



Cleveland, OH



Lawrence, KS



Albuquerque, NM



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Burlington, VT

Outperforming the Market: ***Making Sense of the Low Rates of Delinquencies & Foreclosures in Community Land Trusts***

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RELEVANCE

The costs of cold markets

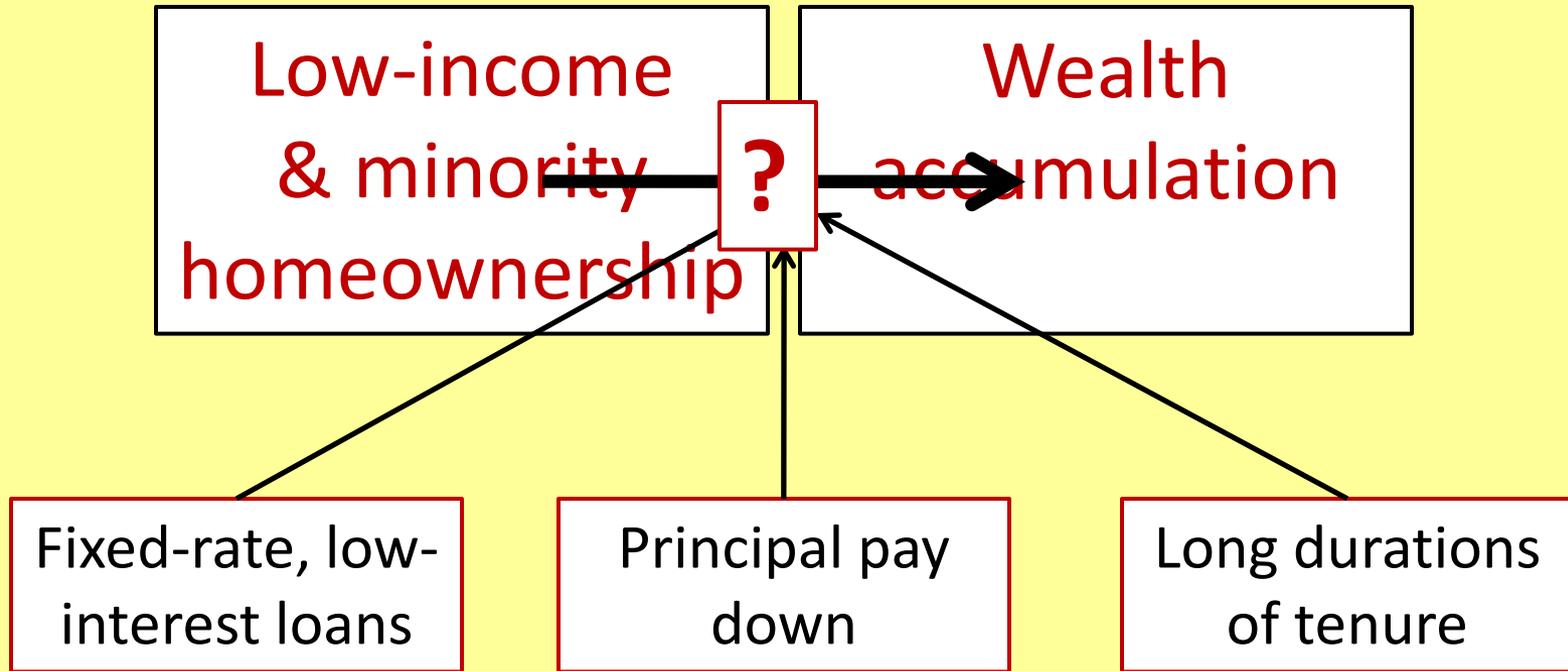


**households
lenders
neighborhoods
municipalities**



**...If CLTs prevent foreclosures,
they prevent these costs for others.**

RELEVANCE



...If CLTs promote sound loans
& sustained homeownership,
wealth accumulation is more likely.

