



# COMMUNITY FORECLOSURE RESPONSE TOOLKIT

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MICHIGAN COMMUNITY FORECLOSURE RESPONSE TOOLKIT (updated as of May 31, 2012)

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## COMMUNITY FORECLOSURE RESPONSE TOOLKIT

### Disclaimer:

*In an effort to make the most efficient use of printed space and your time, throughout the toolkit, we have included a number of links to web-based resources. Given the dynamic world of the internet, we know that at some point, some of these links may become outdated or fail to work. Please let us know if and when that happens by contacting the Community Economic Development Association of Michigan (CEDAM) at [fritz@cedam.info](mailto:fritz@cedam.info) or (517) 485-3588.*

## INTRODUCTION

**Michigan’s foreclosure crisis isn’t over yet and it’s hurting us all!** For the past four years, Michigan has ranked in the:

- Top 10 states for numbers of foreclosures;
- Top 5 states for decline in property values (estimated at a more than 25% average loss in property value);
- Top 5 states for mortgage fraud and foreclosure rescue scams; and
- Top 5 states for percent of homes "underwater" – owing more on their mortgage than their home is currently worth (estimated to be more than 35%).

As we write this, Michigan’s foreclosure crisis is well into its fifth year and still very much with us. In these five years, the crisis has grown and expanded and now touches *all* of us whether we fell for a tricky lending product, put 20% down on a traditional 30-year mortgage or own our home outright; whether we have lost a job or never missed a payment; whether or not it is even *our* home that’s at risk. It is no longer possible for a reasonable person living in this state to say, “This is someone else’s problem. It doesn’t affect me.” The loss in personal property value alone, affects every single one of us.

Michigan’s persistently high unemployment rates and large percentage of homeowners who owe more on their homes than they are currently worth guarantee that this crisis will be with us for a significant period of time. For better or worse, we are all in this together. Every foreclosure destabilizes a neighborhood, increases the number of vacant properties, reduces neighboring property values, erodes the local tax base we rely on for basic services and further depresses the housing market that underpins Michigan’s economic recovery.

As a country and a state, our efforts to deal with the foreclosure crisis have fallen far short of our hopes and expectations. While some citizens are resigned to the havoc this complicated and insidious crisis continues to wreak on families, neighborhoods and communities throughout our state, numerous other communities, organizations and individuals have taken steps at the community level to soften its impact and hasten its demise. These efforts which are highlighted throughout this toolkit as best practice models have made a difference.

This Community Toolkit is meant to encourage these local efforts by providing a common-sense guide designed to point Michigan communities to the information, resources, strategies and best practices that they will need to shape an effective response to the ongoing foreclosure crisis. Consequently, the Michigan Foreclosure Task Force has approached this toolkit from the broad perspective of a community rather than a single stakeholder group like homeowners, counselors, realtors, local units of government, etc. By doing so, we hope to connect the dots in a way that will encourage more communities to form broad-based coalitions of stakeholders willing to focus on the foreclosure crisis with the creativity, credibility, clout, commitment and resources it demands.

## PART ONE: LAYING THE GROUNDWORK FOR AN EFFECTIVE LOCAL RESPONSE

### Getting People's Attention – Using Messages that Resonate

The first challenge in organizing a community response to the foreclosure crisis is to get people's attention in a way that will predispose them to get involved. To that end, messages matter and staying on message also matters. We live in a world where billions of dollars are spent every day trying to get people to do what we want them to do by shaping and delivering the right message. Trying to engage your community in responding to the foreclosure crisis is no different, except that you likely will not have the luxury of having significant dollars to spend on messaging. While we would all love to come up with that perfect, clever, catchy way to grab people's attention and interest; the reality is we don't have the time or resources.

One of the lessons we have learned over the course of this crisis is that the messages that truly resonate are not necessarily the personal stories of the hardships of individual families. Many, if not most, homeowners are not at risk of losing their home to foreclosure and many who will lose their home to foreclosure do not consider themselves at risk. If you are to engage broad community support and interest and/or engage key community stakeholders, you will need messages that speak to these broader audiences. We have found that the messages most likely to get the attention of the greatest number of stakeholders begin with the statistics listed in the introduction.

**Michigan's foreclosure crisis is not over yet, and it's hurting us all!** For the past five years, Michigan has ranked in the:

- Top 10 states for numbers of foreclosures;
- Top 5 states for decline in property values (estimated at a more than 25% average loss in property value);
- Top 5 states for mortgage fraud and foreclosure rescue scams; and
- Top 5 states for percent of homes "underwater" – owing more on their mortgage than their home is currently worth (estimated to be more than 35%).

**Moreover, a single foreclosure comes at a high price to all of us!** According to the Joint Economic Committee of the U.S. Congress, **the average foreclosure costs:**

- Local government: \$19,227- shrinking tax base, erosion of basic services for everyone, costs of demolition, code enforcement, blight remediation and other services related to a foreclosure;
- Neighbors: \$1,508 - decrease in home value, harder to sell, refinance or move; and
- Homeowners: \$7,200 - equity, moving expenses, legal fees, etc.

And finally . . .

**There are actions we can take at the local level to soften the impact on our communities. We CAN make a difference in the face of this crisis!**

These basic messages should be fleshed out with talking points that focus on the impacts of the crisis in your own backyard. Those impacts include:

- Increased number of foreclosures;
- Increased number of vacant properties;
- Decrease in property values; and
- Erosion of the local tax base that funds basic services to all.

### Accessing the Data You Need

**National Data - Core Logic** is an excellent source of national foreclosure-related data. Most of the information is available for a fee, but their home price index report is free and downloadable at <http://www.corelogic.com/about-us/researchtrends/home-price-index.aspx>. While we have concerns about how **Realty Trac** calculates its foreclosure numbers, it is nonetheless the source that is most often cited in the media. You can access foreclosure trend data nationally and by state at <http://www.realtytrac.com/trendcenter/trend.html>. The **New York Federal Reserve Bank** also maintains a website <http://www.newyorkfed.org/creditconditions/> with dynamic maps and data showing credit conditions by county across the U.S. These

maps include mortgage delinquency rates. We have also found that **HousingWire.com** <http://www.housingwire.com/> is a credible news source when it comes to housing and foreclosure-related issues, news and trends.

**Statewide Data:** The Michigan Foreclosure Task Force, through a grant from Quicken Loans and a partnership with MSHDA and Grand Valley State University Community Research Institute, has made available historical foreclosure-related data at the state and county level for the period of 2005 through 2010. Counties can visit the site at <http://www.cridata.org/michiganforeclosuretaskforce> and download their own data profiles, charts and graphs that provide historical trend lines for their area.

**Identifying Local Data Sources:** In order to respond effectively to the foreclosure crisis, you will need to know what it looks like in your own back yard. This means getting your hands on information about the numbers of mortgage and tax foreclosures, underwater homeowners, numbers and locations of vacant properties, those neighborhoods that have been most severely impacted and those that are in the most jeopardy, etc. Communities that are just getting started with their local response efforts should be aware of the local data that is available and where to find it. Here is a short list of data/sources available in all communities throughout the state.

- Numbers of Sheriff's sales - those mortgage foreclosure homes that have been sold at auction
  - Available at the County Register of Deeds Office
- Numbers of Tax Foreclosures
  - Available at the County Treasurer's Office
- Property Tax Trends
  - Available at the County Equalization Office
- Short sales, percent of distressed homes on the market, average sale prices, trends overtime, etc.
  - Available at the Local Board of Realty
- Vacant Properties
  - May be available through the local municipality if they maintain a vacant property register
  - Aggregate data can also be found on the U.S. Post Office website at <http://www.huduser.org/portal/datasets/usps.html>.
  - You can also contact your local utility company to inquire about shut-off notices which are usually an indicator of a vacant property.

A word to the wise – It has been our experience that some offices/departments are more willing than others to provide this type of data. Reluctance is most often driven by a fear of an increased workload at a time when all government agencies are strapped for resources and cutting staff. A couple strategies that seem to work well include:

- 1) Timing your request so that you have at least:
  - a. A small core of community members/ leaders already committed to lead the charge in building a local response to the crisis, and
  - b. A one-page written description of what you intend to accomplish and how it will benefit the community.
- 2) Scheduling a face-to-face meeting with the person in charge to get their buy-in. Use the messages laid out above and make sure your spokesperson is credible. (See the Step by Step Guide for Building a Local Coalition below.)
- 3) Getting the buy-in of the County Treasurer is certainly always very helpful and can often influence others.
- 4) Meeting with the local community foundation first to get their endorsement of the need for the data can also influence local government agencies, nonprofits and others in the community.

### Local Data Collection Models/Existing Data Resources & Reports:

- Kent County/Grand Valley State University <http://www.cridata.org/dataitem.aspx?id=217>
- Detroit Office of Foreclosure Prevention & Response <http://socialcompact.org/dd/aboutCityDNA.htm>
- Ingham County: <http://holdontoyourhome.org>
- Northeast Ohio NEO CANDO (Cleveland and Northeast Ohio Indicator Data) - in partnership with Neighborhood Progress, Inc. and Case Western Reserve <http://neocando.case.edu/cando/index.jsp> and <http://www.practitionerresources.org/cache/documents/674/67463.pdf>

- The Cleveland Model

[http://www.clevelandfed.org/Our\\_Region/Community\\_Development/foreclosure\\_resource\\_center/index.cfm](http://www.clevelandfed.org/Our_Region/Community_Development/foreclosure_resource_center/index.cfm)

Getting Organized – Building a Local Coalition to Respond to the Crisis

Coalitions sometimes get a bad rap and all too often, it's deserved. The truth is, too many of them are unwieldy, unfocused efforts that consist of endless, unproductive meetings that accomplish little, frustrate their participants, waste precious resources and fail to make a difference. But this is not always the case, and it does not have to be. At their best, coalitions are one of the most effective ways to deal with big, complicated problems affecting multiple stakeholder groups. We offer the following guidelines to help you build an *effective* coalition:

**Pre-requisites for all Participants**

1. Leave your ego at the door. Be willing to give up credit and certain amounts of control;
2. Keep an open mind;
3. Work at listening, understanding, and seeing things from the perspective of others;
4. Be willing to experiment and fail;
5. Be flexible, responsive and quick;
6. Be willing to change course mid-stream if needed;
7. Understand that there is always more than one solution to every problem;
8. Be ready, willing, and eager to learn from others;
9. Know your stuff, so you're ready when opportunity knocks; and
10. Be genuinely passionate about the cause!

**For a Step-By Step Guide to Building a Local Coalition, a downloadable pdf can be found at**

[http://miforeclosurereponse.org/wp-content/uploads/2012/04/Step\\_by\\_StepGuidetoBuildingaLocal-Coalition.pdf](http://miforeclosurereponse.org/wp-content/uploads/2012/04/Step_by_StepGuidetoBuildingaLocal-Coalition.pdf)

## PART TWO: TACKLING MORTGAGE FORECLOSURE PREVENTION/INTERVENTION

### BASIC INFORMATION

#### Michigan Mortgage Foreclosure Law

There are two basic ways lenders can foreclose and these differ from state to state.

