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City Attorney

Councilmember

2012 SEP 27 AM 11:49

OAKLAND CITY COUNCIL

RESOLUTION No. 84064 C.M.S.

A Resolution Supporting Foreclosure Prevention/Mitigation Activities Including 1) The Allocation Of Up to \$1,200,000 From The Neighborhood Stabilization Program (A HUD Federal Grant) To Community Housing Development Corporation For Purposes Of Funding A Foreclosure Prevention Loan Fund Program; 2) The Allocation of \$350,100 From Blighted Foreclosed Properties Penalties To Fund The Following: A) Community Outreach Services For \$150,000 Provided By Causa Justa::Just Cause (\$50,000), Family Bridges (\$25,000), OCCUR (\$25,000), Allen Temple Economic Development Agency (\$25,000), and the Martin Luther King Jr. Freedom Center (\$25,000); B) Homeowner Legal Advocacy For \$100,000 Provided By The Housing Economic Rights Advocates; C) Homeownership Counseling And Loan Modification Advocacy For \$50,000 Provided By The Community Housing Development Corporation; And D) Tenant Counseling And Legal Services For \$50,100 Total Provided By The East Bay Community Law Center (\$16,700), Centro Legal De La Raza (\$16,700), And Causa Justa::Just Cause (\$16,700); And 3) Requiring Staff To Develop A Foreclosure Mediation Policy For Council Consideration Should There Be Serious Problems With Bank Servicer And Lender Compliance In Oakland With The Attorney General Bank Settlement Agreement And State Homeowner Bill of Rights Act

WHEREAS, the City of Oakland has been devastated by the foreclosure crisis, with 10,542 foreclosures from 2007 to 2011, a rate of about 1 in 19 households in foreclosure; and

WHEREAS, properties throughout the City of Oakland which lenders have recorded a Notice of Default (defaulted) or have taken ownership through a Deed of Trust (foreclosed) have been and continue to be significant and unnecessary attractors for blighting conditions that create severe health hazards in neighborhoods, including explosions of vector populations, accumulations and dispersals of pollutants and target-organ toxins, degradation of air quality; and conditions that adversely impact the quality of life for Oakland residents; and

WHEREAS, defaulted and foreclosed properties throughout the City also have been and continue to be significant and unnecessary attractors for trespassers and transient occupants that foster and enable criminal activities, including theft, vandalism, prostitution, and the sale and use of narcotics and other controlled substances; and

WHEREAS, defaulted and foreclosed properties throughout the City also have been and continue to be a significant and unnecessary discourager to economic development and contributor to the decline of property values in neighborhoods; and

WHEREAS, the City has expended and continues to expend vast and unnecessary amounts of limited resources and scarce funds investigating defaulted and foreclosed properties, mitigating the detrimental effects of neglected maintenance, curtailing associated criminal activity, and monitoring the recurrence of nuisance activities; and

WHEREAS, historically, the resource requirements for monitoring defaulted or foreclosed properties increases with the time that building remains vacant or occupied by involving an escalating commitment from Code Enforcement administrative, fiscal, and supervisory staff, and involving a proliferating interaction with other City departments and agencies, including Real Estate, Finance, City Attorney, Fire, and Police and by City officers and officials; and

WHEREAS, historically, there are additional citywide costs of said resource requirements in areas of real estate divestiture and acquisition, fire prevention and suppression, neighborhood revitalization, nuisance and criminal activities, hazardous material identification and disposal, litigation, liens and collections, degradation of the general tax levy, and public notification and hearings; and

WHEREAS, defaulted and foreclosed properties impose additional financial burdens on neighbors, prospective purchasers, and the business community in the City of Oakland; and

WHEREAS, the City has received Neighborhood Stabilization Program (NSP) grants from the federal Housing and Urban Development Agency, including \$8.2 million for the NSP1 and over \$2 million for the NSP3 allocations; and

WHEREAS, the Council in June 2012 dedicated the use of penalty funds recovered from the City's defaulted and foreclosed properties blight program to fund foreclosure prevention efforts (penalty funds); and

WHEREAS, City staff has engaged in planning efforts with multiple State and community organizations working on foreclosure prevention and mitigation efforts and developed an integrated approach including community outreach, housing counseling, legal advocacy, tenant counseling, referral to the State Attorney General's office, a new foreclosure mitigation loan fund program (ROOT Loan Fund), and City coordination; and

WHEREAS, City staff has engaged in appropriate outreach and procedures in order to provide community outreach grants to service providers who are skilled at community outreach activities and provided prior City-funded and effective community outreach, namely Causa Justa: Just Cause for \$50,000; OCCUR for \$25,000; Family Bridges for \$25,000; Allen Temple Economic Development Corporation for \$25,000; and the Martin Luther King Jr. Freedom Center for \$25,000. These funds are from the City's penalty funds and will provide outreach and referral services for 3,500 residents; and

WHEREAS, City staff has engaged in appropriate outreach and procedures in order to provide a grant of \$50,000 to Community Housing Development Corporation (CHDC), a housing counseling agency with an effective track record of negotiating loan modifications for homeowners in foreclosure. These funds are from the City's penalty funds and will provide housing counseling and loan modification negotiations for 67 residents; and

WHEREAS, City staff has engaged in appropriate outreach and procedures in order to expand existing City funds for tenant counseling and legal services for tenant families in properties in foreclosure through grants to existing City providers, namely Causa Justa: Just Cause for \$16,700, East Bay Community Law Center for \$16,700, and Centro Legal de la Raza for \$16,700. These funds are from the City's penalty funds and will serve 300 tenant families in properties in foreclosure, including keeping 35 families in their homes, providing a hotline for tenants, and tenant counseling and legal services; and

WHEREAS, City staff has engaged in appropriate outreach and procedures in order to provide a grant of \$100,000 to Housing Economic Rights Advocates (HERA), a housing legal advocacy organization with an effective track record of negotiating loan modifications for homeowners in foreclosure. These funds are from the City's penalty funds and will serve 300 homeowners in foreclosure through a hotline service, direct advocacy for 100 homeowners, workshops for 100 homeowners, and technical assistance and training for City partners; and

WHEREAS, City staff has been working with CHDC, Enterprise Community Partners, LISC, One Pacific Coast Bank, East Bay Housing Organizations, and other organizations to establish a foreclosure mitigation loan fund program to be administered by CHDC with technical assistance to be provided by Enterprise and LISC, called the ROOT Loan Fund program; and

WHEREAS, City funds of \$1.2 million from its NSP allocation for the ROOT loan fund will leverage an additional \$7-9 million of funds from Enterprise, LISC, One Pacific Coast Bank, and the California Housing and Finance Agency; and

WHEREAS, the ROOT Loan Fund is anticipated to serve 20-25 Oakland homeowners in the pilot year as well as expand its ability to serve additional Oakland and Bay Area residents; and

WHEREAS, the requirements of the California Environmental Quality Act (CEQA), the Guidelines as prescribed by the Secretary of Resources, and the provisions of the Statement of Objectives, Criteria and Procedures for Implementation of the California Environmental Quality Act: City of Oakland, have been satisfied, and that in accordance with CEQA Guidelines Section 15301 (existing facilities) this project is categorically exempted; now, therefore,