STUDY QUESTIONS

Q1. *How have CLT homeowners fared in terms of mortgage delinquencies and foreclosures in the wake of the crisis?*

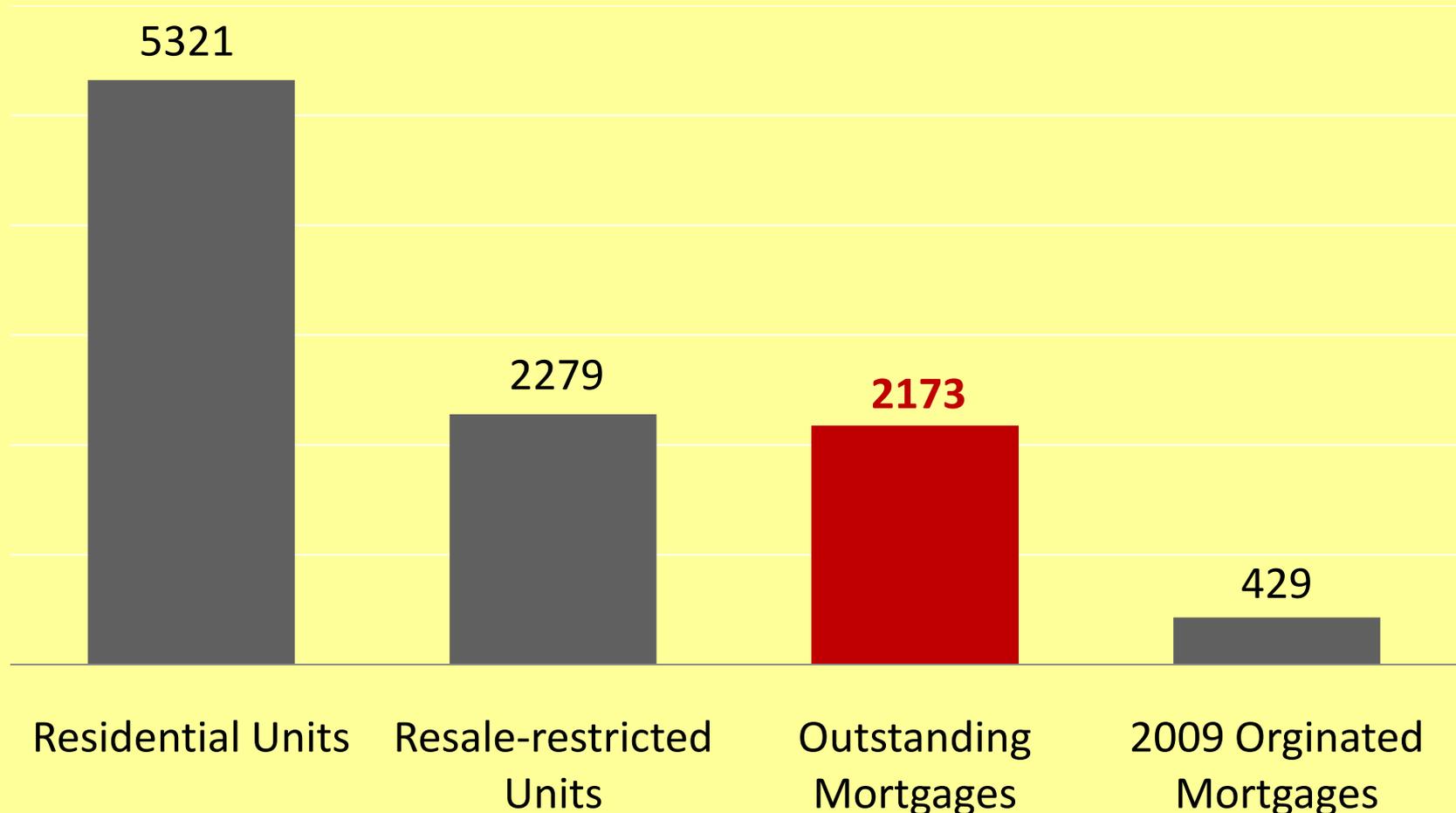
Q2. *What are CLTs doing to prevent delinquencies and foreclosures?*



