

TO: Councilmember Nick Licata, Chair, Housing, Human Service, Health, & Culture Committee

Councilmember Sally Bagshaw
Councilmember Bruce Harrell
Councilmember Tom Rasmussen

FROM: Rick Hooper, Director

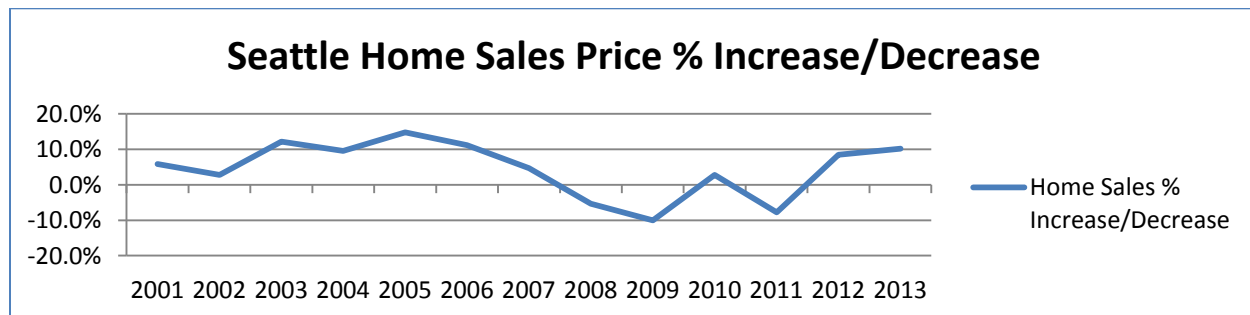
DATE: December 9, 2013

SUBJECT: Foreclosure Briefing

City Council passed Resolution 31337 in late 2011 which included City intent to examine foreclosure related data. The Office of Housing's 2013 Work Program also included programmatic focus on foreclosure-related work. We are scheduled to review our work undertaken this past year at the December 11, 2013 Committee meeting. Included below is a brief outline of that work. We will provide further elaboration at the Committee meeting, in addition to answering questions.

Update of For-Sale Housing Market and Foreclosures

On average, home prices in the City of Seattle have increased by 4.6 % annually since the year 2000. Removing the four years most deeply marked by recession, 2008 – 2011 (which saw a cumulative negative 20% decrease in home sales prices), the average annual increase in citywide sales prices has been 9%. The 2013 median sales price for a home in Seattle is \$466,550¹, which benchmarks pre-recession sales-price levels.



¹ According to NWMLS – through 3rd quarter 2013

Zillow has recently rated Seattle 2nd in the nation as the “hottest” housing market². Also according to Zillow, 21.9% (or 23,030) of Seattle’s 105,163 owner-occupied homes³ currently have a mortgage considered to be “underwater”. However, it is important to note that 15.5% (or 16,299) of Seattle’s owner-occupied homes are underwater with a Loan to Value (LTV) ratio of 100-140%; in other words, the home is worth relatively close to what the home would sell for on the open market. With home sales prices increasing annually at approximately 9%, many of these homes may no longer be underwater within 3-4 years. If current trends continue, the majority of these will have rebounded in 1-2 years.

Of the 23,030 homes considered “underwater”, available Zillow data projects that only 2,100 are estimated to be delinquent on their loans.

OH Work Program / Resolution 31337 Section 2.2

A. Data on foreclosure activity in Seattle:

The following data is provided monthly for the Seattle area by zip code by First American Title. We have pulled out City of Seattle data, which is shown below.

Notice of Trustee Sales (NOTS) are sent 90 days prior to intended foreclosure on the property due to default on the loan. A homeowner has up to 11 days prior to the foreclosure sale to cure the default through forbearance, loan modification or short-sale prior to foreclosure proceedings. Real Estate Owned (REO) homes are typically owned by the bank or financial institution after an unsuccessful sale at a foreclosure auction. These comprise a relatively small percentage of foreclosure activity:

NOTS (not including buildings with 3 or more units in foreclosure):

	2008	2009	2010	2011	2012	2013
TOTAL Citywide:	1,205	1,949	2,884	1,928	1,285	1765**
Southeast	416	726	955	650	414	474
SE and Delridge	525	955	1,264	868	569	651

** 2013 numbers are through the end of October 2013

1. REO (Real Estate Owned)---indicating homes that have been taken over by the Bank:

	2008	2009	2010	2011	2012
November	42	43	65	63	27

2013 data unavailable at this time

² <http://www.zillow.com/blog/2013-12-05/2014-real-estate-predictions/>

³ 2010 U.S. Census Bureau

B. Federal Foreclosure Prevention programs promoted by OH and Housing Counseling agencies

- a. Making Home Affordable (MHA) – Dept. of the Treasury & HUD
 - i. Home Affordable Modification (HAMP)
 - ii. Home Affordable Refinance (HARP)
 - iii. Home Affordable Unemployment Program (UP)
 - iv. Principal Reduction Alternative (PRA)

MHA and HAMP remain critical foreclosure prevention programs because unlike HARP, they will reduce monthly mortgage payments for at-risk homeowners even if they are delinquent in making payments. HARP borrowers may not be delinquent and must be current on mortgage payments for the prior 12-month period. MHA also expands HAMP to rental properties from owner-occupied homes to tenant-occupied properties AND provides balance and principal reduction. These programs offer relief for those who are potentially at the greatest risk of foreclosure and certain programs can serve homeowners that do not have a loan with Fannie Mae or Freddie Mac. This program has been extended through 2015.