RESOLVED, that up to \$1.2 million be allocated from City NSP funds to CHDC with up to \$1 million for the loan loss reserve, mortgages, and/or other capital support needs; and up to \$200,000 for CHDC operational support in the pilot year; and be it

FURTHER RESOLVED, that \$50,000 be allocated to CJJC for community outreach coordination and data management services to be funded from the City's defaulted and foreclosed properties registration and blight abatement penalty funds and \$25,000 each to be allocated to Family Bridges, OCCUR, Allen Temple Economic Development Agency, and the Martin Luther King Jr. Freedom Center for targeted community outreach services from special revenue Development Services Fund (2415), Neighborhood Preservation Inspections Organization (84454), Foreclosed Registration Project (A456210), Livable Neighborhood Code Enforcement Services Program (NB31); and be it

FURTHER RESOLVED, that \$100,000 be allocated to HERA for housing legal advocacy to be funded from the City's defaulted and foreclosed properties registration and blight abatement penalty funds, from special revenue Development Services Fund (2415), Neighborhood

Preservation Inspections Organization (84454), Foreclosed Registration Project (A456210), Livable Neighborhood Code Enforcement Services Program (NB31); and be it

FURTHER RESOLVED, that \$50,000 be allocated to CHDC for housing counseling services to be funded from the City's defaulted and foreclosed properties registration and blight abatement penalty funds, from special revenue Development Services Fund (2415), Neighborhood Preservation Inspections Organization (84454), Foreclosed Registration Project (A456210), Livable Neighborhood Code Enforcement Services Program (NB31); and be it

FURTHER RESOLVED, that existing City contracts for tenant counseling and legal services be expanded for CJC for \$16,700; EBCLC for \$16,700; and Centro Legal for \$16,700 to be funded from the City's defaulted and foreclosed properties registration and blight abatement penalty funds, from special revenue Development Services Fund (2415), Neighborhood Preservation Inspections Organization (84454), Foreclosed Registration Project (A456210), Livable Neighborhood Code Enforcement Services Program (NB31); and be it

FURTHER RESOLVED, that should collected data and program information show that lenders are failing to comply with the new State requirements in Oakland, City staff will review the possibility of developing a local foreclosure mediation program for Council consideration.

IN COUNCIL, OAKLAND, CALIFORNIA, OCT 16 2012, 2012

PASSED BY THE FOLLOWING VOTE:

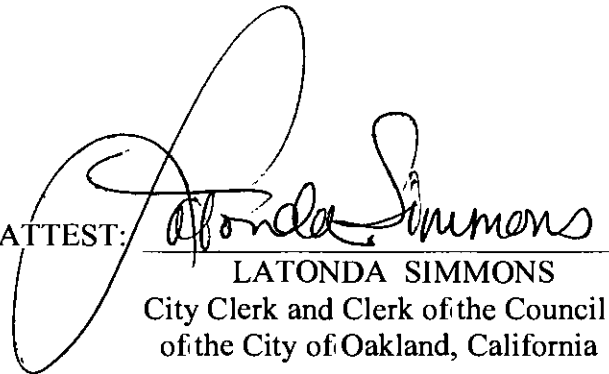
AYES - BRUNNER, BROOKS, DE LA FUENTE, KAPLAN, KERNIGHAN, NADEL,
SCHAAF AND PRESIDENT REID - 8

NOES - 0

ABSENT - 0

ABSTENTION - 0

ATTEST:


LATONDA SIMMONS
City Clerk and Clerk of the Council
of the City of Oakland, California

DATE OF ATTESTATION: _____



CITY OF OAKLAND

FILED
OFFICE OF THE CITY CLERK
OAKLAND

2012 SEP 27 AM 11:49

AGENDA REPORT

TO: DEANNA J. SANTANA
CITY ADMINISTRATOR

FROM: Michele Byrd

SUBJECT: Foreclosure Prevention Plan

DATE: September 17, 2012

City Administrator
Approval

Date

9/27/12

COUNCIL DISTRICT: City-wide

RECOMMENDATION

Staff recommends that the City Council adopt the following legislation:

A Resolution Supporting Foreclosure Prevention/Mitigation Activities Including 1) The Allocation Of Up to \$1,200,000 From The Neighborhood Stabilization Program (A HUD Federal Grant) To Community Housing Development Corporation For Purposes Of Funding A Foreclosure Prevention Loan Fund Program; 2) The Allocation of \$350,100 From Blighted Foreclosed Properties Penalties To Fund The Following: A) Community Outreach Services For \$150,000 Provided By Causa Justa::Just Cause (\$50,000), Family Bridges (\$25,000), OCCUR (\$25,000), Allen Temple Economic Development Agency (\$25,000), and the Martin Luther King Jr. Freedom Center (\$25,000); B) Homeowner Legal Advocacy For \$100,000 Provided By The Housing Economic Rights Advocates; C) Homeownership Counseling And Loan Modification Advocacy For \$50,000 Provided By The Community Housing Development Corporation; And D) Tenant Counseling And Legal Services For \$50,100 Total Provided By The East Bay Community Law Center (\$16,700), Centro Legal De La Raza (\$16,700), And Causa Justa::Just Cause (\$16,700); And 3) Requiring Staff To Develop A Foreclosure Mediation Policy For Council Consideration Should There Be Serious Problems With Bank Servicer And Lender Compliance In Oakland With The Attorney General Bank Settlement Agreement And State Homeowner Bill of Rights Act.

An Ordinance Amending Oakland Municipal Code Section 15.68.100 (Affordable Housing Trust Fund) to 1) Permit Fines and Penalties Received Pursuant to Oakland Municipal Code Section 8.54.620 (Foreclosed And Defaulted Residential Property Registration Program) to be Used for Foreclosure Prevention and Mitigation Activities, 2) Authorize the City Administrator to Make Grants or Service Contracts Under the Program of Up To \$100,000 Without Returning to Council, And 3) Allow Affordable Housing Trust Funds to be Used to Assist Affordable Housing Projects At Risk Due to Mortgage Default or Foreclosure.

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CED Committee
October 9, 2012

EXECUTIVE SUMMARY

The City of Oakland has been working to address the foreclosure crisis that has heavily impacted Oakland, especially devastating many residents and neighborhoods in Oakland's flatland areas. City efforts have included funding housing counseling programs to assist distressed homeowners and foreclosure mitigation projects, as well as partnerships with local, state, and national partners.