- 1) **Judicial Foreclosure** where the lender must take the borrower to court, and
- 2) **Foreclosure by Advertisement** where the lender may foreclose by scheduling a Sheriff's sale and advertising that sale in a local paper.

While both types of foreclosure can occur in Michigan, we are considered a Foreclosure by Advertisement state because nearly all Michigan mortgage foreclosures are by advertisement.

#### Michigan Mortgage Foreclosure Process/Timeline:

[http://www.michigan.gov/mshda/0,1607,7-141-45866\\_47905-177816--,00.html](http://www.michigan.gov/mshda/0,1607,7-141-45866_47905-177816--,00.html)

#### Michigan's 90-Day Pre-Foreclosure Negotiation Period

Effective July 5, 2009, Michigan temporarily amended its foreclosure law with what is commonly referred to as the 90-Day Law. Its purpose is to bring at-risk homeowners and lenders together to try to work something out to avoid foreclosure by providing a 90-day pre-foreclosure period to do so. The law applies to foreclosure by advertisement and to anyone at risk of losing their primary residence. The law was originally due to sunset in July 2011, was temporarily extended to January 5, 2012 and as of December 23, 2011 when the Governor signed HB 4542 – 4544 into law, is now extended to January 2013.

The most recent extension of the law lays out a 30/ 60/ 90-day framework within the 90-Day pre-foreclosure negotiation period that requires:

- The homeowner to contact the lender either directly or indirectly through a HUD or MSHDA-certified foreclosure counselor within 30 days of the date of the pre-foreclosure notification letter from the lender to schedule a pre-foreclosure meeting;
- The homeowner to submit to the lender a completed documents package, if requested, no later than 60 days after the date of the mailed pre-foreclosure notice; and
- The lender to reach a decision within 90 days from the date of the pre-foreclosure notification letter.

The law also:

- Establishes consequences if the property is vandalized during the redemption period;
- Makes it a misdemeanor for someone who is not a licensed attorney or approved housing counselor to represent a borrower in the negotiation process;
- And, unless the borrower demonstrates that the property is used for agricultural purposes, the law reduces the redemption period on properties greater than three acres to six months (down from 12 months) if the amount due at the time of the foreclosure notice is greater than 66-2/3% of the original mortgage balance.

The legislation mandates that MSHDA develop a list of housing counselors approved by HUD or MSHDA who may perform the duties of housing counselor. This list is updated quarterly and posted on MSHDA's Web site at <http://www.michigan.gov/mshda>.

**Note:** It is important to understand that the term 90-Day Pre-Foreclosure Law is a bit deceiving because unless a homeowner officially opts into the law as described above, the process is 30 days, not 90 days. The bulk of Michigan's at-risk homeowners do not currently take advantage of the law.

#### Michigan's Six-Month Post-Foreclosure Redemption Period

For 50 years, Michigan Foreclosure Law has included a six-month redemption period (12 months for agricultural property that is larger than three acres) for homeowners whose homes have sold at the Sheriff's Sale. This period is meant to provide a reasonable amount of time for homeowners to redeem the home, refinance it, sell it on a short sale or find a new place to live. If a homeowner abandons the property before the six months is up, the lender can shorten the redemption period to 30 days.

## Tenants in Foreclosure Act

Homeowners are not the only ones who suffer the direct impact of foreclosures. Tenants living in foreclosure properties are also affected. Fortunately they have some protection through the Tenants in Foreclosure Act <http://www.nlihc.org/doc/701-704-Public-Law-111-22.pdf>. This federal law makes clear what happens to the tenant when the foreclosed landlord's redemption period is over, and the bank or mortgage company takes over as owner of the house or apartment building. If the tenant has an existing lease, both parties (bank and tenant) must honor and continue with the terms of that lease. The law insures that all tenants have at least 90 days of notice before they can be evicted from the property. (Barring the rare instance when the bank/mortgage company intends to use the property.) This means that the tenant must pay the bank their monthly rent, and the bank must provide all maintenance and repairs to the home.

## **STRATEGIES & RESOURCES**

### Federal Programs

What many people refer to as the “Obama Plan” is officially the Making Home Affordable Program. This program is part of a plan that President Obama announced in February 2009 to help combat foreclosures. It is designed to help homeowners reduce mortgage payments to a level that is affordable. Unfortunately, while the program has definitely helped some homeowners, it has fallen far short of initial projections which were to help three to four million homeowners keep a roof over their heads. To date, fewer than 800,000 loans have been modified. From the beginning, the program was beset with confusing guidelines and the lack of penalties for lenders that abuse the program. There has also been a problem with temporary loan modifications not translating into permanent modifications. While there have been some recent adjustments to the program that have improved the rates of conversion from temporary to permanent loan modifications, the general consensus is that the Making Home Affordable Program has fallen far short of expectations. Regardless, it remains the primary federal program in place to help at-risk homeowners keep their homes.

There are two main components of the Making Home Affordable program:

- Home Affordable Refinance (HARP)
- Home Affordable Modification (HAMP)

If your mortgage loan is owned or guaranteed by Fannie Mae or Freddie Mac, your servicer **MUST** participate in the Making Home Affordable Program. If your mortgage loan is **NOT** owned or guaranteed by Fannie Mae or Freddie Mac, your servicer's participation is optional.

If you are interested in the Making Home Affordable Program, contact a local HUD or MSHDA-certified foreclosure prevention counselor in your area by going to [http://www.michigan.gov/mshda/0,1607,7-141-45866\\_47905-177816--,00.html](http://www.michigan.gov/mshda/0,1607,7-141-45866_47905-177816--,00.html). A free, certified foreclosure prevention counselor can determine if you are eligible for the program but more importantly, can help you understand the full range of foreclosure-prevention options available to you. (Learn more about free, certified foreclosure prevention counseling later in this section.)

If you are only interested in the Making Home Affordable Program, you can also go directly to <http://www.MakingHomeAffordable.gov> to access:

1) Self-assessment and borrower tools to:

- Determine basic eligibility;
- Estimate a possible payment reduction;
- Check debt-to-income ratio; and
- See if a loan is owned by Fannie Mae or Freddie Mac suing loan look-up tools.

2) Use the “checklists” to start gathering the information that you will need to speak to your mortgage servicer or a housing counselor.

Step Forward Michigan – <http://www.stepforwardmichigan.org>

In February 2010, President Obama announced \$1.5 billion in funding to assist homeowners hit hardest by the aftermath of the housing crisis. Michigan received \$498.6 million from this funding. The Michigan Housing Assistance Nonprofit Corporation (MHA), acting through the Michigan State Housing Development Authority (MSHDA), was charged with determining how to use these funds.

In July 2010, MSHDA rolled out several programs under the name of Step Forward Michigan.

These programs are designed for homeowners who:

1. Receive current Michigan unemployment compensation;
2. Have fallen behind in their mortgage payments or taxes due to a one-time involuntary crisis such as temporary layoff, medical emergency, or divorce etc., and/or
3. Can no longer afford their mortgage payments due to lower income.

To apply:

homeowners should contact [stepforwardmichigan.org](http://stepforwardmichigan.org)  
or call (866) 946-7432

### Unemployment Mortgage Subsidy Program

- Eligible homeowners can receive monthly subsidies, paid directly to the lender/servicer, of up to \$750 or 50% of the required monthly “Principal, Interest, Taxes and Insurance” (PITI) of a homeowners mortgage while they seek new employment
- Assistance will be provided for two months after the homeowner returns to work
- Maximum period of assistance is 12 months
- Eligibility: Homeowners who have lost their job through no fault of their own and qualify to receive unemployment benefits.

How to apply: [www.stepforwardmichigan.org](http://www.stepforwardmichigan.org)

### Loan Rescue Program

- Provide up to \$10,000 in assistance to households who can now sustain homeownership, in order to catch up on delinquent payments and avoid foreclosure
- Can be coordinated with existing mortgage modification programs to help borrowers restructure their mortgage to sustain homeownership

How to apply: [www.stepforwardmichigan.org](http://www.stepforwardmichigan.org)

### Principal Curtailment Program

- Provides one-time matching fund of up to \$10,000 to homeowners seeking to modify their loans
- How to apply: [www.stepforwardmichigan.org](http://www.stepforwardmichigan.org)

-

Homeowners who apply through the online application system and are ineligible for the program will be automatically directed to a HUD or MSHDA –certified counselor in their area to explore other foreclosure prevention options.

### Free Certified Nonprofit Foreclosure Prevention Counseling – Our Most Effective Prevention Tool

Since the beginning of the foreclosure crisis, access to free highly qualified nonprofit foreclosure counseling has proven to be the single most cost effective tool in the fight against foreclosure. For often less than a thousand dollars, foreclosure counselors certified by the U.S. Department of Housing and Urban Development (HUD) and/or the Michigan State Housing Development Authority (MSHDA) are able to help thousands of homeowners implement solutions that keep them in their homes, via loan modifications, refinancing, budgeting, and other strategies. Many Michigan HUD and/or MSHDA-certified nonprofit housing counseling agencies have success

rates above the national averages for such organizations and **all of these services are offered free to the homeowner**, regardless of income.

Recent national studies indicate that homeowners who receive housing counseling are 200% more likely to receive a loan modification and 45-50% more likely to get current on their mortgage. Michigan has a strong network of housing counseling agencies across the state that provides these free services. Homeowners can locate a free, HUD or MSHDA-certified foreclosure prevention counselor by visiting [http://www.michigan.gov/mshda/0,1607,7-141-45866\\_47905-177816--00.html](http://www.michigan.gov/mshda/0,1607,7-141-45866_47905-177816--00.html). Under "Locator," click on PDF of HUD and MSHDA Approved Counseling Agencies.

#### A Quick History of Foreclosure Prevention Counseling

Free housing counseling services including foreclosure prevention counseling have long been available to low-**to-moderate** income individuals through HUD (U.S. Department of Housing & Urban Development) or MSHDA (Michigan State Housing Development Authority) approved housing counseling agencies. With the advent of the foreclosure crisis in 2007, **both state and** federal government recognized the need to beef up the foreclosure prevention portion of these services, making them available to not only those who qualify as low-**to-moderate** income, but to anyone at risk of losing their primary residence. Consequently, in late 2007, legislation passed authorizing \$180 million for a National Foreclosure Mitigation Counseling (NFMC) Program. Congress selected NeighborWorks® America to administer the program. **Since then, all five rounds of funding through this program have been expended and a sixth round of funding was announced in March 2012.** HUD through its Housing Counseling Assistance Program (HCAP) has also provided limited funding for foreclosure prevention counseling on a competitive **grant** basis. MSHDA too has contributed **a significant amount of** funds to support the MSHDA-certified housing counseling agencies throughout the state. **Even with the funding challenges**, we still have a strong network of highly trained free foreclosures prevention counselors across our state that serve as the linchpin in foreclosure prevention efforts at the state and local level. Our biggest challenge, in addition to securing funding to sustain them, is that most at-risk homeowners are unaware that these resources exist and that they are free to anyone at risk of losing their primary residence. So spread the word!

