

## Community Foreclosure Mitigation Toolkit

The Federal Reserve views the high rate of mortgage foreclosures as an urgent problem. Using the System's expertise and extensive network of national and regional relationships, the Fed is collaborating with other regulators, community groups, policy organizations, financial institutions and public officials to identify solutions to prevent unnecessary foreclosures and their negative effects.

This toolkit provides resources to assist communities in addressing the current turmoil in the housing market and minimize the impact of foreclosures on neighborhoods. The toolkit includes Web links and local resources to navigate the current housing and credit markets. For more information, contact the [Federal Reserve Bank of Richmond's Community Affairs Office](#).

This resource is presented as a four-step process:

## Step One: Assessing the Foreclosure Situation

The first step of any community effort is assessing the local foreclosure situation. This step also enables you to target limited resources to foreclosure hotspots.

### Data and Maps

The Federal Reserve System provides [dynamic maps and data](#) showing subprime and alt-A mortgage loan conditions in the United States. These maps, maintained by the New York Federal Reserve Bank, display regional variation in the condition of subprime loans.

- The maps may assist community groups in targeting financial counseling and other resources to at-risk homeowners.
- Policymakers also can use the maps and data to develop plans to lessen the direct and spillover impacts that delinquencies and foreclosures may have on local economies.
- Local governments may use the data and maps to prioritize the expenditure of their resources for these efforts.

Visit your [Reserve Bank's Web site](#) for research reports, data and practical information. You may also contact your Bank's Community Affairs Office with specific requests.

### *National Delinquency Survey*

The Mortgage Bankers Association (MBA) provides quarterly reports on delinquency and foreclosure rates of loans at the national, regional and state levels. The MBA's [National Delinquency Survey](#), conducted since 1953, covers 80-85 percent of all first-lien residential mortgage loans outstanding in the United States. Delinquency and foreclosure measures are broken out into various loan types (prime, subprime, VA and FHA) and fixed- and adjustable-rate products.

### Regional and Local Resources

State laws require that notices of intent to foreclose real estate be posted for public view, although the specific posting process varies from state to state. Companies then compile these pre-foreclosure notices, along with actual foreclosure sales data, and make the information available for sale. Some counties make maps and listings of property addresses available during "publication" period prior to the foreclosure sale date. Contact a local title company in your community to get more information on the best local sources for pre-foreclosure and foreclosure sales reports.

### Foreclosure Laws

Because foreclosure laws and regulations vary across states, it is critical that you educate yourself about the process. In some states with a judicial foreclosure process, the lender

must take the borrower to court to seize the property. In other states, a nonjudicial foreclosure process requires no court action.

### **Sources for State Laws on Foreclosure**

- [United States Foreclosure Law](#)
- [Foreclosure Laws and Procedures by State](#)

[Maryland](#)

[North Carolina](#)

[South Carolina](#)

[Virginia](#)

[Washington, D.C.](#)

[West Virginia](#)

## Step Two: Reach Troubled Homeowners

A recent [Freddie Mac/Roper poll](#) showed that despite increased news media coverage of the foreclosure turmoil, almost 57 percent of the nation's late-paying borrowers still do not know their lenders may offer alternatives to help them avoid foreclosure. The combined stress of delinquency on their mortgage and the associated problems that caused the financial difficulties can interfere with a homeowner's ability to strategize and make rational decisions about how to deal with his or her financial crisis.

Community leaders play a critical role in informing their constituents of the necessity of talking with the loan servicer, or a qualified housing counselor, as soon as they know they are going to have trouble making their payments. The U.S. Department of Housing and Urban Development maintains a [searchable database](#) of HUD-approved housing counseling agencies organized by city, state and ZIP code.

The [Federal Housing Administration \(FHA\)](#) also offers resources to assist troubled borrowers better handle their mortgage payments. Several options include refinancing and loan modifications.

### National Community Resources

[The Federal Reserve Board](#) of Governors hosts a Web site with links to the latest consumer information on foreclosure from HUD, FHA, IRS and other governmental agencies.

[Federal Reserve Consumer Help](#) provides assistance to consumers who would like to file a complaint against a bank or other financial institution and also provides information and resources on consumer issues. Consumers also may contact Federal Reserve Consumer Help by dialing (888) 851-1920 or via e-mail at [ConsumerHelp@FederalReserve.gov](mailto:ConsumerHelp@FederalReserve.gov).

[NeighborWorks America](#), a national nonprofit organization created by Congress, provides financial support, technical assistance and training for community-based revitalization efforts. The Fed works with NeighborWorks to find ways to stabilize neighborhoods and mitigate the impact of foreclosures and vacant properties on communities. NeighborWorks has created [Formula for Success: Questions and Answers for Local Leaders Designing a Foreclosure Intervention Program](#) to address the needs of local communities faced with foreclosure issues in their neighborhoods.