Recently, City staff have been working with many different public agencies and community-based partners to develop an integrated plan of action to prevent and mitigate against foreclosures, especially in light of new State tools—the Attorney General Bank Settlement Agreement and State Homeowner Bill of Rights. The following proposed plan, to be coordinated by the City, addresses current gaps in foreclosure prevention strategies, as well as builds upon effective efforts. Main components include:

- I. Partnership with the State Attorney General's (AG) and California Settlement Agreement Monitor's Offices:** The AG's office has committed to providing trainings for Oakland groups on new State requirements and taking direct referrals from the City and key partners on violations of new State requirements.
- II. Community Outreach and Referral to Services:** Many families in distress do not have access to reliable services and are prey to predatory schemes. Many tenants do not know that their homes are in default until it is too late. Trained outreach workers will be deployed to connect families with available resources, such as tenant and homeowner counseling and legal services, as well as to collect preliminary data for the City. The program goal is to reach at least 3,500 tenant and homeowner households who are in the foreclosure process.

Staff proposes a grant of \$50,000 from the dedicated blighted foreclosed properties penalty funds to Causa Justa::Just Cause (CJJC) for the coordination and training of outreach workers, and management of a database system and outreach data collection efforts. Four organizations with community outreach experience, OCCUR, Allen Temple Economic Development Corporation (ATHEDCO), Martin Luther King Jr. Freedom Center, and Family Bridges, would provide targeted direct outreach services for \$25,000 each from the City's blight penalty funds.

- III. Homeowner and Tenant Counseling Services:** Staff proposes to build upon existing City funded tenant and homeowner counseling and legal services to expand services, engage in expanded data collection, and enhance referrals to additional resources, such as the new ROOT loan fund program.

Staff proposes the allocation of \$50,000 to Community Housing Development Corporation (CHDC) to provide homeowner counseling and loan modification services for 67 Oakland residents. This builds upon the City's existing \$83,000 contract with Unity Council for foreclosure prevention counseling services.

Staff proposes the allocation of \$50,000 to existing City contracts for tenant services—East Bay Community Law Center, Centro Legal de la Raza, and CJJC, to expand or maintain existing hotline, counseling, and legal services for tenant households in properties facing foreclosure. It is estimated that 300 Oakland residents would be served.

- IV. Homeowner Legal Advocacy:** Housing Economic Rights Advocates (HERA) is a nationally recognized legal advocacy organization based in Oakland that offers legal advocacy, counseling, and training services to keep homeowners and tenants facing foreclosures in their homes. HERA has an existing contract with the City to provide legal advocacy and training services for residents outside of Oakland.

Staff proposes to allocate \$100,000 to HERA to operate a new one-stop hotline for Oakland homeowners facing foreclosure, legal advocacy for 100 Oakland households, workshops for an additional 120 Oakland households, and technical assistance and training.

- V. City Escalation Team with Bank Partners:** Building upon the City's effective foreclosed properties anti-blight program with major lenders, City staff will set up relationships with the appropriate servicer senior officials to address eligible homeowners who were not able to have been assisted by the counseling agencies or legal advocates.

- VI. ROOT Loan Fund:** This new loan fund program creates a vehicle for the re-setting of home mortgages to current market values in order to provide sustainable loan modifications for eligible Oakland residents.

Staff is proposing the allocation of up to \$1.2 million from the City's federal HUD Neighborhood Stabilization Program grant (NSP) for the ROOT Loan Fund, with \$1 million for the capital loan fund, and up to \$200,000 for operational support and housing counseling referrals and financial counseling to CHDC. The City's contribution would leverage an additional \$7 to 9 million from One Pacific Coast Bank, Enterprise, and LISC, and California Housing & Finance Agency.

The Oakland pilot program would enable about 20-25 Oakland qualified homeowners who are facing the threat of foreclosure to remain in their homes through significant principal reductions, by resetting their mortgages to today's current market value. The pilot program would result in a refined program design, the attraction of additional funds,

and the expansion of the program to serve more Oakland residents and others in the Bay Area.

VII. Accountability Measures: Data Collection, Public Reports, Referral to Attorney General's Office, and Program Evaluation: City staff and appropriate partners will refer unresolved violations to the Attorney General's Monitoring and Compliance Units, as well as issue quarterly public reports to Council that include both negative and positive bank-by-bank activities. In addition, staff is developing a data collection system that will track both bank activities (such as NODs or REOs filed, as well as loan modifications worked out with housing counseling agencies), as well as City funded program performance (such as numbers of referrals made, loan modifications negotiated, families kept housed).

The following is a summary of the foreclosure prevention/mitigation plan:

Proposed Funds	Service	Organization	Households To Be Served	Leveraged Funds
NSP Grant \$1.2 million	ROOT Loan Fund	CHDC	20-25	\$7-9 million
Blight Penalty \$150,000	Community Outreach	<ul style="list-style-type: none"> • CJJC (\$50,000) • OCCUR (\$25,000) • Family Bridges (\$25,000) • Allen Temple (\$25,000) • Freedom Center (\$25,000) 	3,500	\$75,000
Blight Penalty \$50,000	Homeowner Counseling & Loan Modifications	CHDC	67	
Blight Penalty \$50,100	Tenant Counseling & Advocacy	Centro Legal CJJC EBCLC	300	\$91,500
Blight Penalty \$100,000	Homeowner Legal Advocacy	HERA	Over 300	\$43,000
Total: \$1,550,100 City Funds			Info & resources: 3,500 Homeowners preserved: 100 Tenants preserved: 35	\$7,209,500 to \$9,209,500

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Given the length and complexity of this report, staff is providing a table of contents.

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In addition, when the Council dedicated the use of penalty funds from the City's foreclosed and defaulted residential properties program in June 2012, these funds were to be placed in the City's Affordable Housing Trust Fund (Trust Fund) for foreclosure prevention efforts. However, the originating legislation for the Trust Fund, OMC 15.68.100, limited its use to only affordable housing acquisition and development. Therefore, staff is proposing an amendment to the Trust Fund ordinance in order for the Fund to be used for foreclosure prevention and mitigation activities, as well as other changes to the Trust Fund ordinance in order to facilitate the funding of foreclosure prevention activities.

OUTCOME

Council action would result in the following:

1. Saving the homes for at least 100 Oakland homeowners through sustainable loan modification/principal reduction strategies to be achieved through the ROOT loan fund, housing counseling/loan modification negotiations, and legal advocacy.
2. Keeping 35 Oakland tenant families facing foreclosure in their homes.
3. Education and referral outreach services to 3,500 Oakland residents through community outreach, workshops, and hotline service for homeowners and tenants.
4. Staff will monitor lender compliance with new State requirements and develop a Foreclosure Mediation policy for Council consideration should data collected show that there is substantial noncompliance.

BACKGROUND/LEGISLATIVE HISTORY

Oakland's Foreclosure Crisis

Oakland, like many urban communities throughout the nation, has been devastated by the foreclosure crisis. According to recent information issued by the Urban Strategies Council (USC), there were 10,542 foreclosures from 2007 to 2011, a rate of about 1 in 19 households in foreclosure. See <http://www.urbanstrategies.org/foreclosure/>. In 2011, there were 3,337 Notice of Defaults filed and 1,342 completed foreclosures or REOs. See www.foreclosureradar.com. The number of REO properties in Oakland for 2011 marks a decrease of 35.6% from 2010 figures.

