, counseling agencies and lenders and are designed to provide onsite assistance to homeowners.

75 percent of the attendees get help to avoid foreclosure; however, that assistance does not necessarily translate into a homeowner keeping their home. Many are able to avoid foreclosure by either executing a short-sale or a deed-in-lieu of foreclosure.

Federal Reserve Prohibits Certain Subprime Lending Practices

The Federal Reserve has prohibited certain "deceptive and unfair practices in mortgage lending" that contributed to the subprime mortgage crisis. These new policies apply to all subprime mortgage lending, not only those that are federally regulated. Further, the policies prohibit making a loan without verification of income and assets as it relates to repayment ability. Repayment ability must be assessed on the highest scheduled payment in the first seven years of the loan. The policies also ban prepayment penalties in adjustable rate mortgages (ARMs) within the first four years of the loan, and require escrow accounts for property taxes and insurance for at least the first year.