THE SAMPLE

229 CLTs given the survey

→ 42 CLTs included in analyses



DEFINITIONS

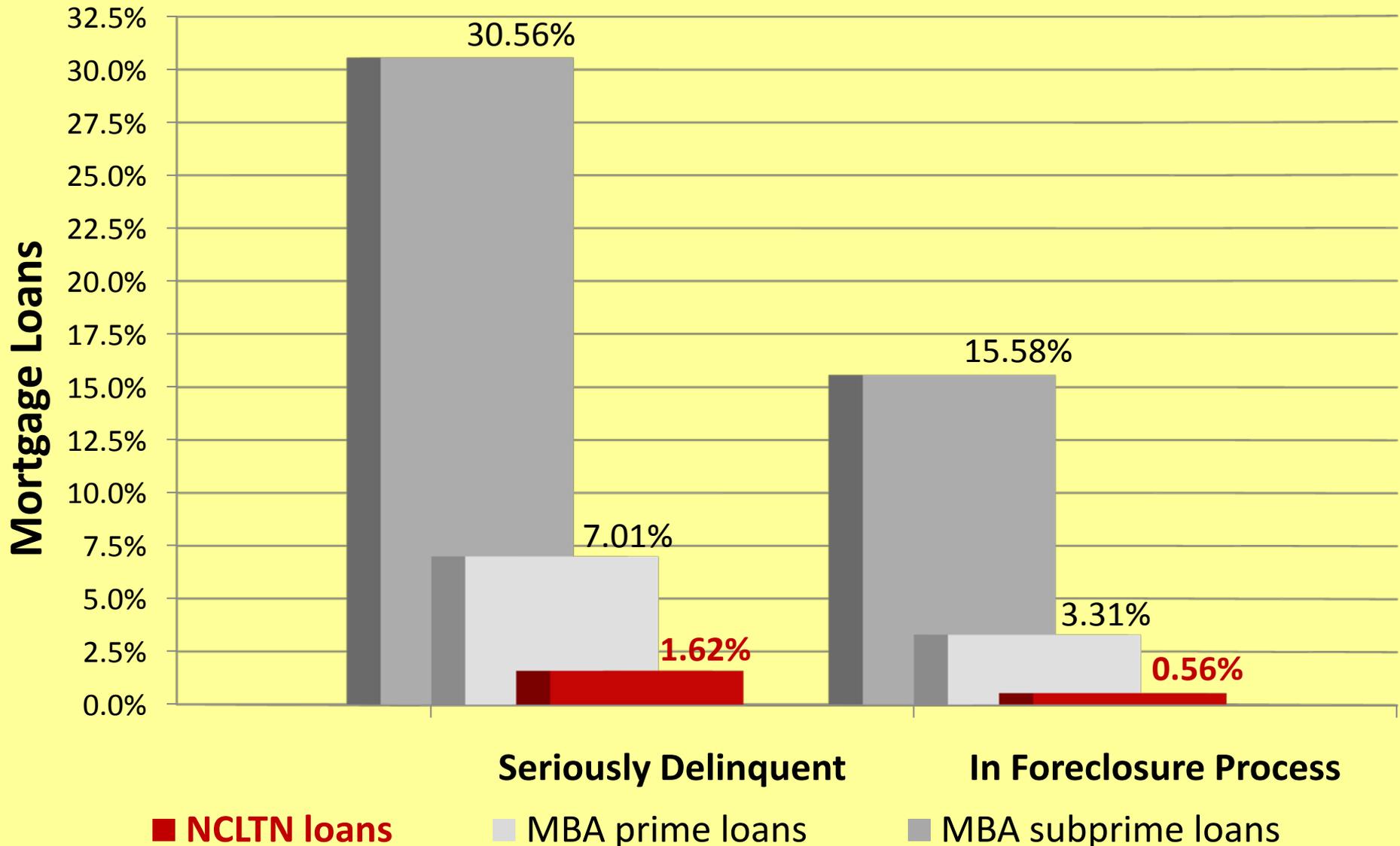
Total Mortgages	All first mortgage loans secured by 1–4 unit residences (i.e. single-family).
Mortgages in the Foreclosure Process	The number of loans in the process of foreclosure, excluding completed foreclosures.
Seriously Delinquent Mortgages	The number of loans that were at least 90 days delinquent <u>OR</u> in the process of foreclosure.