#### What a Homeowner or Tenant Can Expect from a Free, Nonprofit Certified Foreclosure Counselor

The first thing an at-risk homeowner or tenant can expect from these housing counselors is respect and confidentiality. These unbiased professionals will:

1. Provide clients with a clear understanding of Michigan's foreclosure process, timeline and related rights and responsibilities;
2. Inform clients of foreclosure prevention options (repayment plan, loan modification, forbearance, deed in lieu, short sale, etc.);
3. Determine homeowner eligibility for state and federal programs (HAMP, Hardest Hit Homeowner Funds, etc.);
4. Assist with the paperwork involved in working with the lender;
5. Contact the lender and advocate for the homeowner;
6. Refer any legal issues to the local legal aid office for free legal advice and counsel; and
7. Report any suspected mortgage fraud or foreclosure rescue scams to the Michigan Attorney General's office.

Job number one for a foreclosure counselor, however, is to listen and keep all interactions confidential. Does the homeowner want to try to save the home or exit with dignity? Once the counselor determines this, he or she will perform a thorough review of the homeowner's financial situation and work with homeowners to put together a budget to determine the feasibility of the desired outcome. A legitimate nonprofit foreclosure counselor cannot promise to save a home, but working with one definitely puts the odds in the homeowner's favor.

When saving the home is impossible, some counseling agencies offer services that are generally referred to as "soft landing" or "post-foreclosure" services which include helping the foreclosure homeowner find an affordable place to live and access additional community resources to help them make that transition.

#### Michigan Foreclosure Prevention Corps – A Unique Michigan Resource

As you might guess, maintaining a strong network of certified foreclosure prevention counselors across the state is challenging. One of the more inventive ways that the Michigan Foreclosure Task Force has been able to help was through the creation of The Michigan Foreclosure Prevention Corps (MFPC). This innovative program, now in its third year, places twenty AmeriCorps members in HUD and

MSHDA-certified housing counseling agencies around the state to provide wrap-around administrative support for foreclosure counselors. Michigan Foreclosure Prevention Corps members assist in a variety of ways. Some examples include:

- Serving as the first point of contact for an at-risk homeowner reaching out for help;
- Organizing a neighborhood or community scam prevention information session;
- working to coordinate mortgage and tax foreclosure efforts between a County Treasurer's office and a counseling agency;
- Spearheading marketing efforts to direct at-risk homeowners to legitimate counseling services; and
- Collecting data on the impact of counseling services on a local community.

While Michigan Foreclosure Prevention Corps members are not certified to provide foreclosure counseling, their work ensures that certified foreclosure counselors spend their time focused on counseling and not administrative tasks. For more information about the MFPC, contact CEDAM at (517) 485-3588 or <http://www.cedam.info>.

### Free Legal Assistance – Legal Services & Michigan Foreclosure Prevention Project

Michigan residents are fortunate to have access to free legal representation provided by the Michigan Foreclosure Prevention Project (MFPP) found at <http://www.miforeclosure.org> through several major legal services offices around the state. The eleven attorneys who make up MFPP provide direct legal representation to homeowners, provide legal support to certified nonprofit housing counselors, coordinate policy advocacy and provide technical training and support. The Kresge Foundation, Ford Foundation, Michigan State Bar Foundation and Institute for Foreclosure Legal Assistance, as well as the Michigan State Housing Development Authority (MSHDA) fund the Michigan Foreclosure Prevention Project.

MFPP is a program of the Michigan Poverty Law Program, a cooperative of Legal Services of South Central Michigan and The University of Michigan Law School. To access free legal services provided by MFPP, homeowners need to contact their local legal services office, which can be found at [http://miforeclosure.mplp.org/partner\\_programs](http://miforeclosure.mplp.org/partner_programs).

### Mortgage Fraud and Foreclosure Rescue Scams

Since the beginning of the foreclosure crisis, Michigan has been particularly hard hit by mortgage fraud and foreclosure rescue scams. In fact, we rank in the top five states in the country for this type of crime. Michigan's high unemployment and foreclosure rates along with the fear and distress that accompany them make us an easy target for mortgage fraud and foreclosure rescue scams. Because these crimes are so prevalent in our state, the Michigan Foreclosure Task Force (MFTF) secured funding to award grants to three Michigan regional foreclosure prevention collaboratives to launch Scam Alert awareness campaigns in their areas. The campaigns consist of disseminating a wide range of public education materials professionally produced by NeighborWorks as part of its national Scam Alert Campaign <http://www.loanscamalert.org/>. If your community is interested in purchasing materials, visit <http://www.loanscamalert.org/pdf/material-pricing.pdf> for a price list.

The MFTF partnered with the Michigan State Attorney General's office to help report and prosecute these scam and fraud operations by making sure people who think they have been victimized know where to report it. (See Scam Reporting below.)

**Some Basic Scams** – While scam operators seem to be endlessly creative in their ability to come up with new angles, some of the following scams are the most common:

- **A “Foreclosure Prevention Specialist” Scam:** These scams involve someone taking fees up front to work with your lender and “save your home.” They look professional, take your money and do nothing for you.
- **The Lease/Buy Back Scam:** In this scam, homeowners are tricked into signing over the deed to their home based on promises that they can stay in the home as a renter and buy it back later. Generally, the terms of the lease are so difficult that homeowners are rarely, if ever, able to repurchase their homes.
- **Bait and Switch Scam:** In this scam, a homeowner unwittingly signs over the deed to the home thinking s/he is merely refinancing it to provide income. A typical target for this scam is elderly widowed women many of whom end up being evicted from a home they have owned outright and lived in for years.

**Scam Prevention** – Here are some basic rules of thumb to keep from being victimized by a scam artist:

- NEVER pay anyone up front to help you work with your lender;
- NEVER trust anyone who guarantees they can save your home;

- NEVER sign anything you haven't read or don't fully understand; and
- ALWAYS seek the help of a FREE HUD or MSHDA-certified foreclosure counselor.

Homeowners can locate a free, HUD or MSHDA-certified foreclosure prevention counselor by visiting

[http://www.michigan.gov/mshda/0,1607,7-141-45866\\_47905-177816--00.html](http://www.michigan.gov/mshda/0,1607,7-141-45866_47905-177816--00.html). Under Locator, click on PDF of HUD and MSHDA Approved Counseling Agencies.

**Scam Reporting** - If you think you have been the victim of a foreclosure scam, report it by contacting the Michigan State Attorney General's Office at <http://www.michigan.gov/ag>, click on "Complaints. You can also call (877) 765-8388. If you would like to register a complaint about a licensed mortgage broker or lender, contact the Office of Financial and Insurance Services at <http://www.Michigan.gov/ofir> or (877) 999-6442.

**Ingham County Residents Only - Ingham County Foreclosure Fraud Hotline ( 517) 676-7210**

**Scam Prosecution** – Michigan has laws in place that can be used to effectively prosecute scam artists. One of these laws is a law that makes it illegal to require payment for services before services are rendered. This is important to know since all of these scam operators ask for money up front which is not only a red flag but the act that will make it possible to prosecute them for their crime. The good news is that, in the past year, the Michigan State Attorney General's office has made the prosecution of mortgage fraud and foreclosure rescue scams a high priority and has been very successful in bringing these criminals to justice.

## BEST PRACTICE MODELS

Kent County Foreclosure Response: Marketing of Counseling Services

In 2009, the Foreclosure Response Coalition of Kent County launched an aggressive campaign to increase the number of at-risk homeowners taking advantage of free HUD

<http://www.hud.gov/offices/hsg/sfh/hcc/fc/index.cfm?&webListAction=search&searchstate=MI&filterSvc=dfc> and MSHDA-certified foreclosure counselors and free Legal Aid <http://www.michiganlegalaid.org>. Within a year, the coalition, comprised of more than 40 stakeholders including nonprofit housing and social service agencies, neighborhood organizations, foundations, city and county governments, legal resources, banks and real estate professionals, tripled the number of intake calls from residents seeking the assistance of certified housing counselors. Kent County focused its efforts on connecting with homeowners early in the foreclosure process to put them in touch with foreclosure prevention related resources using the following strategies/tactics:

- Door-to-Door Campaigning
  - contacting homeowners directly, providing them with Foreclosure Response educational materials (written in English and Spanish) and inviting them to participate in a community meeting with onsite housing counselors
  - partnering with other door-to-door campaigns, requesting that they help spread the Foreclosure Response message, thereby, expanding visibility and outreach.
- Building Relationships with Neighborhood Associations
  - attending neighborhood meetings to build the trust of residents and connect those in need of foreclosure counseling and legal aid to those resources.
- Marketing Services on Water Bills
  - collaborating with the Department of Public Works to have certified foreclosure counselor contact information printed on the backs of all county water bills. Click here for a sample materials <http://cedam.info/pdfs/toolkit/Foreclosure%20Response%20Marketing%20Bilingual.pdf>.
- Crossing the Language Barrier
  - broadcasting public service announcements on Spanish radio channels.
- Circulating Foreclosure Response Materials
  - ensuring the availability of educational materials across the county in various public and private venues.
- Briefing the County and City Commission
  - briefing the County and City Commission on their mission and partnering to host community meetings.

*For more information, contact Tracie Coffman at [tcoffman@homerepairservices.org](mailto:tcoffman@homerepairservices.org)*

Community Foreclosure Coalition (Jackson, Lenawee, Hillsdale): Engaging Partners in Prevention Efforts

In July of 2009, the Community Action Agency (Jackson, Lenawee & Hillsdale) launched the tri-county Community Foreclosure Coalition to respond to the foreclosure crisis in the region. Using ARRA funds, CAA hired a Coalition Director to build and manage the coalition. By late 2010 when funding to staff the coalition dried up, it had:

- Built & engaged a broad-based coalition of 75 partners;
- Increased awareness of the crisis through one-on-ones meetings with key leaders, town hall meetings, presentations to key stakeholder groups, employer-based informational sessions, media, etc.;
- Developed and broadly disseminated electronic & printed mortgage and tax foreclosure prevention materials (in English and in Spanish);
- Developed a Website <http://www.jlhcf.org> – a one-stop source of tri-county -specific foreclosure-related news, information & resources;
- Published a monthly E-newsletter GIMME SHELTER;
- Improved communication, cooperation and coordination among free HUD or MSHDA-certified foreclosure counselors & legal service attorneys across the tri-county area;
- Increased number of people seeking free services from these, unbiased, highly qualified professionals;
- Hosted a Tri-County Leadership Summit to establish specific tri-county & county-specific priorities;
- Established a time-limited tri-county Steering Committee to guide the effort;
- Improved communication, coordination and cooperation between those involved the foreclosure process itself including Registers of Deeds, County Treasurers, Sheriff's Deputies, etc.;
- Brought additional stakeholders to the table to help with the work including local banks & credit unions, realtors, bankruptcy attorneys, the IRS, major employers, etc.;
- Worked closely with CEDAM and Michigan Foreclosure Task Force, (MFTF) sharing coalition-building best practices, advancing public policy efforts;
- Secured a grant from MFTF to pay for NeighborWorks Scam Alert Campaign materials; and
- Developed Public Policy Agenda focused on identifying a dedicated funding stream to support foreclosure counseling and broader homeowner education and secured the endorsement and support of The Michigan Foreclosure Task Force.

