

Policy Solutions to the Foreclosure Crisis: Past, Present, and Future



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Public Policy Solutions:

1. Past

- What policies have already been instituted?

2. Present

- How are these policies working?

3. Future

- What other policy solutions are needed?

Past: Housing and Economic Recovery Act of 2008

- **Provides 3 major new sources of affordable housing and community development funding:**
 - 1. Neighborhood Stabilization Program** (\$3.92 billion in one-time emergency grants to states and cities)
 - 2. Housing Trust Fund** (approx. \$150 million - \$350 million per year in block grants to states to finance affordable housing)
 - 3. Capital Magnet Fund** (approx. \$75 million - \$200 million per year in competitive grants to CDFIs and housing nonprofits to finance affordable housing and community development)

How can the NSP funds be used?

- **Establish financing mechanisms** for purchase and redevelopment of foreclosed homes
- **Purchase and rehabilitate** properties that have been abandoned or foreclosed.
- **Establish land banks** for homes that have been foreclosed.
- **Demolish** blighted structures.
- **Redevelop** demolished or vacant properties.

Past: Housing and Economic Recovery Act of 2008

GSE Regulatory Reform:

- Improved GSE mission
- Increased GSE conforming loan limits

FHA Modernization:

- Increased FHA loan limits
- Increased downpayment requirement
- Banned seller-funded downpayment assistance

Past: Housing and Economic Recovery Act of 2008

Resources for Counseling:

- \$180 million in additional pre-foreclosure counseling
- \$30 million in legal aid

Hope for Homeowners Act:

- Refinance into FHA-insured loans
- Up to \$300 billion in new loan guarantees
- Began October 1, 2008

Past: Housing and Economic Recovery Act of 2008

- Save America's Neighborhoods Coalition
 - Led by Enterprise to secure resources to address the problem of vacant and foreclosed properties in America's neighborhoods.
 - A cross-industry taskforce of national organizations.
 - Composed of nearly 40 diverse organizations.
 - Grass-roots and lobbying campaign that led to \$3.92 billion in NSP funds in HERA.

Past: Mortgage Modification Programs

- Hope Now
 - Industry group asking mortgage finance companies to voluntarily ease terms
- Fannie Mae and Freddie Mac
 - Good start, but only covers about 20% of seriously delinquent home mortgages
- FDIC
 - Most comprehensive program yet
 - Expects to modify 2.2 million non-GSE loans by 2010

- NSP funds are a start, but won't solve the crisis
- TARP (\$700 billion bailout)
 - Is not purchasing troubled assets
 - Does not assist struggling homeowners
- As economy worsens and unemployment rises, foreclosures will continue to rise

Present: Input and Regulatory Guidance

- Comments and guidance to HUD and Members of Congress on the foreclosure response:
 - Comments to HUD regarding the design of the NSP
 - Established a monthly working group with the OCC and servicers
 - Work with congressional members to design effective legislation
 - Work with coalitions to dispel false accusations regarding the cause of the foreclosure crisis
 - Questions, guidance, and clarifications of NSP provisions

Present: Getting the Message Out

- Policy Team Presentations:
 - HUD National Housing Summit on the Neighborhood Stabilization Program
 - KnowledgePlex online chat
 - National Governor's Association Foreclosure Summit
 - Congressional Black Caucus Annual Legislative Conference
 - State-wide Housing Conferences
 - California, Georgia, Louisiana, New Mexico

Future: Potential Legislation

- CRA expansion
 - Expansion to mortgage brokers, investment banks, online lenders, insurance companies, etc
- Anti-Predatory lending
 - Bans on the most toxic lending products, such as Alt-A and exploding ARMs
- Bankruptcy reform
 - Judicial loan modifications on primary residences

Future: Potential Regulatory Reform

- Restructuring of regulatory agencies
 - Increased power and oversight
- Changes to REMIC laws to facilitate more loan modifications
 - Alter a key tax provision that is preventing some servicers from having the power to modify loans

Future: Other Potential Policies

- Renter assistance for tenants whose landlords are foreclosed upon
- Assistance for neighbors with depreciating homes
- Leverage government and private funds to entice private developers into neighborhood stabilization efforts
- State and Local foreclosure policies
- Green rehab
- Additional or mandatory loan modifications for troubled homeowners