STUDY QUESTION

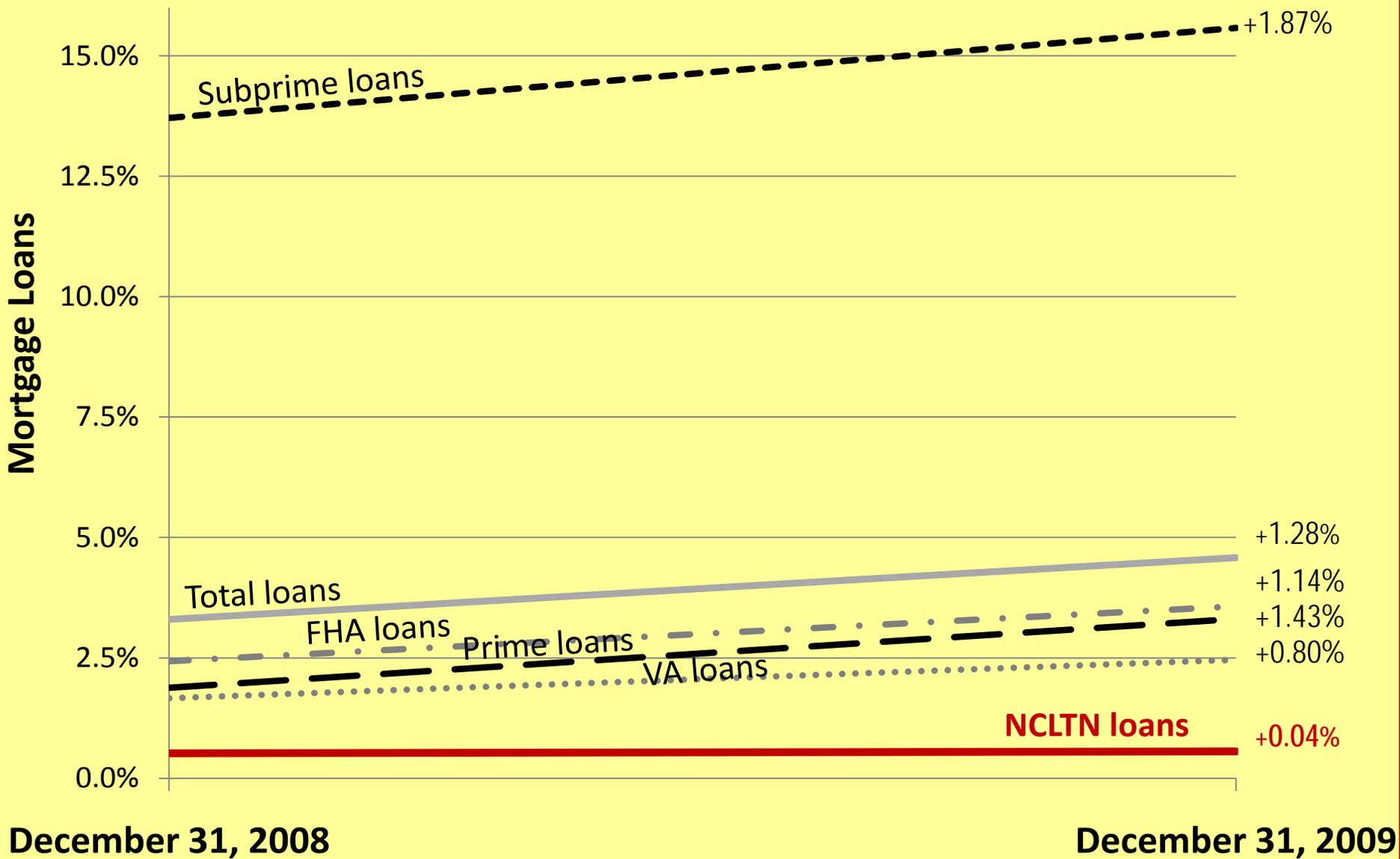
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