Year	2007	2008	2009	2010	2011
NODs	3,120	4,225	4,482	3,753	3,337
NOD change		+35.4%	+6.1%	-16.3%	-11.1%
Foreclosures	1,613	3,079	2,424	2,084	1,342
Foreclosure change		+ 90.9%	-21.3%	-14%	-35.6%

The impact of foreclosures in Oakland has been extremely significant and include the following:

1. **Economic impact:** Urban Strategies Council estimates that the costs of the foreclosure crisis in Oakland to homeowners, the City of Oakland, neighborhoods, and lenders will be about

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\$875 million.¹ Part of the impact has included a decline in property values in neighborhoods affected by foreclosures, as well as blighted conditions discouraging economic development.

2. **Public health impact:** A recent report by the Alameda County Public Health Department and Causa Justa :: Just Cause details myriad negative physical and emotional health impacts resulting from the financial instability, unhealthy housing conditions and overwhelming stress caused by foreclosures.² In addition, buildings in the foreclosure process throughout the City of Oakland are significant and unnecessary attractors for blighting conditions that create severe health hazards.
3. **Public safety impact:** Vacant, foreclosed buildings are attractors for trespassers and transient occupants that foster and enable criminal activities.
4. **City fiscal and program resources:** The City continues to expend limited resources and scarce funds investigating foreclosed and defaulted buildings, both vacant and occupied, mitigating the detrimental effects of neglected maintenance, curtailing associated criminal activity, and monitoring the recurrence of nuisance activities.

This year is a pivotal year regarding the foreclosure trend—some economists believe that foreclosures will increase due to increasing unemployment, as well as bank action post AG Settlement Agreement. Others believe that the new State legal requirements will serve as sufficient tools to keep significant numbers of homeowners in their homes. Given the devastation that foreclosures have had on the Oakland community, the City leadership, under Mayor Quan, has committed to work with multiple partners, including State agencies, community based organizations, and lending institutions, to implement expanded tools in order to prevent and mitigate against foreclosures for eligible Oakland residents.

Past and Current Efforts

The City of Oakland has been working to address the foreclosure crisis, including through the following efforts:

- Sponsoring anti-predatory lending legislation. Unfortunately, Oakland legislation was pre-empted by state legislation.
- Funding housing counseling services, including assisting residents to obtain loan modification from lenders. Under an \$83,000 City contract, in FY 11-12 Unity Council delivered foreclosure prevention and intervention group workshops to 218 participants;

¹ <http://www.urbanstrategies.org/foreclosure/>

² Rebuilding Neighborhoods, Restoring Health: A Report on the Impact of Foreclosures on Public Health, Causa Justa :: Just Cause and Alameda County Public Health Department, 2010.

provided individual financial planning and money management counseling to 483 distressed homeowners; and reached out to 4,829 households at risk of foreclosure through telemarketing, email and traditional mail.

- Funding the Oakland Community Land Trust (OCLT) to transform foreclosed properties into long-term affordable ownership housing. Under a \$5,025,000 Neighborhood Stabilization Program (NSP) contract with the City, OCLT has purchased 17 foreclosed homes, rehabilitated 9 of those homes, and sold 2 as affordability-restricted housing to qualified families, with 8 currently in the rehabilitation pipeline and 7 currently available for sale.
- Funding the rehabilitation of critical affordable housing projects to stabilize neighborhoods hard hit by the foreclosure crisis, such as Drasnin Manor in San Antonio/Fruitvale and Project Pride in West Oakland. Using \$2.06 million in NSP funding and \$3.4 million in ORA funding, the City has partnered with owners to rehabilitate 46 rental units in these two properties, with private parties investing in the rehabilitation of an additional 20 low-income rental units at Marin Way Court.
- The passage and recent expansion of registration and maintenance requirements for defaulted and foreclosed properties to address the impact of blighted properties.
- Development of a proactive blighted foreclosed properties enforcement program, including requiring lenders to fix the problems (rather than the City) and using a \$1,000/day blight penalty. Results include lenders curing the cited blight, registering over 1,600 properties and directly paying over \$1.6 million in fees and penalties.

The Gap—Principal Reductions, Servicing Standards, and Accountability

Until the passage of the new State requirements, many of the existing publicly funded programs have not been able offer significant principal reductions. A recent report by the California Reinvestment Coalition and Urban Strategies Council found that while “***principal reduction is critical to stemming foreclosure and housing crises, as it provides an effective way to keep borrowers in their homes and stabilize communities,***” among all loan modifications in the four California Metropolitan Statistical Areas (MSAs) of San Francisco/Oakland, Fresno, Los Angeles, and Sacramento, ***only 5.9% of loan modifications came with principal reductions.*** Eleven percent of borrowers in the San Francisco/Oakland MSA did receive some principal reduction as part of their modification, compared to less than 5% of borrowers in Fresno and Los Angeles.³

Inconsistent servicing standards and significant difficulties establishing contact with the appropriate entity or person, including being passed around to multiple people providing different or conflicting information or engaging in “dual tracking” (lender’s pursuit of

³ Race to the Bottom: An Analysis of HAMP Loan Modification Outcomes by Race and Ethnicity for California, page 9, California Reinvestment Coalition and Urban Strategies Council, July 2011.

foreclosure against owner seeking loan modification) has been a nightmare for many homeowners in foreclosure.⁴

At the local level, local jurisdictions lack reliable, complete data about the nature of loan modifications on a bank-by-bank basis. Publicly reported data is provided at the national level, and sometimes at the MSA level, but not at the local level.⁵ City governments are left without sufficient tools to understand which lenders are acting in ways that promote neighborhood stabilization and economic revitalization exigencies and which lenders are hurting City priorities.

Addressing the Gap: New Federal/State Requirements & The Oakland Local Implementation Plan

Recent national and state developments have provided Oakland and other local jurisdictions with additional tools to prevent foreclosures—namely the National Mortgage Settlement Agreement reached with the country's five largest loan servicers (National Settlement), the California Attorney General's separate side agreement with these five loan servicers (CA Settlement), and the passage of the State Homeowner Bill of Rights Act (HBOR).

In February 2012, 49 state attorneys general and the federal government announced a historic joint state-federal settlement with the country's five largest loan servicers:

- Ally/GMAC
- Bank of America
- Citi
- JP Morgan Chase
- Wells Fargo

The settlement provides about \$25 billion in relief to distressed borrowers and direct payments to states and the federal government. It's the largest multistate settlement since the Tobacco Master Settlement with major U.S. tobacco companies in 1998.

The agreement settles state and federal investigations finding that the country's five largest loan servicers routinely signed foreclosure-related documents outside the presence of a notary public and without knowledge as to whether the facts contained in the documents were correct. The settlement provides benefits to borrowers whose loans are owned by the settling banks as well as to many of the borrowers whose loans they service.

In addition, the California Attorney General's office negotiated a separate side agreement that provided for an additional \$18 billion for California. The following are the main terms of the California Settlement:

⁴ Id at 12.

⁵ Id at 2.