*For more information, contact Toby Berry at [tberry@caailh.org](mailto:tberry@caailh.org)*

Detroit Foreclosure Prevention and Response: Homeowner Resource Events

The Detroit Foreclosure Prevention and Response Initiative (FPR) [http://www.foreclosedetroit.org/pages/About\\_Us](http://www.foreclosedetroit.org/pages/About_Us) is an independent public/private model that serves as a centralized clearinghouse to share tools, resources and recommendations to leverage and enhance the work of partners throughout the City of Detroit and to reduce the effects of the foreclosure crisis on families and neighborhoods. In partnership with a host of other stakeholders, FPR has produced large-scale intake Homeowner Resource Events across the state, improving homeowners' access to foreclosure counseling and increasing counseling capacity. First and foremost, the events are designed to attract homeowners at risk of losing their homes to foreclosures. To do so successfully, the event organizer carefully considers the desired audience within a given community or region – each event is different – and sets out to develop partnerships with providers of other local resources that are relevant to the needs of the community. A myriad of services should be offered to attract home owners, but FPR first focuses its efforts on providing valuable information about the foreclosure process, recruiting onsite housing counselors for the event, and, through other materials, providing a pipeline to certified HUD or MSHDA-certified housing counselors. FPR provides an informational website to help homeowners understand their options in the foreclosure process at <http://www.foreclosedetroit.org>. The organization will post information about outreach events on the website upon request.

FPR offers a series of valuable suggestions when preparing for an intake event:

**1. Consider what you have the ability to do instead of focusing on what you are unable to do.**

Launching an intake event can be difficult. Make the process easier by exploring the benefits of new partnerships, other free services available in your community and resources that will help to attract homeowners.

**2. Outreach is as important as the event itself.**

Due to the stigma and other challenges associated with the foreclosure process, the name of the event and the outreach strategy must be chosen with sensitivity and care. For example, homeowners may be unlikely to attend a "Foreclosure Prevention" event, but may attend a "Homeowner Resource" event. Think of it from the homeowners' perspective, by offering resources such as legal aid,

accounting aid, Michigan Works, senior services, CVS (Flu-shots), local energy suppliers, home repair, WARM training workshops, and Head-start resources, just to name a few. The event will attract more attendees by reducing the association with what can be perceived as the stigma of foreclosure. As always, getting homeowners to the Resource Event early in the foreclosure process is critical, otherwise people have already expended their assets.

### **3. Create effective marketing materials.**

Marketing materials should be sensitive and designed for homeowners in your target area. They should provide contact information for local HUD and MSHDA-certified housing counselors. In doing so, homeowners who may be unwilling to attend the event will still have access to the help they need. Additionally, by requesting RSVPs in the marketing materials, you ask people to make a commitment to attend the event, resulting in a better turnout. People may take the event more seriously if they know that limited seating is available.

### **4. Don't recreate the wheel, identify the free services that are available in your community and develop partnerships.**

By partnering with socially responsible organizations with free, high traffic spaces (i.e. social service organizations, churches, community colleges, libraries, etc.) in a given community, FPR capitalized on free space and increased attendees by asking these organizations to market the event to the organization's list of contacts.

### **4. Survey homeowners, lenders, and vendors about the success of the event.**

Surveying participants will help to gather feedback that will help you improve future events. .

### **5. Does an event of this nature feel too big for you to launch?**

If an event of this nature seems overwhelming, but you want to take action, collect foreclosure resources in your community and take them to other resource events in the area.

*For more information, contact Diane at [mccloskey@foreclosedetroit.org](mailto:mccloskey@foreclosedetroit.org)*

### Foreclosure Intervention Neighborhood Stabilization Collaborative (FINSC): Regional Intake System

The Southeast Michigan Regional Foreclosure Intervention and Neighborhood Stabilization Collaborative (FINSC) is made up of 60 organizations – nonprofits, government agencies, attorneys and legal advisors, and others – from Wayne, Oakland, Macomb, and Washtenaw counties. By reaching out to assist homeowners at every stage of the foreclosure cycle, the Collaborative aims to stem the tide of mortgage foreclosures in Southeast Michigan. The FINSC web portal, <http://www.fightmortgageforeclosurefinsc.org>, provides a system for managing caseloads and community resources to ensure accountability, enabling the Collaborative to effectively deliver standardized foreclosure assistance throughout the region while tracking measureable outcomes.

By providing a free, user-friendly, and trusted tool to secure foreclosure prevention services, the Collaborative is increasing the number of homeowners who seek assistance and reaching them earlier in the foreclosure process.

*For more information, contact Dona at [dona.ponepinto@liveunitedsem.org](mailto:dona.ponepinto@liveunitedsem.org).*

## PART THREE: TACKLING TAX FORECLOSURE PREVENTION

### BASIC INFORMATION

Over the past few years, a related but separate foreclosure crisis has been rapidly growing alongside the mortgage foreclosure crisis in Michigan. Tax foreclosure, when a home is lost for failure to pay property taxes, has been growing exponentially in many Michigan communities. Michigan tax foreclosures quadrupled between 2007 and 2010 and show no signs of slowing down. This is a predictable outcome of Michigan's real estate market and its rapidly declining home values.

Under Public Act 123 of 1999, a property owner has 25 months to pay their property taxes or they lose their home to the government, almost always the County Treasurer's office in Michigan. Failing to pay taxes in the year that they are owed initiates a rather severe series of penalties, fees and interest charges that can see delinquent taxes balloon to significant levels. Within four months of being overdue, property taxes are turned over to the county treasurer and a 4% administrative fee is added plus 1% *per month* of interest (12% annually). A year later, the monthly interest fee is raised to 1.5% per month (18% annually) and a \$245 additional administrative fee is added.

Michigan Tax Foreclosure Law

[http://www.michigan.gov/taxes/0,1607,7-238-43535\\_55601---,00.html](http://www.michigan.gov/taxes/0,1607,7-238-43535_55601---,00.html)

Michigan Tax Foreclosure Timeline:

[http://www.michigan.gov/documents/taxes/FF-FC-TimelineFlowChart\\_Printable\\_317032\\_7.pdf](http://www.michigan.gov/documents/taxes/FF-FC-TimelineFlowChart_Printable_317032_7.pdf)

Homestead Property Tax Credit Information:

[http://www.michigan.gov/taxes/0,4676,7-238-43535\\_43538---,00.html](http://www.michigan.gov/taxes/0,4676,7-238-43535_43538---,00.html)

### STRATEGIES & RESOURCES

Tax foreclosure is often an issue for seniors and others who own their homes outright and do not even possess a mortgage.<sup>1</sup> Sometimes these homeowners forget to make the tax payment or get confused by the many mailings required to document changing assessments, advertising mortgage products and other issues that are not the actual bill. Sometimes, given the high penalties and fees, these homeowners who live on a fixed income find out about their tax delinquency when the bill has already ballooned to an unaffordable level or the tax foreclosure process hits at a time when they are cash poor. For these homeowners, a **hardship extension** may enable the homeowner to defer the payment of these back taxes if they can demonstrate that they have limited income. The County Treasurer's Office processes hardship extensions and local legal services offices, HUD and MSHDA-certified counseling agencies, and community action agencies should be able to assist the homeowner in filing a hardship extension.

Even if the homeowner is not afforded a hardship extension, most County Treasurers will work with a tax-delinquent homeowner to help them enter into a repayment plan that can defer the tax foreclosure. While there are few, if any, resources to assist tax-delinquent homeowners,<sup>2</sup> many are able to access their Michigan State Emergency Relief (SER) **homeownership services funds** <http://www.mfia.state.mi.us/olmweb/ex/erm/304.pdf>. The homeownership services maximum is \$2,000, for an individual's lifetime, consisting of the combined total of all homeownership service payments (house payments, property taxes, etc.) for low-income Michigan residents to help save their homes from tax foreclosure. The Michigan Department of Human Services (DHS) administers these funds. For those who own their home, they may consider a reverse mortgage (HECM) or home equity line of credit (HELOC) that enables the homeowner to borrow against the equity in the home for current bills, such as delinquent property taxes.

For very low-income property owners, Michigan law allows for a **poverty exemption** from local property taxes *only when applied for in the year that taxes are actually owed*. Most local legal services offices, HUD and MSHDA-certified counseling agencies, and community action agencies should be able to assist homeowners in completing such applications, which are then subjected to final approval by the local (city, township, and village) assessor's office. Policies vary across locality and one should check with the local assessor on the standards for obtaining a poverty exemption, but many tax commissions want to certify that the homeowner's income

<sup>1</sup> In fact, many, if not most, mortgage companies will pay taxes out of mortgage payments to insure that the property does not go into foreclosure. Such tax payments are often held in an escrow account and included in the monthly mortgage payment.

<sup>2</sup> The Michigan Interfaith Trust Fund created a program to give medium-term loans to distressed homeowners in Wayne County to prevent tax foreclosure, but less than two dozen loans were made in the programs three-year existence.

is at or below the poverty level, that the homeowner has limited assets from which to draw, is using the home as their primary residence, and no other occupants of the home have the means to assist in paying the taxes.

## BEST PRACTICE MODELS

### Washtenaw County: Protecting Against Tax Foreclosure

County Treasurers are often in the best position to insure that homeowners and other property owners do not lose their property to tax foreclosure. Several Michigan County Treasurers run excellent programs that go the extra mile to reach out to tax delinquent owners, provide them with **poverty exemption** <http://www.ewashtenaw.org/government/treasurer/TFP/10%20assessed%20value.pdf> and **hardship extension applications** <http://www.ewashtenaw.org/government/treasurer/TFP/TFP/09%20hardship%20application%20-%20policy.pdf> and provide additional hands-on assistance to insure that solutions other than forfeiture of the property are reached.

Among such efforts, the [Washtenaw County Treasurer](http://www.ewashtenaw.org/government/treasurer) [http://www.ewashtenaw.org/government/treasurer] provides:

- **Timelines of the tax foreclosure process** <http://www.ewashtenaw.org/government/treasurer/TFP/>;
- **Explanations of the law** <http://activerain.com/blog/view/2462857/michigan-property-tax-explanation-video-washtenaw-county-millage-rates> and the aforementioned applications;
- **Partial payment options** [http://www.ewashtenaw.org/government/treasurer/TFP/tr\\_payment\\_options.html](http://www.ewashtenaw.org/government/treasurer/TFP/tr_payment_options.html)
- **Budgeting assistance** (on request)

*For more information, contact Heather at [mooneyh@ewashtenaw.org](mailto:mooneyh@ewashtenaw.org).*

### Wayne County: Legal Services for Delinquent Borrowers

In Wayne County, the United Community Housing Coalition <http://www.uchcdetroit.org/> has worked with Michigan Legal Services <http://www.milegalservices.org/> to pioneer the Tax Foreclosure Prevention Program since the early 2000s. These nonprofit legal services organizations have worked with a variety of local partners, including community development corporations, Detroit City Council members, state legislators, and others to reach out to delinquent borrowers across Detroit via mail, phone, and door-knocking campaigns to (a) alert occupants of the pending tax foreclosure; (b) assist them in making payments; and /or (c) assist them in applying for poverty exemptions and hardship extensions. Go to <http://milegalservices.org/files/propertytax.pdf> for an example of an educational brochure used for outreach.