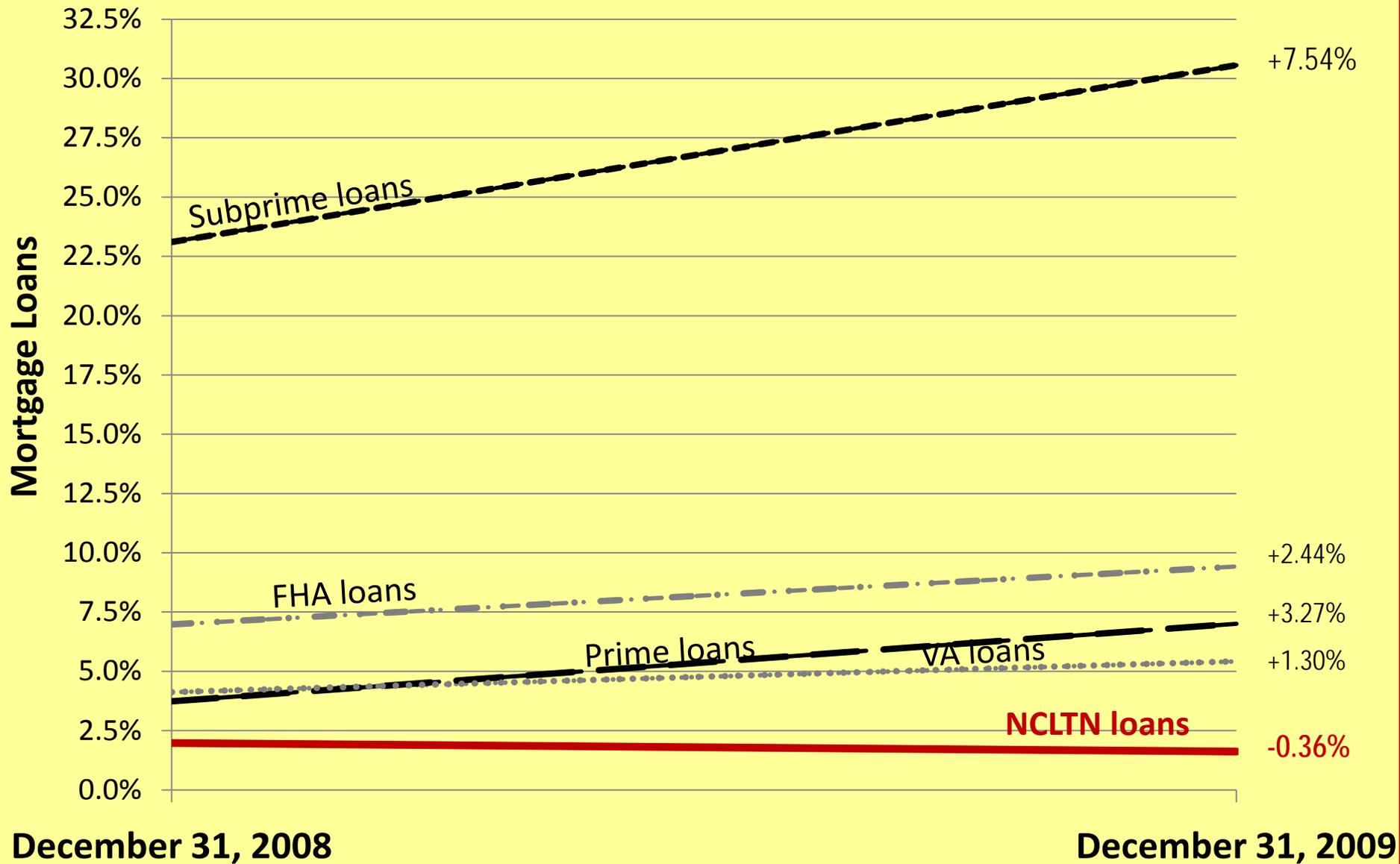
End Q4 2009: Percentage of Mortgages that Were Seriously Delinquent & in the Foreclosure Process