NeighborWorks' [Center for Foreclosure Solutions](#) provides research and reports; resources for counselors, such as training opportunities and predatory lending tips; and marketing resources for helping communities connect to troubled homeowners.

NeighborWorks also administers a national fund established by Congress to increase the availability of foreclosure counseling services in communities of need across the country.

The [National Foreclosure Mitigation Counseling Program](#) (NFMCP) provides grants to HUD-approved housing counseling intermediaries, qualifying state housing finance agencies and local NeighborWorks organizations to expand their capacity for counseling borrowers at risk of foreclosure.

NMFCP Funds also will be used to train foreclosure counselors by the [NeighborWorks Center for Homeownership Education & Counseling](#) through NeighborWorks Training Institutes, regional trainings, place-based trainings in partnership with local intermediaries and housing finance agencies, and the development of an online [Foreclosure Basics e-learning course](#).

The [Homeownership Preservation Foundation](#) operates a national foreclosure hotline staffed by trained counselors who can help borrowers assess their situation, set up a mortgage repayment plan and get back on track financially. The service is free and is available in both English and Spanish, 24 hours a day, seven days a week. In addition, callers to the Homeowner's HOPE hotline ([888-995-HOPE](#)) can be referred to local nonprofit resources that provide other forms of assistance or additional face-to-face counseling.

#### **Public Service Announcements (PSAs)**

NeighborWorks teamed up with the Ad Council to create a [national PSA campaign](#) to encourage homeowners at risk of losing their homes to call 888-995-HOPE. The campaign includes television, radio, newspaper, magazine, Web and outdoor advertising, in addition to downloadable tools for direct mail and grassroots marketing. [Example](#)

#### **Creating a Partnership**

Developing a local homeownership preservation, foreclosure prevention coalition or task force also can help address foreclosure issues in your state and community. If there is increased foreclosure activity in your community and no such partnership exists, take a leadership role in creating one. Key partners in a local foreclosure mitigation task force can include lenders, servicers, regulators, real estate agents, housing counselors, city/state/federal government representatives, community-based organizations and faith-based organizations.

Established in June 2007 through the Maryland Department of Housing and Community Development, the [Maryland Homeownership Preservation Task Force](#) became the first formal task force in the Fifth District. The Task Force is comprised of community organization and foundation representatives, industry professionals, housing advocates and other stakeholders with an interest in foreclosure prevention.

The [Virginia Foreclosure Prevention Task Force](#) is an example of a successful statewide partnership. Leadership of the creation of the task force was provided by the Virginia Housing and Development Authority. The Task Force is working to mitigate the impact of foreclosures on communities and identify activities that can best support struggling homeowners.

Other regional Federal Reserve Banks are developing their own resources. The Federal Reserve Bank of Richmond's [Spring/Summer 2008 issue of MARKETWISE](#) provides extensive Fifth District foreclosure information and research. The Federal Reserve Bank of Atlanta has also created [Facing the Risk of Foreclosure? Answers to Frequently Asked Questions on Foreclosure Prevention](#), a brochure for homeowners and renters on foreclosure related issues and possible alternatives to foreclosure.

## **Hosting Community Events**

### *Consumer Workshops/Clinics*

Conducting foreclosure prevention workshops and/or default clinics in community locations such as schools and public libraries has proven successful in helping borrowers avoid foreclosure. The mitigation workshop and the default clinic remain the most effective foreclosure prevention models to date.

Typically a local coalition or task force hosts [mitigation workshops](#) to give borrowers a chance to meet face-to-face with a counselor and their lender. It is recommended that workshops be held in a meeting place located near an area of concentrated foreclosure activity. Participating loan servicers send invitations to their delinquent borrowers in area ZIP codes.

Local municipalities post notices of the workshops on their Web sites and in their public facilities. Local nonprofit counselors are positioned onsite to counsel borrowers and assist any borrowers whose lenders are not present. In most cases, lenders and servicers willingly participate in a summit that is well-designed and well-marketed.

Generally, a local foreclosure coalition or task force coordinates efforts to provide the meeting space and marketing for the event. It is important to be aware that similar workshops may be already scheduled in your community that you can support. Freddie Mac maintains a national calendar of consumer outreach events. To receive the most recent version of this calendar and add your local events, e-mail [borroweroutreach@freddiemac.com](mailto:borroweroutreach@freddiemac.com).