- More than \$12 billion is guaranteed to reduce the principal on loans or offer short sales to approximately 250,000 California homeowners who are underwater on their loans and behind or almost behind in their payments.
- \$849 million is estimated to be dedicated to refinancing the loans of 28,000 homeowners who are current on their payments but underwater on their loans.
- \$279 million will be dedicated to offering restitution to approximately 140,000 California homeowners who were foreclosed upon between January 1, 2008 and December 31, 2011.
- \$1.1 billion is estimated to be distributed to homeowners for unemployed payment forbearance and transition assistance as well as to communities to repair the blight and devastation left by waves of foreclosures, targeted at 16,000 recent foreclosures.
- \$3.5 billion will be dedicated to relieving 32,000 homeowners of unpaid balances remaining when their homes are foreclosed.
- \$430 million in costs, fees and penalty payments.

On January 1, 2013, the California Homeowner Bill of Rights will go into effect and makes significant changes to California's non-judicial foreclosure process, including the following components:

- ***Covers more banks than the Settlement*** – Applies to mortgage servicers beyond just the five banks covered under the National and California Settlements.
- ***Meaningful loss mitigation options*** – Requires servicers to provide available loss-mitigation options, such as first lien loan modifications or other alternatives to foreclosure.
- ***Dual track foreclosure ban*** – Requires a mortgage servicer to render a decision on a loan modification application before advancing the foreclosure process by filing a notice of default or notice of sale, or by conducting a trustee's sale. The foreclosure process is essentially paused upon the completion of a loan modification application for the duration of the lender's review of that application.
- ***Single point of contact*** – Requires a mortgage servicer to designate a "single point of contact" for borrowers who are potentially eligible for a federal or proprietary loan modification application. The single point of contact is an individual or team, which must have knowledge of the borrower's status and foreclosure prevention alternatives, access to decision-makers, and the responsibility to coordinate the flow of documentation between borrower and mortgage servicer.

- ***Enforceability*** – Includes authority for borrowers to seek redress of “material” violations of the legislation. Injunctive relief would be available prior to a foreclosure sale and recovery of damages would be available following a sale.
- ***Verification of documents*** – Subjects the recording and filing of multiple unverified documents to a civil penalty of up to \$7,500 per loan in an action brought by a civil prosecutor. It would also allow enforcement under a violator’s licensing statute by the Department of Corporations, Department of Real Estate or Department of Financial Institutions.

In addition, the City of Oakland has been recently selected to participate in a new national initiative operated by Harvard Legal Aid Bureau (HLAB) to develop a foreclosure prevention/intervention loan fund. The loan fund program will be based upon the efforts of national organizations developing similar foreclosure mitigation models.

In order to ensure that Oakland residents in the foreclosure process have timely access to these new legal protections and resources to assist in their struggles to keep their homes, City staff has worked with multiple agencies to develop a local integrated plan of action that takes advantage of the new legal tools, financial motivations of lenders to engage in principal reductions, funding resources, and unique partnerships.

Amendment to Affordable Housing Trust Fund Ordinance (OMC 15.68.100)

When the City Council dedicated the use of penalty funds from the City’s foreclosed and defaulted residential properties program in June 2012, these funds were to be placed in the City’s Affordable Housing Trust Fund (Trust Fund) for foreclosure prevention efforts. However, the authorizing legislation for the Trust Fund, OMC 15.68.100, limited its use to affordable housing acquisition and development. Staff is proposing to amend the Trust Fund ordinance to ensure that funds derived from these fees and penalties can be used for foreclosure prevention and mitigation activities, such as the ones proposed in this report.

In order to expedite the funding of foreclosure prevention activities from the blight penalty funds, given the crisis nature, it is also recommended that the City Administrator be provided with the authority to enter into grant agreements or contracts for foreclosure prevention services under a \$100,000 threshold.

Third, OMC 15.68.100 currently permits Trust Fund revenues to be used to “increase, improve and preserve the supply of affordable housing.” Preservation is defined as actions to save housing at risk of loss from the affordable housing supply due to “termination of use restrictions, non-renewal of subsidy contract, or physical conditions that are likely to result in vacation of the property.” Staff proposes to amend this definition to include prevention of loss due to mortgage default or foreclosure. This change would authorize Trust Fund revenues to be used to halt

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foreclosure on existing assisted housing units, thereby permitting use of these funds to protect both the City's investment and the affordable housing resource in the event there is the threat of foreclosure by a senior lender on a City-assisted project.

Fourth, upon a finding by the City Council or the City Administrator that funds are no longer needed for foreclosure prevention or mitigation activities, such funds would be used for other eligible Affordable Housing Trust Fund uses or for other low-income or very-low-income tenant or homebuyer assistance.

Technical changes have also been drafted to change the term "City Manager" to "City Administrator".

ANALYSIS

City staff is proposing an integrated foreclosure prevention plan that addresses identified priority gaps in prevention efforts, as well as takes advantage of the new State requirements, resources, and partnerships. The following main components include:

1. Trained community outreach workers to engage in direct communications with homeowners and tenants residing in properties in the foreclosure process to collect initial data and refer households to appropriate services.
2. Homeowner counseling services, negotiation of loan modifications, referral to the ROOT loan fund or legal advocacy, and data collection.
3. Tenant counseling and legal services, referral to City escalation team, and data collection.
4. Homeowner legal advocacy, referral to City escalation team, and data collection.
5. ROOT loan fund program that enables eligible households to re-purchase homes at a significant principal reduction based upon current market value of the home, and data collection.
6. City coordinated accountability includes an escalation team to work with lenders, produce quarterly reports to Council on bank by bank performance, referral to State Attorney General's office.

These services will operate in an integrated way where information, referrals, and problem-solving efforts will be shared through regular collaboration meetings.
See *Attachment A* for a flow chart of the program design.

Trained Community Outreach Workers

Staff is proposing the allocation of \$150,000 from the dedicated blight penalty funds for community outreach to households in the foreclosure process: \$50,000 to Causa Justa :: Just Cause (CJJC) for coordination and training of outreach workers, and maintenance of the database system and data collection; and \$100,000 divided equally among four other groups for outreach work: Allen Temple Housing and Economic Development Corporation (ATHEDCO), Family Bridges, Inc., Martin Luther King, Jr. Freedom Center (Freedom Center), and OCCUR. On a monthly basis, CJJC will assign contacts to each agency's outreach team based on geography and language capacity. Several attempts will be made to contact each household with the goal of reaching approximately 3,500 tenant and homeowner households in foreclosure.

The community outreach plan is designed to maximize the extent to which residents of homes in foreclosure know their rights and have access to resources that will help them assert their rights. The outreach strategies employed for this project have been developed based on proven models of effective outreach to low-income communities, focusing on door-to-door outreach conducted by local community organizations that generally employ local residents from the communities they serve. About half of outreach workers will be bilingual, and all materials will be made available in Spanish or Chinese to ensure language-appropriate outreach to households in all impacted neighborhoods.

Using data provided by the City, outreach workers will visit the majority of Oakland homes entering foreclosure, focused on low-income neighborhoods most hard-hit by the foreclosure crisis and with the fewest financial resources. In these visits, outreach workers will inform the residents – tenants and/or homeowners – that the property is in foreclosure, provide referral information to local agencies, and gather basic demographic and property information.