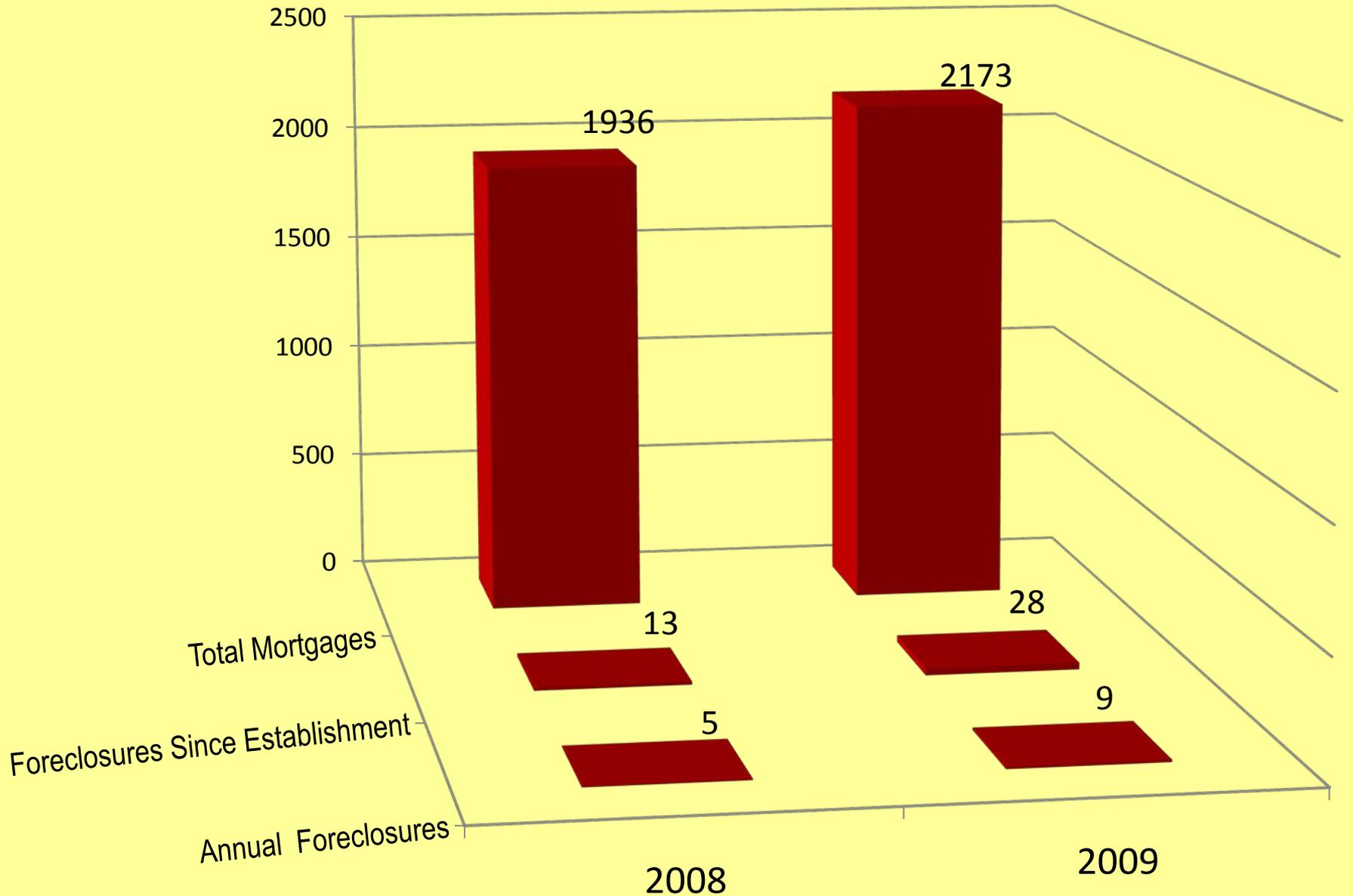
End Q4 2008 & 2009: Percentage of Mortgages in the Foreclosure Process