b. Streamlined Modification Initiative – Federal Housing Finance Agency

The recent Streamlined Modification Initiative eliminates the administrative barriers associated with document collection and evaluation. Eligible borrowers must demonstrate a willingness and ability to pay by making three on-time trial payments, after which the mortgage will be permanently modified. This program may not be suitable for all homeowners and OH encourages borrowers to seek homeowner counseling to ensure that the modification they are eligible to receive is appropriate to address their financial circumstances.

c. Foreclosure Fairness Act - Washington State

The Washington State Foreclosure Fairness Program provides homeowner foreclosure assistance by offering free housing counseling, civil legal aid, education and outreach, and the opportunity for mediation.

C. Programs related to foreclosure currently contracted by the Office of Housing

a. *Homestead Community Land Trust REO Program*

Homestead Rebuilding Communities program receives real-time information on bank-owned properties allowing them to compete and purchase properties prior to them being listed on the open market. Homestead purchases distressed properties, in part with the Office of Housing Acquisition and Opportunity loan fund, rehabilitates the home with weatherization funds through the OH Homewise program and sells the home to an income-qualified homebuyer, \$50,000 to \$100,000 below market value. They have purchased 4 homes in 2013 and plan an additional 10 homes in 2014. This program is a variation of the “Municipal Land Banking” strategy from the Hockett report.

Urban League and Solid Ground

OH entered into a Project Services Agreement with the Urban League. The Urban League received \$205,940 to provide assistance to Seattle families facing foreclosure. The program combines stabilization loans of up to \$5,000, pre-foreclosure counseling, and repayment plans to help low-income families in danger of losing their homes. Households must be at

below 80 percent of median income.

- To date, Urban League has made \$131,564 in program eligible loans.
- Urban League has \$71,353 in remaining funds, which includes approximately \$3,546 in revolved funds. The program is ongoing and available.
- The Urban League has made 36 loans with 3 of these homes eventually going into foreclosure. There are 12 homeowners that are awaiting a loan modification and loan assistance from this program.

D. Pursuing additional state and/or federal funds for foreclosure prevention

Last year, the State awarded \$43.8 million to 13 nonprofits to help families in various ways; the funding was our State's share of the landmark \$25 billion national settlement with the country's 5 largest mortgage servicers. Funding was awarded in 6 areas, including direct mortgage relief, anti-blight projects, and counseling. Nonprofits with programs assisting Seattle residents include:

- **El Centro:** received \$600,000 to support homeownership activities for underserved populations.
- **HomeSight:** received \$2,145,800 for downpayment assistance for purchase of foreclosed homes. HomeSight also received over \$5 million in National Mortgage Settlement funds to provide up to \$30,000 in foreclosure assistance to households facing foreclosure, but who aren't eligible for other assistance.
 - As of November, Homesight has made 6 loans, up to \$30,000, and expect to close an additional 9 by the year's end. Homesight has preserved the homes of 30 clients up to September 30th with their various foreclosure prevention programs.
- **Legal Foundation of WA:** received \$13,053,044 to provide legal assistance to low and moderate income people facing foreclosure.
- **Homestead Community Land Trust:** received \$1 million to purchase 30 currently vacant and distressed homes.
 - Homestead has purchased 30 homes, rehabilitated 12 homes and sold 10 to low-income buyers; the remaining 18 will be rehabilitated and sold in 2014.
- **Washington State Housing Finance Commission:** received \$3,000,000 to provide downpayment and closing cost assistance to low and moderate income purchasers of bank owned, foreclosed or short sale properties.
- **White Center CDA:** received \$311,850 for housing repair and foreclosure prevention counseling.

OH 2013 Work Program outcomes

E. Manage OH Homebuyer Loan Portfolio Process: loan subordination/refinance requests and loan pay-off reconveyances by year end

- Twelve OH loans were paid-off in 2012 totaling \$381,766. Thirteen subordinations were approved.
- 2013 YTD, 17 OH loans have been paid-off totaling \$1,478,751. Twelve subordinations have been approved.

F. Monitor OH Portfolio for compliance with loan terms and loan payments; modify loan notes necessary

OH currently has 792 active homebuyer loans with a pay-off of \$38,628,225. There are currently 20 active loans on the Homebuyer Watchlist. These loans are either delinquent, foreclosed, in foreclosure, in bankruptcy, or in short sale proceedings. Policies and Procedures have been developed to address servicing of these troubled loans.

G. Work with OH-Homeowners facing foreclosure to offer loan modifications to keep families in homes

OH provides down payment assistance loans that are junior to senior lenders' judgments in foreclosure. OH will work with borrowers experiencing hardship with payment plans. OH staff demonstrates great flexibility in working with homeowners to resolve their default, particularly if staff determines that the likelihood of repayment is high, and the homeowner remains in active contact with staff.

H. Homebuyers receiving loans through OH's Homebuyer Program

OH has provided 35 loans to homebuyers through its partner agencies through November of 2013. 26 townhomes were purchased with an acquisition loan in the Spring of 2013. The townhomes development will be completed (the townhomes were stalled in their construction due to a foreclosure) and sold to low-income buyers over the course of two years. These combined activities total 61 homeownership opportunities provided by OH to date in 2013.