*For more information about United Community Housing Coalition, contact Ted at [tphillips@uchcdetroit.org](mailto:tphillips@uchcdetroit.org).  
For more information about Michigan Legal Services, contact Marilyn at [mmullane@michiganlegal.org](mailto:mmullane@michiganlegal.org).*

## PART FOUR: RESPONDING TO MORTGAGE AND TAX FORECLOSURES

### BASIC INFORMATION

While the mortgage foreclosure and tax foreclosure processes and the corresponding prevention strategies are different from one another, both present the very same challenges to communities – increased numbers of vacant properties and related code enforcement issues, decreases in property values and inadequate local ordinances to address any of these. Because both mortgage and tax foreclosures have the same impact on communities, when it comes to response efforts, it makes sense to deal with them together. Below are some community foreclosure response strategies that have worked well:

### STRATEGY 1: Municipal Efforts to Restore Property Values

The decrease in property values resulting from the foreclosure crisis has both decreased the local tax revenue that communities use to pay for basic services and has contributed to the delayed recovery of local housing markets. Focusing foreclosure response efforts on restoring property values has been an effective strategy used by many Michigan communities.

#### RESOURCES

#### ***MSHDA Property Improvement Program***

Improving and preserving homes is critical to maintaining neighborhood property values. The Michigan State Housing Development Authority (MSHDA) Property Improvement Program (PIP) [http://www.michigan.gov/mshda/0,4641,7-141-49317\\_50737---,00.html](http://www.michigan.gov/mshda/0,4641,7-141-49317_50737---,00.html) offers low interest home improvement loans to single-family Michigan homeowners (with incomes up to \$65,000 and a credit score of at least 620) and landlords. Home improvements such as roof repair, improvements that increase energy efficiency (e.g. insulation siding, and window replacement), ramp installation, kitchen and bathroom, among other renovations are qualified improvements for the Property Improvement Loans. MSHDA-approved Participating Lenders and Community Agents accept and process applications for PIP loans. Information on borrower eligibility and becoming a Participating Lender or Community Agent is available at MSHDA. [http://www.michigan.gov/mshda/0,1607,7-141-49317\\_49319-187310--,,00.html](http://www.michigan.gov/mshda/0,1607,7-141-49317_49319-187310--,,00.html)

#### BEST PRACTICE MODELS

#### ***Grand Rapids: Overhauling Outdated City Ordinances***

The City of Grand Rapids, along with a consortium of community organizations, has actively addressed the role of municipal government in helping communities maintain property values in response to the changing rental market. From 2006 – 2009, a 70% increase in the number of families living in single-family rental units generated a great deal of attention on the need to overhaul outdated city ordinances. As it stands, the City Housing Code requires two-family and multi-family units to receive a two, four, or six-year Certificate of Compliance before being inhabited. This ordinance guarantees that renters have access to decent, safe rental arrangements and puts the responsibility on landlords to take care of properties, thereby helping to maintain neighborhood property values. Single-family rentals, despite being increasingly utilized as rental units, are only inspected upon complaint and are not systematically required to have a Certificate of Compliance. To keep rental properties from becoming a nuisance, community organizations endorsed a series of recommendations and implemented a campaign to improve local housing ordinances and to promote sustainable neighborhoods. As a result of local advocacy efforts, the new ordinances that include regular inspections for single-family units for the Grand Rapids City Housing Code will go into effect in 2012. To review the full list of recommendations visit <http://www.foreclosureresponse.org/wp-content/uploads/Supporting-the-Long-Term-Sustainability-of-Housing-and-Neighborhoods-FINAL-V2.pdf>

*For more information, contact Connie at [cbohatch@grcity.us](mailto:cbohatch@grcity.us)*

### STRATEGY 2: Vacant Property Campaigns

One of the most negative impacts of the current foreclosure crisis has been an historic and extremely rapid expansion in vacant property. According to Census Bureau data, non-seasonal vacant properties have increased 51% nationally from nearly seven million in 2000 to ten million in April 2010, with ten states, including Michigan which saw an 85.2% increase, seeing increases of 70% or more. Unattended vacant properties increase public safety costs and lower communities' tax revenues due to the decline in value of surrounding properties. Some studies have found that vacant foreclosed properties may have reduced prices of nearby homes by \$8,600 to \$17,000 per property in specific cities. Other costs to deal with vacant properties are imposed on local governments. In fact, Detroit, alone, spent as much as \$20 million since May 2009 to demolish 4,000 vacant structures. (Note that according to a 2009 study by Data Driven Detroit, Detroit has 67,000 vacant parcels and nearly 30,000 vacant homes.)

The General Accounting Office undertook a comprehensive review of vacant property growth and strategies to deal with their problems in November 2011 <http://www.gao.gov/new.items/d1234.pdf>. It noted that cities and states implement a variety of strategies to minimize the negative impacts of vacant properties, but face various challenges. Some local governments are creating special entities called Land Banks to acquire and hold vacant properties for later development, sale or demolition. However, difficulty obtaining adequate and sustained funding and finding buyers for the properties can hamper these local efforts. Some cities have passed ordinances that require servicers to notify the city when a property they are managing becomes vacant and attempt to hold them responsible for maintenance. However, localities often lack resources or staff to enforce these requirements fully. Some suggest that fewer properties would become vacant if servicers had to account for communities' costs such as for policing and fire when considering whether to modify loans or foreclose. Servicers and others, however, often question the feasibility and effectiveness of such an approach. Local officials and community groups said they need more funds and increased oversight by federal regulators to ensure that servicers comply with local property maintenance codes.

In addition to these governmental strategies, innovative community organizations have had tremendous success in tackling vacant properties. From boarding up vacant homes, marketing vacant properties to new homebuyers, developing neighborhood response systems to prevent property strippers and vandals, to developing community gardens in vacant open spaces, residents, community development corporations, and neighborhood associations across Michigan have pioneered some of the most innovative and effective means of limiting the impacts of vacant properties.

## RESOURCES

### ***Detroit: Detroit Vacant Property Campaign***

Michigan Community Resources (formerly Community Legal Resources or CLR) has led a collaborative initiative called the **Detroit Vacant Property Campaign (DVPC)** that empowers communities and organizations to turn vacant properties into assets through community engagement and technical assistance. DVPC is a collaborative initiative, led by Michigan Community Resources, involving community groups, neighborhood associations, city residents, faith-based organizations, Detroit LISC the University of Michigan Taubman College of Architecture and Urban Planning, Community Development Advocates of Detroit and the City of Detroit.

Through the development of vacant property plans in Detroit neighborhoods, the Detroit Vacant Property Campaign has identified a number of goals to address the issue of vacant housing and strategies for accomplishing those goals. These goals include:

- Educating homebuyers and homeowners about mortgage, property tax, and foreclosure processes to keep homeowners in their homes and avoid additional vacancies;
- Developing a well-organized Vacant Property Strategy which includes inventory and assessment of vacant homes;
- Determining property ownership in order to hold owners accountable for the condition of their properties;
- Preventing damage to vacant properties to retain home values;
- Obtaining control of vacant properties for access to make repairs and market;
- Getting vacant properties reoccupied;
- Demolishing vacant properties to protect home values
- Managing vacant lots;
- Building neighborhood capacity; and
- Retaining residents.

In addition to developing written resource guides to assist residents, neighborhood and community associations, and community development corporations in addressing local vacant properties, Michigan Community Resources has offered an array of services to local residents, neighborhood and community organizations, and community development corporations. Assistance starts with a variety of educational and community outreach services. Many of the educational materials can be found at <http://www.clronline.org/resources>. Other forms of outreach and education include hosting brown bags and other events on specific topics, such as finding property ownership or working with the Detroit Land Bank. The second level of assistance provided to residents, neighborhood and community organizations, and community development corporations includes research on property ownership, nuisance abatement strategies and specific legal questions.

Michigan Community Resources (MCR) also provides hands-on assistance to select neighborhood associations and community development corporations to develop full-blown vacant property campaigns. Such campaigns begin with assessing the current state of affairs and mapping a neighborhood's property conditions, property ownership, and vacant property. The campaigns develop strategies and priorities to tackle these conditions. MCR also assists in the development of specific strategies to tackle community problems.

Finally, MCR's management of the Detroit Vacant Property Campaign includes the development of policy and systems to impact vacant property on a citywide basis. Working with its partner the City of Detroit, MCR has helped develop a vacant property registration ordinance and has worked to pioneer nuisance abatement legal strategies for community organizations and residents to pursue persistent vacant problem properties.

An excellent overview of these various strategies and intervention can be found in the **Detroit Vacant Property Toolkit, 2nd Edition** [http://detroitvacantproperty.org/technical/vacant\\_property\\_toolbox\\_2nd\\_ed.pdf](http://detroitvacantproperty.org/technical/vacant_property_toolbox_2nd_ed.pdf).

### BEST PRACTICE MODELS

#### ***Building a Neighborhood Stabilization Team Effort in Cleveland***

Cleveland has also been at the forefront of innovative and effective ways of dealing with vacant properties. A great overview of their efforts can be found at <http://www.communityprogress.net/cleveland--oh---building-a-neighborhood-stabilization-team-effort--pages-85.php>.

### **STRATEGY 3: Vacant Property Registration Ordinances**

Vacant properties can quickly become blighted, dangerous, and magnets for crime. Intervention in the maintenance of vacant property is critical to staving off the spiral of neighborhood decline. The rapidly changing nature of property's ownership and occupancy status has made it difficult for local government, as well as neighbors to track the status of property. Often it is unclear whether a commercial or residential property is occupied, being improved, for sale or foreclosed and abandoned.

To combat this, many local governments have adopted vacant property residential ordinances that not only enable them to track a property's status, but create an additional incentive for property holders to aggressively market and improve property so that it can return to an active use that enhances, rather than detracts from, the value of the surrounding neighborhood and market. Enacting a vacant property ordinance can help municipalities keep track of vacant inventories and hold owners accountable for neglect and blight.

#### Elements of Successful Registration Ordinances

Not every registration ordinance is the same, but those that have been successful generally require:

- An inspection requirement;
- A sliding scale registration fee (often charged annually);
- An increased maintenance standard (may include development of a timely rehabilitation plan); and
- Local owner contact information

### RESOURCES

#### ***Examples of Vacant Property Registration Ordinances***

The following four examples display various ways in which communities design vacant property registration ordinances:

- 1) **City of Dearborn** <http://www.cityofdearborn.org/government/city-services/resident-services/331-resident-services-vacant-property-registration-information>
  - Annual registration fee of \$150 covers twelve months of monitoring inspections
  - Property must be registered within ninety days of vacancy
- 2) **Clinton Township** <http://www.clintontownship-mi.gov/LinkClick.aspx?fileticket=xhuvbujmupM%3d&tabid=92&mid=811>
  - Annual registration fee of \$25 / \$10 a month monitoring fee
  - Property must be registered within ten days of vacancy
- 3) **City of Eastpointe** <http://www.cityofeastpointe.net/Vacant-Structure-Application.pdf>
  - Registration and inspection fee of \$250
- 4) **City of Muskegon** <http://www.muskegon-mi.gov/departments/planning/vacant-building-registration/>
  - Fee: None for first year – escalating fee thereafter
  - Property must be registered within ninety days of vacancy

BEST PRACTICE MODELS**Southeast Michigan Council of Governments**

Southeast Michigan Council of Governments (SEMCOG) <http://www.semco.org/NeighborhoodStabilizationVPRO.aspx> helps member communities develop Vacant Property Registration Ordinances to establish a public point of contact for every building's owner and ensure a minimum level of security for the property. Registration programs also may offer local governments a way to recoup some of the costs incurred from vacant houses, while at the same time provide a means to hold owners responsible for the safety and maintenance of their properties. At least 42 communities in Michigan have enacted a registration ordinance, the vast majority of which were authorized in the wake of the recent foreclosure crisis.

