

Status of Council Initiated Projects

I. Principal Reduction Program

Further Development and Craft 3 are continuing to seek an investment to support expansion of the Principal Reduction program currently operating in Oregon. The geographic boundaries of the expansion will be dependent upon that investment. The investment will be placed in Craft3, a tax-exempt non-profit and CDFI and will be leveraged at a minimum ratio of 3-1.

The sources of potential investment include federal, state or local government institutions, or privately managed funds that are already earmarked for foreclosure prevention, such as the Hardest Hit 3 Fund (in Oregon), Attorney General Settlement funds or private funds through a settlement or other agreement with a national mortgage servicer.

By investing in The Fund rather than one-time grants as is typical for these sources, the investor will effectuate an exponentially larger number of prevented foreclosures. While many foreclosure prevention strategies have been tested, The Fund offers a rare opportunity to build a self-supporting, market based model that will have an ongoing impact. The Fund can be scaled and replicated in other jurisdictions as well and provides a working model for the twin policy goals of principal reduction and foreclosure prevention.

II. Audit of Deed Assignments Project:

In December 2014, upon the request of Councilmembers Licata and Clark and with the support of the Council, the Office of City Auditor contracted with the consultant McDonnell Analytics, Inc. to determine whether residential real estate property assignments within Seattle city limits involving Mortgage Electronic Registration Systems (MERS) were valid and in accordance with Washington State Law (RCW 61.24) in light of the 2012 State Supreme Court decision regarding *Bain v. Metropolitan Mortgage Group Inc.*

The consultant has conducted a statistical analysis of Seattle residential real property mortgage assignments filed in King County the first six months of 2013, to determine the number of assignments that are associated with or registered to MERS.

From that population, they have selected the zip codes with the highest foreclosure rates and identified approximately 150 properties in these zip code areas with documents related to MERS.

From the 2013 data filed in King County Office of Records they will seek to determine:

- a) How discoverable is the true, current owner of the mortgage? And,
- b) Whether the assignments of the selected mortgages are valid in light of the 2012 Washington State Supreme Court ruling that deemed certain MERS practices to be invalid.

By April, the consultant will summarize their findings and propose recommendations in a written report to the City Auditor and City Council that the City of Seattle could provide to King County or the Washington State Legislature.