CJJC will coordinate several intensive trainings for outreach workers and their host agencies, including on the foreclosure process and basic rights of homeowners and tenants, the Homeowners Bill of Rights, Attorney General's settlement, or other relevant changes in policy or legislation. In addition to trainings on substantive issues, outreach workers will be trained in effective outreach techniques.

Data Tracking and Evaluation: Using a sophisticated online database system, agencies will be able to enter data based on the outreach they have conducted. CJJC will compile the data and produce reports that can measure the effectiveness of the outreach and progress towards established goals. These reports will be submitted regularly to the City and can be analyzed further as well as used to augment the City's defaulted and foreclosed property database. Success will be measured by several indicators:

- 1) percentage of inhabited properties reached;
- 2) percentage of residents responding positively to the information provided;

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- 3) number of properties where additional data is successfully collected; and
- 4) number of referrals received by service agencies, including the tenant and homeowner counseling services.

At the end of the pilot year, a report will be generated that measures the outreach outcomes according to the relevant indicators and summarizes lessons learned that can be used for future outreach efforts.

Specific Goals for Outreach: Approximately 440 direct conversations with residents of foreclosed properties per month. This is based on a contact rate of approximately 1.5 contacts per hour and a total of 2,352 hours of outreach workers in the field, for a total of 3,538 contacts over the pilot year.

Budget: The \$150,000 will support outreach staff at the five partnering organizations, including a Program Co-Director, Outreach and Organizing Lead, Data Coordinator, Outreach Team Coordinator, 12 Outreach Team members and 4 Outreach Team leaders. Funding will also cover training and program materials, office supplies and minor travel expenses. The proposed funding will leverage about \$75,000 in CJJC's private foundation funding for community work in East Oakland, mitigation of the foreclosure crisis and support for the financial sustainability of low-income residents.

See **Attachment B** for a description of the organizational experience of CJJC, ATHEDCO, OCCUR, Family Bridges, and the Freedom Center.

Homeowner Counseling and Loan Modifications

The City currently provides \$83,000 to the Unity Council to provide informational mailings, outreach and counseling services to low and moderate income homeowners facing possible foreclosure.⁶

Staff proposes to provide \$50,000 to CHDC, a premier housing counseling agency with higher rates of success than the national average, for their senior housing counselor to provide housing counseling and negotiate loan modifications for about 67 Oakland residents. CHDC anticipates being able to successfully help fourteen (14), or twenty-one percent (21%), of these Oakland households avoid foreclosure while providing counseling and referral to assistance resources to the others. The national foreclosure avoidance average rate for housing counseling services is 14%. The following are key data about CHDC's FY11-12 activities:

⁶ For FY11-12, the Unity Council has held foreclosure prevention and intervention group workshops for 218 participants, provided individual financial planning and money management counseling to 483 distressed homeowners, and engaged in targeted outreach through telemarketing, email or regular mail to 4,829 Oakland homeowners who have received a Notice of Default or Notice of Trustee Sale.

- CHDC has served 231 foreclosure intervention clients since October 1, 2011. Of the 231 clients, 34 are Oakland residents (15%).
- Of the 231 foreclosure intervention clients, 48 avoided foreclosure (21%) and 30 avoided foreclosure due to a successful loan modification (13%).

See *Attachment B* for a description of CHDC's organizational experience.

Homeowner Hotline and Legal Advocacy

Staff is proposing to increase and expand the City's existing contract with HERA by an additional \$100,000 to: (1) provide 100 Oakland homeowners facing foreclosure with in-depth legal advocacy or technical assistance; (2) staff a new one-stop hotline service for Oakland homeowners; (3) provide workshops for an additional 120 Oakland residents; and (4) supervise pro bono lawyers or law students.

HERA currently has a contract with the City of Oakland to provide legal advocacy for homeowners in Alameda County, outside of Oakland, as part of the Alameda County Community Action Partnership funds. The City of Oakland serves as the administrator/pass through agency for this grant.

From January 1, 2012 to September 10, 2012, HERA staff served 3,347 residents (not including workshops). In that same timeframe, HERA has served 431 Oakland residents, including 357 homeowners and 74 tenants. HERA's success rate on loan modification negotiations and other advocacy to help homeowners keep their homes is about 70%. Out of about 500 cases, HERA kept about 375 people in their homes.

New one-stop hotline for homeowners in foreclosure: There is currently no dedicated hotline service for homeowners in foreclosure to call. HERA would provide experienced staff to conduct initial homeowner screening in order to ensure that distressed homeowners are being referred to the best and most appropriate service for their unique situation, be it housing counseling, HERA, 211 for non-housing services, or other available resources.

Provide in-depth legal advocacy for Oakland homeowners facing foreclosure. Homeowners in foreclosure will be referred to HERA by housing counseling agencies, the new hotline, the City of Oakland or other agencies. HERA will be addressing problem cases and reviewing servicer responses and homeowner files to verify homeowner options and/or the veracity of servicers' claims, and doing any other necessary research and advocacy. Based upon past track record, HERA estimates that it will keep 70% of Oakland homeowners in their home through loan modification work and/or other legal advocacy.

There may be cases that HERA does not pursue for longer-term advocacy but reviews all of the homeowner's options, investigates whether the servicer's responses comport with federal or other

modification rules, and advises the City and/or the homeowner. The total number of Oakland homeowners whom HERA will serve under both in-depth legal advocacy and technical assistance combined will be up to 100 over the course of the grant period.

Provide consumer workshops. HERA will conduct workshops to educate the public on key terms from the CA Settlement and on the HBOR, serving a total of 120 homeowners over the course of the grant period (for an average of 15 consumers at each workshop).

In addition, HERA will provide one training for HUD certified housing counselors and/or volunteers on latest loan modification program requirements, as well as supervise law students or other pro bono assistance on identifying servicing and HBOR violations. The total cost of the above services is \$143,000, with the City of Oakland providing \$100,000 and \$43,000 from private foundation and other sources.⁷

See *Attachment B* for HERA's organizational description.

Tenant Counseling and Legal Services

The City, using its Community Development Block Grant funds, currently supports tenant/landlord counseling and housing related legal services to three organizations: the East Bay Community Law Center (EBCLC), Centro Legal De La Raza (Centro), and Causa Justa :: Just Cause. In addition, the City's Rent Adjustment Program also funds Bay Legal Aid to provide tenant services. In fiscal year 2011-2012, in addition to providing other tenant services, the groups served 529 clients who were in homes in the foreclosure process.

Staff proposes an allocation of \$16,700 each to EBCLC, CJC and Centro (for a total of \$50,100) to continue providing counseling and legal services for tenants residing in or at risk of foreclosure. The new funds for tenants in homes threatened by foreclosure are expected to support services for an additional 160 hotline callers, 20-25 tenant households through case management, and 120 tenant households through a combination of limited and full-scope legal representation.