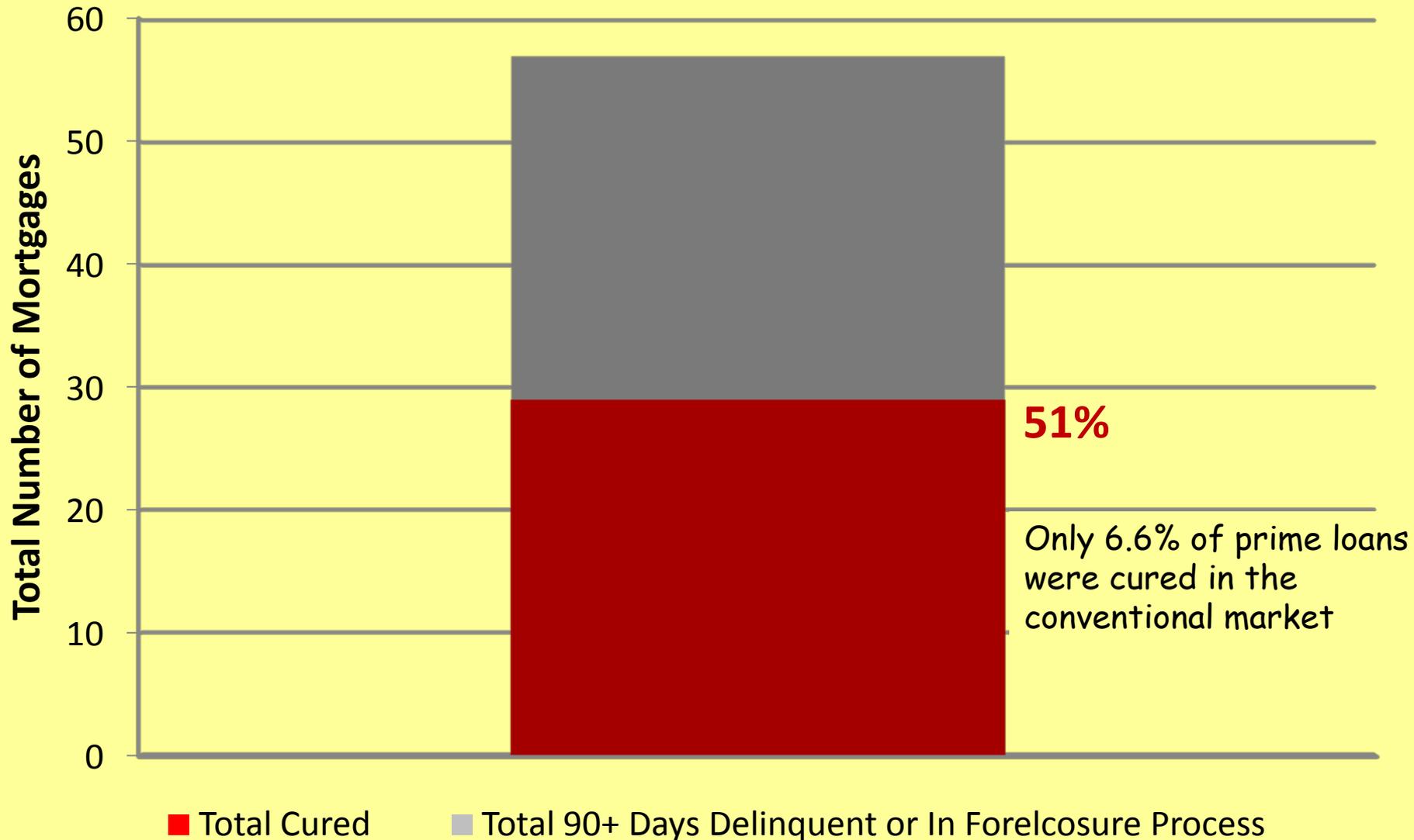
End Q4 2008 & 2009: Percentage of Seriously Delinquent Mortgages



