



## ***Principle Reduction Programs Across the Country***

### **Oregon**

In Oregon, the Merkley's Mortgage program or officially known as the Rebuilding American Homeownership Assistance Pilot Program and is run through the Oregon Homeowner Stabilization Initiative (OHSI). Under this program eligible homeowners would be able refinance from high-interest rate mortgages into a new, low-interest rate mortgages **without the hassle or scrutiny of a traditional refinance; and without having to have a Fannie Mae- or Freddie Mac-backed mortgage.**

- Homeowners must be significantly underwater.
- Homeowners must be current on existing mortgage payments.
- Homeowners cannot own other residential property.
- Existing mortgages cannot be owned or guaranteed by Fannie Mae or Freddie Mac .
- RAHAPP provides two refinancing options: 15-year mortgage at 4% fixed interest, APR 4.129%. 30-year mortgage at 5% fixed interest, APR 5.077%.

**The Con:** Washington did not receive the same funds that Oregon did.

<http://www.oregonhomeownerhelp.org/en/homeowner-education-program/raha-program>

### **New Jersey**

The **ReStart** program is through the New Jersey Community Capital. This program acquires pools of underwater mortgages and provides homeowners with principal reductions and one-on-one counseling to protect them from displacement.

NJCC launched the **ReStart** model in December of 2012 after purchasing 261 troubled mortgages through an FHA auction—125 in the Newark region and 136 in the Tampa region—at a deep discount. NJCC has partnered with local counseling agencies in each market to ensure the struggling homeowners are financially prepared to maintain ownership as they enter a newly modified mortgage at a principal they can afford.

**The con** is that not all mortgages will be able to be reset and some sifting will have to be done to see which homeowner would qualify.

<http://www.nationalcommunitycapital.org/>



## **California**

A range of non-profits organization in California are exploring the viability of creating a large scale affordable housing program that will enable homeowners who are severely underwater on their current mortgages to refinance or restructure their existing mortgage into a mortgage that is equal or below the value of the property. The new mortgage will require the homeowner to pay no more than 38% of their income to PITI, which will be significantly lower than the payment of the current mortgage.

By eliminating the upside down condition, and reducing monthly housing costs, the likelihood of future foreclosure will be greatly reduced.

The program will seek to acquire distressed portfolios of underwater mortgages from the large bank servicers. Again, the program will seek to pay fair market value for the distressed mortgages, and then pass along to the homeowner the discount from the existing principle balance they owe.

**CON:** Funds for this program would come from unused funds from the **Hardest Hit Fund**— federal money. Washington was not a recipient of these funds.

## **Boston**

The **SUN Program (Stabilizing Urban Neighborhoods)** helps homeowners in foreclosure repurchase their homes with mortgages they can afford.

- This is a privately funded non-profit community capital.
- The SUN program has helped about 500 homeowners since 2009.
- They Purchase foreclosed properties at current market values and resell those properties.
- Helps individuals who are going through foreclosure remain in their homes. They buy houses or mortgages in foreclosure and sell or refinance them back to the original homeowners or tenants with mortgages they can afford.
- SUN participants have a stable income – through employment, Social Security Insurance, a pension or disability insurance – but cannot afford to make their current monthly mortgage payments.
- The interest rates for the SUN program are fixed for 30 years and there are never balloon payments. SUN provides foreclosed homeowners with a **new 30-year, fixed rate mortgage at 6.375% (6.545% APR)** with one point (interest rate as of January 1, 2014).
- SUN carefully examines the income, circumstances and ability of a homeowner in foreclosure to carry a mortgage that is roughly equivalent to the value of their home.

<http://www.bostoncommunitycapital.org/what/sun-initiative>



## Our proposal

The city of Seattle would commit a pilot program to help 300 (this number could be less depending on how many homeowners would qualify) homeowners with PLS loans in a 3-year time period by creating program similar to the SUN model that would allow an underwater homeowner going into foreclosure to rebuy their home at fair market value and reset their mortgage.

**Three-way agreement** between the city, homeowner and new lender:

- City establishes relationship with new servicer like **MRP** or **Pacific Coast Bank** who will **agree to work with the city and homeowner.**
- City establishes underwriting program to screens homeowner and qualifies them to be able to rebuy their house. The homeowner must be able to afford a new mortgage (**this can be contracted out as well**).
- The city would agree to **either** help homeowner negotiate a new mortgage with current lender to buy the home via this avenue and or buy the home at auction and work with new lender to resell the home to current homeowner.
- New lender gives new homeowner a traditional 30 year fixed interest rate mortgage, pays the city the money it spend and homeowner stays in home, new lender has paid the city.