Budget and Tenants Served: For the 8 month term of the proposed contract, CJC's proposed budget of \$16,700 will partially cover the staff costs of a bilingual tenant counselor, database support staff, and hotline intake specialist. This additional staff capacity will enable CJC to better serve Spanish-speaking tenants, especially in heavily-impacted East Oakland neighborhoods, while maintaining service levels and focusing on the needs of tenants throughout the City impacted by foreclosure. CJC estimates that the proposed enhancement in their tenant

⁷ The costs do not include the additional cost of training an estimated 10 counselors and/or volunteers on the latest modification requirements and supervising 5 law students or other pro bono assistance on HBOR issues over the course of the grant period.

counseling and advocacy would serve an additional 20 clients per month through the hotline (for a total of 160 clients over the grant period) and an additional 20-25 managed cases.

EBCLC's proposed budget for these funds will support a Housing Staff Attorney whose primary focus is tenants in foreclosure properties with a small allocation for a Contracts Manager to track needed data. The Housing Attorney has been supported for the last 2 years by an Equal Justice Works fellowship which ended in September. These proposed funds would leverage \$30,000 in private foundation funds for EBCLC's foreclosure and housing-related services and fund EBCLC's limited scope services for an estimated 65 tenants and full legal representation for an estimated 10 tenants in homes affected by foreclosure.

The proposed funds for Centro Legal will help support database enhancement to capture more detailed data regarding tenants and foreclosure-related services, a Development Coordinator to run and analyze monthly foreclosure data reports, and one housing attorney. Prior year outcomes were the result of having three full-time housing attorneys on staff. In June 2012, Centro Legal lost funding for one of the housing attorneys and expects to use the proposed funding to hire a part-time attorney, resulting in slightly lower outcomes than the prior year. The proposed funding would leverage Centro's other funding for foreclosure-related services, including \$61,500 in private grants and donations. Centro estimates that the proposed funding will support limited scope services for an additional 40 tenant households and full legal representation for an additional 5 tenant households in homes affected by foreclosure.

See *Attachment B* for organizational descriptions.

ROOT Loan Fund

The ROOT Collaborative is a group of Bay Area organizations committed to stabilizing neighborhoods impacted by the foreclosure crisis. Its goal is to secure homeowners and stabilize neighborhoods. The Collaborative includes groups based in Oakland, Alameda County, and Contra Costa County who are eager to grow the program in their own communities, as well as organizations that work across the Bay Area. Starting in Oakland, the Collaborative is working to launch a demonstration pilot in the Bay Area that will help existing homeowners facing foreclosure to retain their homes.

The goal of the program is to prevent displacement and ensure long-term homeownership by purchasing homes in foreclosure and selling them back to their occupants with a new affordable mortgage. A lead non-profit agency, CHDC, purchases a distressed home at a discount from a lender, and then sells it to the existing occupants. The new mortgage is structured to reflect current market value, functioning as a long-term principal reduction. This approach intervenes before eviction, avoiding neighborhood blight as well as family trauma. It also ensures

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sustainable homeownership through close work with clients, who are supported by community organizations providing advocacy and financial education.

The Oakland pilot is inspired by other successful foreclosure mitigation efforts but adapted for the Oakland market, and tied with the City of Oakland's integrated strategies to address foreclosures through a range of property-based and household-based programs. The City's capital funds of \$1 million would be used as a loan loss reserve or for mortgages, and would leverage an additional \$7-9 million from Community Development Financial Institution (CDFI) partners and other investors. Once further capital is assembled and recycled, ROOT will be expanded to serve more residents in both Oakland and other parts of the Bay Area.

Program Design and Eligibility

ROOT will serve homeowners of low and moderate income who are committed to staying in their homes and could afford their mortgage if it were adjusted to reflect the current market value of their homes. Additional information is contained in the ROOT Summary Terms, ***Attachment C***. The main components include the following:

- Eligible homeowners must have a stable income but are unable to make monthly payments based on their existing mortgage, often due to a 20-30% reduction in income due to unemployment or other hardship.
- The typical program participant will likely be a first-time homebuyer, between 80-100% of area median income, who bought at the peak of the market, had a subprime or low-end prime loan, and has tried and failed to work out a solution with his or her lender.
- CHDC will purchase the home of an individual going through or at risk of foreclosure, repairs and minor renovations will be made and the home will be sold back to the original occupant with a new mortgage they can afford.
- The new mortgage will be based on the current market value of the home, typically 40% to 50% of the original mortgage and will have a fixed and favorable interest rate and 30 year term, with no balloon payments.
- To support program participants to successfully retain their homes, they will be required to participate in financial counseling and coaching sessions. A bi-weekly payment plan will be established so homeowners can manage their payments and build up reserves that can be used to pay down the principal and reduce the length of their loan, or can be used for necessary repairs.

City funding will be used as a loan loss reserve or mortgages, and leverage an additional financing of \$7 to 9 million committed by partners LISC, Enterprise, One Pacific Coast Bank, and the California Housing Finance Agency (CAL HFA). It is anticipated that 20-25 Oakland households will be served in the pilot year.

Wells Fargo Bank has agreed to participate in the loan fund by selling their properties with eligible Oakland ROOT clients to CHDC at a discounted rate using current market values.

ROOT partners have identified 37 Oakland homeowners who would meet the initial criteria for the program and who are already working with a housing counselor. Twenty-five (25) of the thirty-seven (37) homeowners have either Wells loans or loans serviced by Wells. These homes are in the 06001 Census Tract with the following zip codes: 94603; 94605 – 15; and 94621 – 7.

Four different types of capital are needed for Oakland ROOT to be implemented. The categories of financing needed for the Oakland ROOT program are Short-term, Interim, Permanent and Loan Loss Reserve. See **Attachment D** for the capital financing model.

- Short-term is used to acquire the property, provide a 30-year mortgage and hold for 6-12 months as a payment history is established. This acts as a revolving line of credit. Funds will be repaid when the mortgage is placed in the Interim loan pool.
- Interim serves as the take-out or repayment source for the Short-term. The term is 6-60 months.
- Permanent is the take-out or repayment source for the Interim. The term is 30 years.
- Loan Loss Reserve (LLR) supports or credit enhances the Short-term and Interim financing. Loan Loss Reserve funds provide a cushion against loan defaults and potential losses from the liquidation of collateral. A 20% reserve is assumed as an abundance of caution to assure lenders providing more traditional financing. LLR funds will be recaptured by funders at termination of the pool.

The expectation is that \$1 million in Loan Loss Reserve funds would support up to \$5 million in a combination of Short-term and Interim financing. Once a mortgage has seasoned under the Interim period (up to 5 years) with good repayment performance, secondary market buyers and/or programs should be available to purchase the assets. In addition, the credit worthiness of the homeowners will dramatically improve as they establish a mortgage repayment history, making them eligible for a range of publicly supported mortgage programs. The major risk would be interest rate increases over the next 5 years. Financing sources for the pilot program include:

- \$1,000,000 City of Oakland NSP for mortgages and loan loss;
- \$2,000,000 CalHFA funds for acquisition, loan loss and mortgages;
- \$5,000,000 One Pacific Bank for mortgages – Interim;
- \$1,000,000 LISC for acquisition; and
- \$1,000,000 Enterprise for acquisition.