Often nonprofit groups host default clinics as a way to triage distressed borrowers and streamline the default counselors' time. This model helps the clients self-select the appropriate assistance needed. Family Services of Charleston, S.C., has put together a useful presentation on [how to set up a default clinic](#).

### *HOPE NOW Alliance*

This national partnership includes more than 25 lenders, loan servicers and counseling organizations dedicated to preserving homeownership and minimizing foreclosures. The [HOPE NOW](#) lender members agree to a [uniform set of procedures and guidelines](#) designed to increase outreach to troubled borrowers and reduce foreclosures. HOPE NOW has partnered with NeighborWorks America to conduct homeowner workshops in cities across the United States.

The HOPE workshops provide opportunities for borrowers to meet face-to-face with their lender and local nonprofit housing counselors to develop a workout solution that can help borrowers stay in their homes.

Extensive marketing and media precede the workshops, and any homeowner facing difficulty or anticipating trouble with mortgage payments is invited to attend. Participating lenders and servicers mail invitations to their delinquent borrowers in the area.

### *Facilitating Communication Between Lenders/Servicers and Counselors*

Some homeowners have reported frustration because of a disconnect between lenders/servicers and counselors. Local efforts can be effective in facilitating interaction between different agents in the mortgage industry.

The Federal Reserve Bank of Philadelphia hosted a meeting of servicers and counselors recently that included formal presentations as well as breakout sessions where counselors could meet individually with loan servicers to discuss issues and problems. [View the agenda.](#)

### Step Three: Establish Post-Foreclosure Support Systems

Sadly, foreclosure cannot always be avoided, even when borrowers make the call to their lender/servicer early in the process. Circumstances such as severe loss of income may prevent the mortgage from being modified to an affordable payment under the borrower's current circumstances.

Communities should take steps to identify resources available to consumers who are losing their homes and be prepared to direct citizens to those resources. Many servicers offer financial incentives to get the homeowner or renter to leave the property sooner and in good condition. This service is often called "cash for keys."

A list of local social services resources needed by displaced homeowners may include:

1. **Public agencies and nonprofit organizations** with information or deposit assistance for rental housing or information about temporary shelters.
2. **Nonprofit credit counselors** to help with budgeting and credit rehab.
3. **Social services agencies** such as [United Way](#) and the [Salvation Army](#). These agencies are equipped to handle the many needs of a person or family temporarily without shelter.
4. **Food banks.**
5. **Local, county and state housing agencies**, which are often familiar with a host of other services that may be needed by someone facing foreclosure.
6. **Faith-based organizations** that offer assistance and services.
7. **Legal Aid offices** where low-income homeowners can get information about their legal rights and access free to low-cost legal assistance.
8. **Utility companies** with deposit assistance programs.
9. **Mental health professionals** with programs targeting people affected by trauma and depression.

## Step Four: Stabilize Neighborhoods

Foreclosures are not only devastating to the homeowner, but can also be destructive to neighborhoods and communities, especially when they happen in large numbers and in a concentrated area.

Research suggests that foreclosures reduce surrounding property values, which in turn can lead to more foreclosures, vacant and abandoned properties, and other neighborhood blight. Foreclosures also tend to become magnets for crime, including property damage, trespassing, squatting and vandalism.

While foreclosure prevention remains a critical component of a community foreclosure strategy, mitigating decline from existing and future foreclosures by protecting foreclosed properties, neighborhoods and the community tax base requires the same attention. The Federal Reserve recently sponsored [Recovery, Renewal, Rebuilding](#), a series of forums to generate discussion on the after-effect of the foreclosure crisis and explore solutions for community recovery, rebuilding and preparing for the future.

Communities across the country face the challenge of dealing with the destabilizing impacts of foreclosed properties. As a result, the Federal Reserve Board of Governors has developed [Resources for Stabilizing Communities](#), an extensive list of resources to provide information and strategies for communities working to preserve and revitalize their neighborhoods.

One common problem faced by cities with vacant or abandoned properties is identifying the individual responsible for the property. Often ownership or servicing of the mortgage transfers between parties several times over the life of the loan.

A title search identifies the last owner of record, and generally some kind of contact information will be available on the title.

The local tax assessor can identify the name, address and possibly the loan number of the loan servicing agent on properties where the first mortgage has been impounded for taxes and/or hazard insurance.

A good starting point for locating appropriate contacts for bank-owned property is the Mortgage Bankers Association Web site that includes a [list of property preservation contacts](#) for numerous large loan servicers from around the country.