Completed Foreclosures in NCLTN Samples



2009 Seriously Delinquent Mortgages in CLTs that were Cured



STUDY QUESTION

Q2. *What are CLTs doing to prevent delinquencies and foreclosures?*

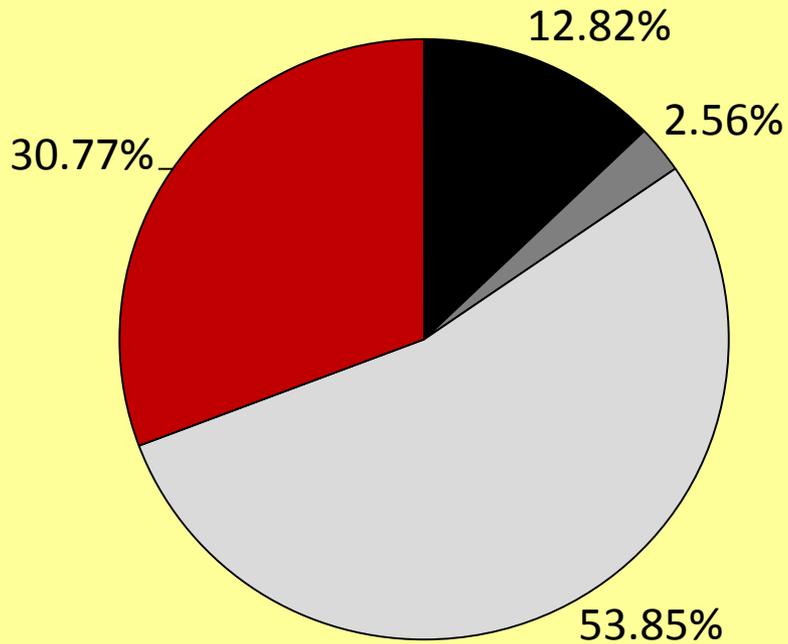


STEWARDSHIP

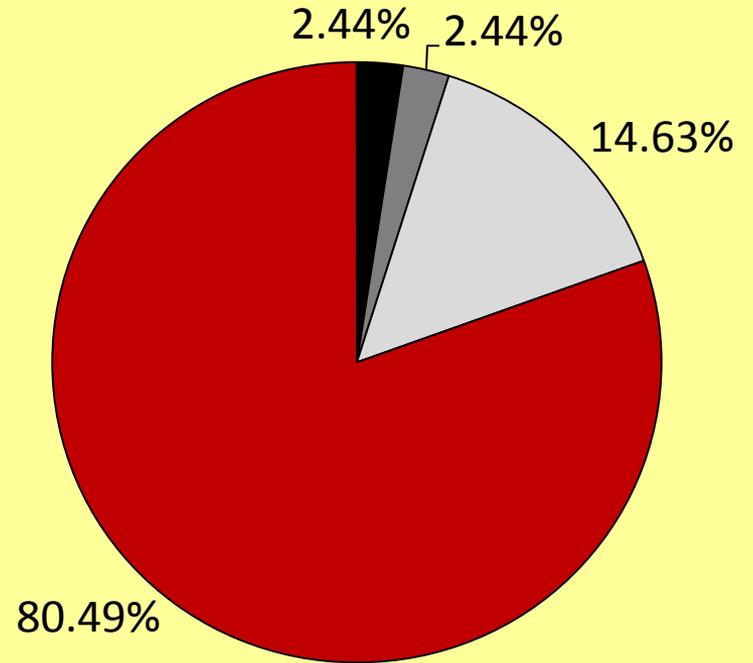
- 1. Educating homebuyers**
- 2. Ongoing stewardship to sustain homeownership**
- 3. Preventing high-risk loan acquisition**
- 4. Detecting delinquent homeowners**
- 5. Intervening to prevent foreclosure**

1. Educating Homebuyers

General Education



CLT-specific Education



Not provided

Optional

Indirectly provided

Directly provided

2. Pre-purchase Stewardship

90%	Affordability standards
83%	Referrals to educated lawyers & lenders
74%	CLT-approved lenders
71%	One-on-one meeting with counselor
67%	Financial literacy education
67%	Meeting with lawyer

2. Post-purchase Stewardship

52%	Financial counseling
52%	Staff outreach
48%	Service referrals
48%	Delinquent homeowner counseling
38%	Homeownership classes
36%	Delinquency detection
21%	Annual check-ins
21%	Capitalize reserve fund
17%	Homeowner savings programs

3. Preventing High-risk Loan Acquisition

83% require homeowners to get permission to refinance or take out home equity loans

97% reported < 5% of homeowners ever refinance or obtain home equity loans without permission

4. Detecting Delinquent Homeowners

90%	Lease fee monitoring
69%	Informal interactions
48%	Lender notifications of delinquencies
33%	Homeowners required to contact CLT
33%	Authorization to contact lender

50% of CLT homeowners who became delinquent contacted the CLT on their own volition.

5. Intervening to Avoid Foreclosure

71%	Contacted lender
66%	Provided or referred to financial counseling/ foreclosure prevention
43%	Purchased or facilitated sale of home
34%	Provided rescue funds
14%	Raised donations
14%	Permitted subletting
11%	Paid mortgage & put home on market
6%	Converted to lease-purchase

Implications for Lending

- Front-end & back-end ratios are affordable
- Refis or HELOCs that compromise first mortgage are prohibited
- Property maintenance is promoted
- Assistance during financial hardship is offered
- Sales are facilitated & typically expedient
- In instances of foreclosure, there is a buyer
- CRA goals are fulfilled

Lending to CLT homeowners is a reliable & sound investment.

Implications for Governance

- ❑ Creates permanently affordable housing
- ❑ Enables low-income & minority homeownership and wealth accumulation
- ❑ Prevents costly chain of losses resulting from foreclosures
- ❑ Promotes household and neighborhood stability through hot and cold markets

Investing in CLTs is empirically supported as an effective & frugal use of public resources.

Creating opportunity from crisis



NEW HOMEOWNERS:

Bring foreclosed properties into CLT portfolios to expand affordable homeownership opportunities

CURRENT HOMEOWNERS:

Bring delinquent homeowners & their homes into CLT portfolios to prevent foreclosure