For more information, contact Kevin at [vettrains@semco.org](mailto:vettrains@semco.org).

**Philadelphia: "Doors and Windows" Vacant Property Program**

Philadelphia Mayor Michael Nutter launched a new program in October 2011 that forces vacant property owners to either bring their property up to code or face hundreds of dollars in fines and the possible seizure of their real estate. The City identified 25,000 vacant properties throughout the city that either lack a license or remain abandoned because of city code violations.

To force the issue with absentee property owners, the City developed a three-step approach. First, the City will dispatch a team of researchers to cull through databases to locate up-to-date contact information for each property owner. Second, the City is rolling out a "doors-and-windows" ordinance that forces vacant property holders to ensure every opening on a residence is outfitted with a functional door or window. Under the new rule, the City can ask the court to fine owners up to \$300 for each day that a property opening remains without a functional cover. Bright pink posters will be pasted on properties that remain out of compliance with this rule.

Finally, a state act allows the City to ask the court to attach code violation fines to the owner's personal property. In addition, the fines may be used at a later date to pull the property into a sheriff's sale. The city is working with a local judge to set aside specific days for vacant property hearings to expedite the process. To read more, visit <http://cityofphiladelphia.wordpress.com/2011/10/26/mayor-nutter-commissioner-burns-launch-new-initiative-to-hold-vacant-property-owners-responsible-for-blight/>

**STRATEGY 4: Code Enforcement for Formerly Owner Occupied Homes**

Local governments can use code enforcement initiatives and policies to maintain housing standards and encourage higher quality neighborhoods. Violations of municipal code can include anything from unmaintained housing exteriors, to inoperable vehicles, to lack of snow and ice removal. The end goal of any code enforcement strategy is to prevent substandard houses from becoming vacant, abate public nuisances, and if necessary locate and demolish buildings that are abandoned or beyond repair. Such comprehensive approaches require a blend of compliance and enforcement remedies along with strategic use of rehabilitation resources and housing assistance programs.

BEST PRACTICE MODELS**Berlin Township: Anti-Blight Ordinance #5**

Blight Ordinances generally require a minimal maintenance of properties and adherence to quality of life standards. These ordinances generally define blight broadly and set forth inspection, registration, non-compliance, and remediation timetables, requirements, and regulations. The **Anti-Blight Ordinance # 5** <http://www.berlintwpstclair.org/blightordinance.htm> in Berlin Township targets "junk automobiles", building materials, trash and rubbish, as well as addresses deteriorating and vacant structures. Homeowners have ten days to remedy the problem or face a misdemeanor.

**City of Southfield: "Eyes on Southfield"**

The City of Southfield has created an "Eyes on Southfield"

<http://www.cityofsouthfield.com/NewsEvents/tabid/158/newsid1480/325/mid/1480/Eyes-on-Southfield-program-aims-at-keeping-Southfield-beautiful/Default.aspx> program that recognizes every resident and business owner has a vested interest in maintaining property by keeping the city clean and attractive. Southfield's Code Compliance Department canvases the city seven days a week to

monitor conditions of homes and neighborhoods and also responds to residents' complaints within a 24-to-48 hour time period. To allow residents to easily notify the city of code or blight issues, the city established a 24 hour-a-day phone number.

**City of Sterling Heights: Sterling Heights Initiative for Neighborhood Excellence**

The City of Sterling Heights has created the **SHINE (Sterling Heights Initiative for Neighborhood Excellence)** [http://www.ci.sterling-heights.mi.us/bins/site/templates/default.asp?menu\\_imagesetid=1&area\\_2=pages%2Fgov%2Fcitydepts%2Fcity+development%2Fshin e%2Edat&area\\_1=pages%2Fnav%2Fgov%2Fcitydepts%2Fcitydepts%2Edat&area\\_3=0%2Edat&area\\_0=0%2Edat&area\\_8=0%2Edat &objec](http://www.ci.sterling-heights.mi.us/bins/site/templates/default.asp?menu_imagesetid=1&area_2=pages%2Fgov%2Fcitydepts%2Fcity+development%2Fshin e%2Edat&area_1=pages%2Fnav%2Fgov%2Fcitydepts%2Fcitydepts%2Edat&area_3=0%2Edat&area_0=0%2Edat&area_8=0%2Edat &objec) program to help maintain properties and protect resident property investments. The city partners with neighborhoods to organize local cleanups and provides opportunities for neighbors to volunteer to assist in property maintenance for those in need.

For more information, contact Pat at [pbrockway@sterling-heights.net](mailto:pbrockway@sterling-heights.net).

**STRATEGY 5: Code Enforcement for Rental Properties**

One of the direct impacts of foreclosures and the corresponding decrease in home values is an increase in the number of residential rental units. Not only has the 300,000 foreclosures in Michigan increased the supply of renters, but the disposition process of foreclosed properties at low rates have created a new class of landlords, some of whom seek cheap, foreclosed property that they can rent without significant investment in acquisition or rehab and maintenance. In order to monitor rental properties and ensure the integrity of neighborhoods, many communities have begun enacting Rental Registration/Certification Ordinances. These ordinances generally are designed to promote the continued maintenance of quality and safe rental properties, while at the same time enhance property values of all properties, and reduce the causes and spread of blight. Most Rental Registration/Certification Ordinances require that all rental housing be certified, inspected, and/or registered prior to occupancy. Although each ordinance may differ by community, at a minimum many require systematic inspections of all rental properties (usually either every two or four years). Additionally, many communities are considering enacting or updating rental property ordinances to respond to an increase in homeowners choosing to convert owner-occupied residences into rentals.

**RESOURCES & BEST PRACTICE MODELS**

*Examples of Rental Ordinances Across Michigan*

- **The City of Kalamazoo** Rental Housing Inspection and Certification Program [http://www.kalamazoo.org/portal/government.php?page\\_id=193](http://www.kalamazoo.org/portal/government.php?page_id=193)
- **The City of Port Huron** Rental Certification Division <http://www.porthuron.org/content.aspx?Pageid=30>
- **The City of Southfield** Rental Registration Ordinance No. 1291 <http://www.cityofsouthfield.com/CityDepartments/AC/BuildingDepartment/BuildinginSouthfield/RentalHousing/tabid/245/Default.aspx>

**STRATEGY 6: Neighborhood Stabilization Program**

The \$7 billion federal Neighborhood Stabilization Program (NSP), administered by the U.S. Department of Housing and Urban Development (HUD), was designed to aid in the purchase of foreclosed or abandoned homes to rehabilitate, resell, or redevelop these homes in order to stabilize neighborhoods and stem the decline of house values of neighboring homes. As of this writing, there have been three rounds of Neighborhood Stabilization Program funding: A detailed description of NSP is at <http://www.stablecommunities.org/nsp-strategies>, while HUD's site on NSP is at <http://hudnshelp.info/index.cfm>.

NSP funds can be used for:

- Establishing financing mechanisms for purchase and redevelopment of foreclosed homes including soft-second, loan loss reserves, and shared-equity loans for low- and moderate-income homebuyers;
- Purchasing and rehabilitating properties that have been abandoned or foreclosed. Rehab may include improvements to increase energy efficiency or provide a renewable energy source;
- Establishing Land Banks for homes that have been foreclosed;
- Demolishing blighted structures; and/or
- Redeveloping demolished or vacant properties.

Funds cannot be used for the following:

- Those activities ineligible under Community Development Block Grant (CDBG) are ineligible under NSP (generally);
- Foreclosure prevention;
- Demolition of non-blighted structures; and
- Purchase of properties not abandoned or foreclosed upon.

The Neighborhood Stabilization Program has **three specific targeting responsibilities**

[http://www.huduser.org/datasets/nsp\\_target.html](http://www.huduser.org/datasets/nsp_target.html) for how funds may be used.

- All funds must go towards programs that serve individuals and families whose income does not exceed 120% of area median income;
- At least 25% of the funds must be used for the purchase and redevelopment of abandoned, foreclosed or vacant homes or residential properties that will be used to house individuals and families whose incomes are less than 50% of area median income;
- Jurisdictions that receive NSP funds must give priority emphasis to the areas of greatest need within their states, including those:
  - Areas with the greatest percentage of foreclosures,
  - Areas with the highest percentage of homes financed by subprime mortgage related loans, and
  - Areas identified as likely to face a significant rise in the rate of home foreclosures.

In Michigan, \$263.6 million was awarded in NSP 1 funds to MSHDA and twenty-one select counties and cities with MSHDA receiving \$98.7 million, Detroit receiving \$47.1 million, Wayne County receiving \$25.9 million, Oakland County receiving \$17.4 million, and the rest spread throughout the state. A full report of NSP 1 allocations in Michigan can be found at

<http://www.stablecommunities.org/sites/all/files/documents/localallocations.xls>. For NSP 2 funds, the MSHDA and a consortium of twelve cities and eight Land Banks received \$223.9 million - the largest single award in the country.

#### RESOURCES

##### ***MSHDA NSP Programs –***

[http://www.michigan.gov/mshda/0,4641,7-141-5564\\_54750---,00.html](http://www.michigan.gov/mshda/0,4641,7-141-5564_54750---,00.html)

##### ***HUD NSP Programs –***

<http://hudnsphelp.info/index.cfm>

##### ***SEMCOG NSP Programs in Southeast Michigan –***

<http://www.semco.org/NeighborhoodStabilization.aspx>

##### ***NEIGHBORWORKS AMERICA NSP Overview -***

<http://www.stablecommunities.org/nsp-strategies>

#### BEST PRACTICE MODELS

##### ***Genesee County Land Bank***

Working with \$7.5 million in NSP 2 funds to acquire and rehab homes, in the past two years, the Land Bank has rehabbed over twenty properties for sale at an average sale price of \$40,000. The cost of the rehabilitation work is as much as twice the asking prices for the homes. Rehabilitation typically includes new construction down to the studs of the house frame, new appliances and security systems installed. NSP funds have helped cover the cost differential. <http://www.thelandbank.org/default.asp>

## PART FIVE: BEYOND THE CRISIS – BUILDING A PLATFORM FOR REDEVELOPMENT

### BASIC INFORMATION

While Michigan's dual mortgage and tax foreclosure crisis has dealt a powerful blow to residents, neighborhoods, communities and our economy as a whole, many communities are actually turning the challenge of this dual crisis into an opportunity to think more creatively about long-term development. For many, the crisis has highlighted the need for more thought, care and attention to be paid to basic but important discussions about how to best use a community's unique natural and cultural resources, whether to plan for population growth or shrinkage, how to create or build on a sense of place, attract and retain talent and move toward green and sustainable development going forward. These broader longer-term discussions are usually prompted by the need to do something with the overwhelming number of vacant properties plaguing so many of our communities. The strategies, resources and best practices outlined below are all designed to tackle this immediate challenge but with an eye to longer term development.