### **Neighborhood Stabilization Program (NSP)**

The Neighborhood Stabilization Program (NSP), developed by HUD, provides emergency assistance to state and local governments to acquire and redevelop foreclosed properties that could lead to blight in communities. The NSP provides grants to every state and specific local communities to purchase foreclosed or abandoned homes and to rehabilitate, resell or redevelop these homes in order to stabilize neighborhoods. To apply for a grant or learn more about allocations in your area, visit [HUD's NSP](#) Web site.

## **The National Vacant Properties Campaign**

This [campaign](#) exists to provide individuals, advocates, government agencies, developers, nonprofits and others with information resources, tools and assistance to support their vacant property revitalization efforts. Vacant properties are defined as vacant residential, commercial and industrial buildings and lots that:

1. Pose a threat to public safety and/or
2. The owners or managers have neglected the fundamental duties of property ownership, such as failing to pay taxes or utility bills, defaulting on mortgages or carrying liens against the property.

The goal of the campaign is to help communities prevent abandonment, reclaim vacant properties and once again become vital places to live. Four actions fulfill this campaign:

1. Creating a national network of vacant property practitioners and experts,
2. Providing tools and research,
3. Making the case for reclamation and
4. Building capacity of local, regional, and national practitioners and decision makers through technical assistance and training.

Joe Schilling of the Metropolitan Institute at Virginia Tech and the National Vacant Properties Campaign recently presented [Community Stabilization Strategies - Where Main Street Meets Wall Street and Pennsylvania Avenue](#) at the Federal Reserve Bank of Richmond.

The Local Initiatives Support Corporation (LISC) co-founded the National Vacant Properties Campaign as part of the [LISC Vacant Properties Initiative](#). LISC provides practitioners and policymakers with models, research and technical assistance to turn vacant properties into vehicles for positive change.

The city of Minneapolis recently conducted an analysis of the cost of boarded and vacant properties. The analysis revealed that the true cost to the city was more than \$6,000 per property. Some communities have set up a building registry to record unfinished, abandoned, substandard and vacant properties left by homebuilders and other developers. New construction permits are not approved until the builder/developer has corrected existing problems.

A vacant property registration ordinance requiring owners of vacant or abandoned properties to register with the municipality may allow community officials to more easily monitor and inspect the properties and enforce code compliance. Safeguard Properties, a privately held field services company, works with loan servicers to preserve and maintain foreclosed properties. Safeguard provides a [list of vacant property registration ordinances](#) for numerous cities around the country.

## **Land Banking**

The creation of land banks have helped communities deal with vacant and abandoned properties. Municipalities can then buy and hold property for future sale or development.

The [Genesee County Land Bank](#) in Flint, Mich., has been touted as a national model. In 1999, the Michigan Legislature changed the way foreclosed properties were handled by giving outright ownership of these properties to the local county treasurer after only 2 1/2 years. This change in the law opened the door for communities to reclaim, reinvest in and rebuild their neighborhoods.,

The Genesee County Land Bank Authority (GCLBA) uses the new law to acquire abandoned land through the foreclosure process and determine the best use of that land. The GCLBA assembles land for transfer to adjacent homeowners, develops long- and short-term green spaces and assembles land for new housing and commercial development. The objective is to restore the integrity of the community by removing dilapidated structures and redeveloping abandoned properties.

The Land Bank spurred re-use of more than 4,000 residential, commercial and industrial properties that it has acquired since 2002 through the tax foreclosure process. In addition, with revenue generated from tax delinquent property fees and interest, the Land Bank developed an \$8 million self-sustaining fund to support cleanup and reinvestment.

[Land Bank Authorities: A Guide for the Creation and Operation of Local Land Banks.](#)  
[Frank Alexander. 2005.](#)

[Local Initiatives Support Corporation](#)

### **Living Cities, the National Community Development Initiative**

Since 1991 [Living Cities](#), a collaborative of corporate and philanthropic organizations, has invested more than \$543 million in 23 cities, leveraging more than \$15 billion, to increase the vitality of cities and urban neighborhoods and improve the lives of people who live there.

Living Cities recently launched a [multi-city pilot](#) to support new and existing programs in several U.S. cities that will mitigate the impact of concentrated foreclosures by returning foreclosed properties to productive use. The programs selected for this pilot demonstrate promising local initiatives in strong, moderate and weak housing markets and use tools such as New Markets Tax Credits, land trusts and nonprofit real estate brokers.

The Community Foreclosure Mitigation Toolkit helps simplify foreclosure information for both borrowers and communities to soften the potentially devastating impacts of foreclosure. While there are regional disparities of foreclosure impact, the toolkit encompasses adaptable prevention programs, processes and resources to help each community best respond to its challenges. For more local resources in the Fifth District, visit the Federal Reserve Bank of Richmond's [Foreclosure Resource Center](#).