### STRATEGY 1: Acquiring and Redeveloping Properties

States, localities, nonprofit development agencies, and for-profit developers have increased, or in some cases started, efforts at acquiring and rehabilitating vacant properties in response to the foreclosure crisis and glut of vacant foreclosed properties on the markets. While many have utilized the federal Neighborhood Stabilization Program (see section above for more information on NSP), others have utilized a variety of innovative strategies to acquire and rehab foreclosed properties. Foreclosure-Response.org provides a Policy Guide [http://www.foreclosure-response.org/policy\\_guide/bring\\_back.html?tierid=246](http://www.foreclosure-response.org/policy_guide/bring_back.html?tierid=246) with models for state and local acquisition and rehabilitation efforts whether the efforts are funded through NSP or other sources.

There is no single strategy for the acquisition and reuse of vacant, abandoned and foreclosed properties that will work in all communities. Just as markets and the impacts of foreclosures vary from place to place, so should the community response. That said, local governments do need to make a broad decision with regard to their general approach: whether to acquire and redevelop individual properties on a case-by-case basis, or to pursue a bulk acquisition strategy involving the negotiated purchase of part or all of the inventory of foreclosed properties owned by a single lender or servicer. The appropriate choice will depend on several factors including local resource availability and capacity, whether a significant number of foreclosures have occurred within the jurisdiction, and, of course, the willingness of lending institutions to participate in a bulk sales transaction. Partnerships with local community development corporations, realtors, developers and other stakeholders will likely be essential to ensuring the successful implementation of any publicly-administered or publicly-funded program. Some of these organizations may pursue their own acquisition and rehabilitation programs even without local government support.

Communities facing a very high volume of foreclosures may wish to consider use of a bulk sales procedure to acquire properties. Rather than making individual purchases on a case-by-case basis, this approach involves negotiating the sale of a large volume of **REO homes** <http://www.foreclosure-response.org/glossary.html#real-estate%20owned%20property> owned by a single lending institution, a process that can help to reduce transaction time and costs. Because purchase prices are negotiated in advance of the actual transaction, bulk acquisition also ensures a lower risk and greater predictability compared to other acquisition methods, such as purchase at a foreclosure auction or via short sale.

Some larger U.S. cities have developed arrangements with large national lenders and/or Fannie Mae or Freddie Mac to engage in bulk purchases of foreclosed properties in a specific city or county.

The Asset Control Area (ACA) program, administered by the Department of Housing Urban Development (HUD), provides one model for the bulk acquisition of foreclosed properties. This program facilitates the transfer of FHA-foreclosed properties from HUD to local public or nonprofit partners for reuse as affordable housing, and has been successful in several communities. Since most foreclosed properties today are not FHA-insured, the ACA program itself is unlikely to represent the most useful avenue for acquiring foreclosed properties in the current crisis, but it nevertheless provides a useful set of experiences and precedents.

While many sources suggest that a bulk acquisition strategy will be required to achieve community stabilization on a large scale, there is also reason to believe that smaller-scale interventions can have a significant impact on the trajectory of a neighborhood or block, particularly in communities where the real estate market continues to be relatively strong. Communities that have limited resources and capacity to acquire and maintain REO homes may have greater success pursuing this more limited role in highly targeted areas. It is

important to note, however, that acquiring properties on a case-by-case basis will likely require a greater commitment of time and resources per property, as each deal will need to be negotiated individually.

#### RESOURCES

##### ***Foreclosure-Response.org***

Foreclosure-Response.org is an online guide to foreclosure prevention and neighborhood stabilization developed and maintained by the **Center for Housing Policy** <http://www.nhc.org/about/Center-Mission-Goals.html>, the **Local Initiatives Support Corporation (LISC)** <http://www.lisc.org/> and the **Urban Institute** <http://www.urban.org/>. It maintains an excellent guide to acquisition and rehabilitation at [http://www.foreclosure-response.org/policy\\_guide/bring\\_back.html?tierid=246](http://www.foreclosure-response.org/policy_guide/bring_back.html?tierid=246).

##### ***Fannie Mae First Look***

Fannie Mae has tens of thousands of properties nationwide and lists them through a participating broker so that those who intend to occupy the property get a first look – investors are only allowed to submit bids after the first 15 days. Under Fannie Mae First Look, for the first 15 days Fannie Mae will only consider offers from owner-occupants, local agencies participating in neighborhood stabilization or community development programs. To locate Fannie Mae First Look properties in Michigan you can visit a website at <http://www.homepath.com/state/mi.html>.

##### ***National Community Stabilization Trust***

The **National Community Stabilization Trust (NCST)** <http://www.stabilizationtrust.com/>, an initiative of Enterprise Community Partners, Housing Partnership Network, Local Initiatives Support Corporation, NeighborWorks America, National Council of La Raza and the National Urban League, can help communities streamline the acquisition process by providing a single point of contact for the transfer of foreclosed properties from an array of lenders and servicers to local organizations working to stabilize communities in specific cities. Many large financial institutions have signed up to participate in the program.

The Trust established "a single entity with which to negotiate large-scale programs for the efficient and cost-effective transfer of foreclosed properties to local programs working in targeted communities." By leveraging relationships with servicers at the national level, the Trust has been able to minimize the need for separate negotiations in each locality. The Trust also provides financing to support local and state efforts in certain areas, including Lansing, Grand Rapids, Pontiac, Southfield, Wayne and Macomb Counties, and with MSHDA.

The Trust provides two key programs for purchasing foreclosed properties. The First Look program provides states and communities with first access to foreclosed properties and gives them five days to consider buying the property, at a price that factors in the savings to the lender for not having to hold on to the property, before it is listed. The Bulk Purchase program facilitates access to properties that are "aged" and have already been on the market as bank-owned, or REO (real estate owned) properties. Acquisitions through the Trust's Bulk Purchase program do not necessarily need to be purchased in blocks of multiple properties at a time.

#### BEST PRACTICE MODELS

##### ***Grandmont Rosedale Development Corporation: Acquiring Foreclosed Properties***

The Grandmont Rosedale Development Corporation (GRDC) represents five neighborhood associations in Northwest Detroit. For over twenty years, the community-based organization has purchased foreclosed properties, rehabilitated homes, and reintroduced them into the general housing market. Currently, GRDC is acquiring properties with grant dollars awarded by the Kresge Foundation, and utilizing construction loans from a Detroit-based micro-lender to rehabilitate the houses. Properties are recovered by the **National Community Stabilization Trust (NCST)** [http://www.stabilizationtrust.com/programs\\_services/property\\_acquisition/first\\_look/](http://www.stabilizationtrust.com/programs_services/property_acquisition/first_look/), a national clearinghouse that facilitates the transfer of foreclosed and abandoned properties, frequently referred to as real estate owned or REOs, from financial institutions to community-based housing organizations engaged in neighborhood stabilization.

The National Community Stabilization Trust *First Look Program* achieves its mission by providing community-based organizations, often through an intermediary, a listing of foreclosed properties from Wells Fargo, Bank of America, Chase and Freddie Mac. Accordingly, community-based organizations are given the first right of refusal before properties are released onto the general real estate market. When an organization like GRDC is interested in viewing a property, NCST connects that organization with the local

broker. The community-based organization can then view the house and, if interested, the nonprofit is given a “take it, or leave it” purchase price. Organizations with [Neighborhood Stabilization Program](#) funding receive special discounts and accommodations.

In 2011, GRDC acquired, rehabbed and sold over ten houses with an additional eight houses on the market at years end. On average, the organization invests \$100,000 in each property and loses more than \$20,000 per house. For houses that present the possibility of a greater loss, the organization makes the difficult decision to relinquish the property.

The GRDC acknowledges that this work would not be possible without large awards from private foundations. However, there are ways in which the organization reduces the cost burden of acquiring properties.

- **Donated properties** have helped to reduce the high costs associated with property acquisition. In a few unusual cases, individuals in the community have donated homes to GRDC. Acquiring these properties, although not necessarily foreclosed on, helps GRDC to fund the acquisition and reconstruction of other foreclosed properties.
- The **bargain sale** <http://www.irs.gov/publications/p544/ch01.html> helps to reduce the community-based organizations overall cost burden through a low purchase cost, preventing vacant properties from reducing neighborhood property values. A property owner can sell his/her home for 20% below market value as partly a sale and partly a charitable contribution and then receive a substantial tax deduction. For example, a home worth \$25,000 can be sold for \$5,000 and although the sale accounts for only a portion of the total value, the homeowner is eligible for a \$20,000 tax deduction at year-end.

*For more information, contact Tom at [tgoddeeris@grandmontrosedale.com](mailto:tgoddeeris@grandmontrosedale.com).*

### **Southwest Detroit’s Southwest Housing Solutions: Acquiring Bad Loans**

In Detroit, Southwest Housing Solutions and Towne Mortgage, a Michigan based lender, are working together on innovative strategies to preserve property values and neighborhoods while at the same time, keeping families housed. This partnership takes on several forms. First, Southwest Solutions has a fee-for-service contract with Towne Mortgage to provide foreclosure mitigation counseling to their borrowers who make up their distressed loan portfolio. In instances where foreclosure is unavoidable, Towne Mortgage when possible works with the borrower and Southwest Housing to relocate the borrower to a different home via a “soft-landing” within its proprietary ‘bank-owned’ portfolio. The objective here is to keep these properties occupied and to give families an opportunity to rebuild their credit while renting a more affordable home. For those whose homes go into foreclosure, Southwest Housing Solutions provides ‘post-purchase’ counseling, including homebuyer education, rental counseling, financial literacy, assistance in rebuilding the home owners credit, help developing a budget, etc. From a credit standpoint, Southwest Solutions knows that it will take at least 36 months to clean up a foreclosure from their credit report. The ultimate goal of this type of post-purchase is to help displaced homeowners become financially stable and to purchase a new home at such time when they qualify.

What’s more, as part of this initiative, Southwest Solutions is able to refer/include other non Towne Mortgage borrowers who are facing a non retention option with their current mortgage servicer to Towne Mortgage’s “soft-landing” program. The borrower must meet the following criteria:

- Owner can no longer afford his/her home and the mortgage company would not work with the owner (e.g. developing a payment plan); Denial letter from current servicer stating reason
- Owner must have a sustainable income;
- Owner must show that his/her inability to afford the current home is due to sincere hardship such as loss of job, a severe pay cut, a medical condition or disability; and
- Owner must show that he/she is not strategically defaulting/walking away on their mortgage obligation due to an inability to secure a principle reduction.

The collaboration between Southwest Solutions and Towne Mortgage highlights the powerful impact that comes when non-profits partner with the private sector to develop innovative solutions for homeowners and neighborhoods.

*For more information, contact Hector [hhernandez@swsol.org](mailto:hhernandez@swsol.org).*

## **STRATEGY 2: Long-Term Housing and Market Stabilization Strategies**

### RESOURCES

Land Banks are a public authority created to hold, manage and develop tax-foreclosed property. These authorities act as a legal and financial mechanism to return vacant, abandoned and tax-foreclosed property back to productive use. While a Land Bank provides

short-term fiscal benefits, it can also act as a tool for planning long-term community development. Successful Land Bank programs revitalize blighted neighborhoods and direct reinvestment back into these neighborhoods to support long-term community stabilization. The Center for Community Progress <http://www.communityprogress.net/> - an organization spawned in Flint, Michigan but now national in scope is a great resource on Land Banks as well as other aspects of long-term housing and land-use strategies.

### BEST PRACTICE MODELS

#### **Calhoun County Land Bank Authority**

A relatively new Land Bank, the Calhoun County Land Bank Authority (CCLBA) was created to manage tax-foreclosed properties and initially acted as a repository for unsold parcels

[http://www.calhouncountymi.gov/government/treasurers\\_office/calhoun\\_county\\_land\\_bank\\_authority/](http://www.calhouncountymi.gov/government/treasurers_office/calhoun_county_land_bank_authority/). More recently, the CCLBA's role has grown as a member of the Michigan Neighborhood Stabilization Program (NSP2) Consortium. Partnering with the City of Battle Creek, staff helped identify target areas in Battle Creek for rehabilitation and demolition projects

<http://www.battlecreek.michiganhomeownership.org/content/neighborhoods>. The short-term goal is to mitigate the effects of foreclosure by revitalizing core neighborhoods and reducing blight within the city. In the future, Land Bank staff hopes to do similar work in other communities.

- Calhoun County experienced an increase in the number of tax-foreclosed properties, rising from 117 in 2006 to 373 in 2011. These demographic and revenue changes contributed to the need for the creation of the CCLBA.
- The Land Bank's NSP2 experience has given staff a proactive role in neighborhood stabilization, and has helped build partnerships inside and outside the community. Land Bank staff oversees property acquisitions, demolitions and management, while City staff manages the rehabilitation of homes. Staff is administering a large demolition initiative in qualifying non-target areas to reduce the negative effects of vacant buildings. Through partnerships staff also works non-profits to support community initiatives, such as urban gardening.
- All of the Land Bank's NSP2 work takes place in Battle Creek, and staff is hopeful that it can utilize its new grant management and implementation skills in other Calhoun County communities. Although the county's smaller towns and rural areas have different issues than Battle Creek, the Land Bank hopes to find ways to create positive change. Building upon its current momentum, staff hopes to identify funding mechanisms and partnerships to strengthen all of Calhoun County's communities.

For more information, contact Jon at [jbartlett@calhouncountymi.gov](mailto:jbartlett@calhouncountymi.gov).

#### **Ingham County Land Bank**

In 2011, the Ingham County Land Bank was honored as the Center for Community Progress's *Best Urban Land Bank of the Year*. The Land Bank is dedicated to improving the quality of Ingham County neighborhoods, while strengthening and stabilizing the community. The Land Bank will purchase, renovate and resell multiple properties in a designated area to create attractive purchases for future homeowners and commercial use.

The Land Bank works in close partnership with its local communities, especially Lansing, to target resources. Strong areas get more renovation and new construction. Some areas will have more demolition. A key strategy is to be spending funds in partnership with other programs. The Land Bank works with the City on NSP1, NSP2, NSP3 and HOME dollars as well as their own investment. This strategic relationship also impacts decisions made by Treasury. The quality of a home or the strength of a neighborhood is a factor in consideration for payment plans and special consideration in the foreclosure process. The auction of tax foreclosed homes is also planned differently in areas of the county based on market strength and positive impact to a block from demolition or renovation versus a sale to a potential landlord.

The Land Bank has developed building plans for new homes working with Lansing and MSHDA. Lots and homes are provided to Habitat to help grow their capacity. The Land Bank uses land as a resource and plans the best outcome. An auction is usually not the best outcome for a tax foreclosed structure.

Between 2009 and 2010, the number of renovations of Land Bank properties grew 148%. Although the number of acquisitions was on the rise, so was the positive turn-around of these properties and betterment of local neighborhoods as nearly \$873,000 were spent on the purchase of several Ingham County Land Bank properties.

The Ingham County Land Bank has several sustaining programs within the organization such as the Garden Program. This program encourages individual and community gardens on vacant lots throughout the county. With over 150 potential sites in the city of Lansing, the Land Bank is able to help people obtain any necessary tools, seeds or other items to help interested parties get started. Anything grown by gardeners can be kept, sold or donated. Restoration Works is also an affiliate of the Ingham County Land Bank (in conjunction with Lansing Community College and the Allen Neighborhood Center) which supports the Eastside Neighborhood of Lansing. Their newest program, announced on June 21, 2011, is the Property Rehab and Ownership Program (PROP). Within this program, potential buyers will have the opportunity to purchase properties “as is,” renovate them within the high rehabilitation and energy efficient standards of the Ingham County Land Bank and earn a credit of up to 50% of the purchase price upon completion.

For more information, contact Eric at [eschertzing@ingham.org](mailto:eschertzing@ingham.org).

### STRATEGY 3: Comprehensive Land Use Planning

Like other states, Michigan’s foreclosure crisis is, in part, caused by the housing bubble created by an oversupply of building in the prior decade. Michigan is the only state in America to have lost population over the last decade and its 2010 Census suggests that the state’s population has only grown 7.4% over the last 35 years.<sup>3</sup> Yet, according to the Michigan Land Use Leadership Council (a nonpartisan gubernatorial commission which issued a report in 2003 available at [http://www.peopleandland.org/Learn\\_More\\_Documents/MLULC-FINAL\\_REPORT\\_0803.pdf](http://www.peopleandland.org/Learn_More_Documents/MLULC-FINAL_REPORT_0803.pdf), project 63-87% increase in the built environment between 1990 and 2020 (in other words, land use will expand at a rate more than *ten* times the rate of population growth) and a 178% increase by 2040. Much of that is driven by the increase number of households, despite population growth, and the movement within metropolitan regions to the exurban and outermost suburban communities.

1990 through 2006 saw one of the largest increases in supply in housing in American history. While there have been other boom periods in the housing industry, this one was characterized by bigger and bigger homes, often constructed on the edges of metropolitan areas. This housing boom was not the result of population growth or under-supply of housing (such as in the post-war era), but a desire for larger and more elaborate housing made possible by ever easier mortgage access and accessibility.

While efforts to combat sprawl via comprehensive land use planning pre-date the current foreclosure crisis, many have revisited the viability and importance of these efforts in light of the clarity the current foreclosure crisis provides on the seemingly insatiable lust for more and more housing further and further out from our urban centers. Comprehensive land use planning efforts appear to be an important part of re-designing Michigan’s housing markets in a way that is more sustainable, practicable, affordable and attractive. [BEST PRACTICE MODELS](#)

#### **Grand Rapids: Grand Valley Metro Council**

**Grand Valley Metropolitan Council (GVMC)** <http://www.gvmc.org/> is an alliance of governmental units in the Grand Rapids, Michigan metropolitan area that are appointed to plan for the growth and development, improve the quality of the community’s life, and coordinate governmental services. GVMC acts as the regional planning organization for Allegan, Barry, Ionia, Kent, Montcalm and Ottawa Counties and its mission statement includes:

- Planning for orderly growth and development;
- Minimizing urban sprawl;
- Preserving and enhancing the natural, social, and physical environments;
- Promoting economic vitality and employment opportunities;
- Equitably sharing responsibility for community needs;
- Recognizing the strengths and benefits of diversity;
- Eliminating unnecessary duplication of services;
- Conserving and enhancing healthy neighborhoods, business districts and employment; and
- Promoting a high quality of life now and for future generations.

<sup>3</sup> U.S. Census. 2010 Michigan population was 9,883,640 while 1978 numbers are estimated at 9.2 million.

GVMC has engaged in a number of local and regional planning and governmental initiatives, but its work has demonstrated that even in a region where voters tend to be suspect of government intervention and regulation, that regional collaborative can come together around ideas and issues that address sprawl. Of note is the GVMC's community regional planning process, Blueprint, which included a prolonged series of civic engagement processes to develop a regional plan to address sprawl and the means and mechanisms to implement the plan see [http://www.gvmc.org/blueprint/bp\\_report.shtml](http://www.gvmc.org/blueprint/bp_report.shtml)

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### **Youngstown, Ohio: Youngstown 2010**

Equally important to regional land use planning to address sprawl, is the efforts of urban centers to develop plans and mechanisms designed to maximize the quality of life given the massive population loss that many larger Michigan cities have witnessed over the past half century. Cities like Detroit and Flint have populations 40% of their peak populations and significant population growth is unlikely in the near future. Over the past decade an emerging acknowledgment of the importance of these "Legacy Cities" and the need to develop plans, public policies, and systems for their current size has moved from concept to reality. <http://www.youngstown2010.com>

In the early 2000s, then Youngstown Community Development Director Jay Williams worked with planners at Youngstown State University, national experts, and thousands of residents to craft "Youngstown 2010" (see <http://www.youngstown2010.com>), a vision to "right-size" the city to its current population by planning for additional green space, stronger code enforcement, and more targeted investment. Jay Williams went on to be elected as Mayor of Youngstown in 2005 as its youngest and first African-American to ever hold that office.

Whether one utilizes the term "right-sizing", "re-imagining", or the more commonly European-used "shrinking city," the notion that Michigan's legacy cities need to develop plans, visions, and policies around their future that are based upon the realities of their population, rather than a largely futile process of seeking to build the next big thing that will spark their rebirth, is clear. These practices must include strong civic engagement, clear communication, and focus on improving the quality of life and addressing the infrastructure and service constraints imposed in a city with aging infrastructure designed a half century ago for a population more than twice the current size.

### **Detroit Works Project**

Perhaps the highest profile "shrinking" city effort in the nation has been Detroit Mayor Dave Bing's **Detroit Works Project** <http://www.detroitworksproject.com/>. Launched by Mayor Bing in 2010 as a process to create a shared, achievable vision for the future that would serve as a guide to help improve the physical, social and economic landscape of the city, DWP convened a number of public meetings to engage residents in a discussion about Detroit's future.

Then, in July of 2011 Mayor Dave Bing introduced the Short Term Actions strategy [http://www.detroitmi.gov/Portals/0/docs/mayor/Short%20Term%20Action/07272011\\_Press%20ReleaseDWPSHORTTerm.pdf](http://www.detroitmi.gov/Portals/0/docs/mayor/Short%20Term%20Action/07272011_Press%20ReleaseDWPSHORTTerm.pdf) of the Detroit Works Project and announced he separated the project into two tracks—Short Term Actions and Long Term Planning <http://www.detroitworksproject.com/.%20>. Today, the Long Term Planning for the project is being done outside of city hall and is being led by a steering committee who oversees the work of the technical and civic engagement teams. They are charged with developing meaningful and inclusive engagement strategies to gather the expertise of the community and combined it with the technical analysis; and then produce a strategic framework plan for the future by August 2012. The civic engagement work of DWP's Long Term Planning is being overseen by the Detroit Community Design Collaborative at the University of Detroit-Mercy, with significant assistance from Michigan Community Resources.

City leaders are directing the Short Term Actions work; a process using data about Detroit neighborhoods to guide decisions about how to best to leverage resources and make adjustments to how some city services are delivered today.