Assuming CalHFA is involved, \$1 million would be set-aside for a loan loss reserve with the remaining funds used for all phases: Short-term, Interim, and Permanent. CalHFA funds would supplement the other funding sources. Because CalHFA funds comes at a lower cost of funds (3%) its usage would be maximized. If needed, LISC and ECP loans would be used for purchasing the homes. The City's NSP would be used to fund the homebuyer mortgages or loan loss reserve, and One Pacific would purchase the mortgages after they have been seasoned. The process is as follows:

1. Homeowner meeting ROOT eligibility criteria is identified by counseling agency. Counseling agency pre-screens for eligibility.
2. CHDC underwrites borrower.
3. CHDC negotiates with lender to purchase the property.
4. CHDC utilizing funding from CalHFA or a loan from LISC or ECP acquires the property.
5. CHDC sells the home back to the homeowner and provides a new mortgage (30 year, fixed, ~7%). Mortgage is funded by City NSP (acquisition loan is repaid).
6. After mortgage is seasoned, up to 12 months, One Pacific purchases mortgage. City NSP funds cycled out of this mortgage.
7. After additional seasoning for secondary market, up to 36 months, the mortgage is sold to secondary market or the homeowner refinances and pays off the mortgage (One Pacific's capital is recycled). If a secondary market is not available and the homeowner is unable to refinance, then a portion of the City NSP or CalHFA funds would be utilized to purchase the mortgages from OnePacific.

See **Attachment E** for a sample ROOT loan fund transaction.

Loan Fund Administrator: CHDC

CHDC will be engaging in the following activities:

- Review and approval of project property and homeowner to ensure program guidelines are met
- Negotiate each short sale purchase with lender
- Property rehab as needed, keeping occupant in place.
- Resale of the property to the occupant.
- Origination of home loan to the owner
- Hold and service the first mortgage for a maximum of 18 months
- Sale of the loan to Enterprise, Self-Help or another secondary market purchaser

See **Attachment B** for organizational description of CHDC.

Two national Community Development Financial Institutions (CDFI), Enterprise Community Partners and Local Initiatives Support Corporation (LISC) have been and will continue to provide technical assistance to CHDC to ensure successful outcomes with the ROOT program. See ***Attachment B*** for organizational descriptions.

ROOT Partners

Working Group on Program Design and Capital Assembly

- Bay Area LISC
- City of Oakland
- Community Housing Development Corporation (CHDC)
- East Bay Housing Organizations (EBHO)
- Enterprise Community Partners

Partners and Advisers

- Alliance of Californians for Community Empowerment (ACCE)
- Cause Justa: Just Cause (CJJC)
- PICO Network and Oakland Community Organization (OCO)
- Unity Council
- Urban Strategies Council and Oakland Community Land Trust
- One Pacific Coast Bank
- Wells Fargo Bank

City Coordinated Accountability: Comprehensive Database System, Quarterly Reports, Referrals to State Attorney General

The integrated foreclosure prevention plan enables the City to develop a comprehensive system to assess the performance of specific lenders, as well as City funded programs. Quarterly public reports to be issued to Council will include the following information:

- **Specific Bank Performance:** including the numbers of NODs and REOs filed, properties sold and to owner-occupants or investors, loan modifications issued including with principal reduction, properties registered with the City's registration program, blighted properties and their resolution, tenant complaints and their resolution, complaints of violations under the new State requirements and their resolution, and unresolvable complaints tiled by the City with the State Attorney General's office.

The data will come from existing database sources that the City utilizes, the City's new Defaulted and Foreclosed Properties Registration Program, and data from City partners including through community outreach, tenant services, homeowner services, and referrals to the City.

- **Program Performance:** including information from organizations with new and current City funds working on foreclosure prevention efforts on the numbers of residents served, demographic information, and specific outcomes from the service.

With the new integrated approach where information will be collected at every level of the plan, the City and our partners will be able to timely assess any performance issues and make appropriate adjustments. For example, the tenant counseling and housing counseling agencies will note which referrals they receive are coming from the City's community outreach workers. In turn, HERA and the ROOT loan fund program will be able to assess the quality of referrals they receive from the housing counseling agencies. City staff will conduct spot-check reviews to provide both program assistance and assessment of the effectiveness of the tenant counseling, housing counseling, legal advocacy, and ROOT.

City staff will verify violations of new State requirements, provide the banks with an opportunity to resolve any violations, and then refer unresolved complaints to the Attorney General's office.

Local Mediation Program

Should collected data and program information show that lenders are failing to comply with the new State requirements in Oakland, City staff will review the possibility of developing a local foreclosure mediation program. There has been national interest in local jurisdictions requiring a mediation process before a foreclosure can be completed and there has been some success with mediation in the foreclosure context.⁸ Staff would learn from these experiences, including the voluntary mediation programs, and return to Council with a proposal for Council consideration.

PUBLIC OUTREACH/INTEREST

Staff has been working with and/or provided information to: ACCE, OCO, SEIU 1021, Alameda County Public Health Department, Building Services Improvements Advisory Task Force, Wells Fargo Bank, JP Morgan Chase Bank, Urban Strategies Council, California Reinvestment Coalition, Oakland Realtors Association, East Bay Rental Housing Association, and the Oakland Metropolitan Chamber of Commerce. In addition, Mayor Quan has played an instrumental role in securing the support of lending institutions for the ROOT loan fund program.

COORDINATION

Coordination has occurred between Housing, Building Services and the City Attorney's office.

⁸ http://www.unitedtrustees.com/enews/pdf/Foreclosure_Ordinance.pdf;
http://www.nclc.org/images/pdf/foreclosure_mortgage/mediation/report-state-meditation-programs-update.pdf, 4;
<http://www.psh.com/content/724>; <http://disb.dc.gov/disr/cwp/view,a,1299,q,645508.asp>;
http://www.stlbeacon.org/#1/content/26517/foreclosure_mediation_passes_st_louis_county.

COST SUMMARY/IMPLICATIONS

Funding sources are from available monies dedicated to foreclosure prevention and mitigation activities—the City’s **NSP** grant and foreclosed properties penalty fund. Under the proposed plan, it would cost about \$800 in City funds to keep one Oakland tenant or homeowner household facing foreclosure in their home through counseling, advocacy, and/or legal services. Under the **ROOT** loan fund program, a typical participant will receive a loan of about \$200,000 to cover both acquisition and rehabilitation costs. The City’s funds of \$1 million for the loan loss reserve or mortgage, leveraging an additional \$7-9 million, would result in serving 20-25 households in a one-year loan cycle for the pilot program. In addition, the City would be contributing up to \$200,000 towards the first year operational expenses. This equates to \$60,000 to \$48,000 of City funds per participating households.

FISCAL/POLICY ALIGNMENT

Support for effective foreclosure prevention programs will result in financial benefits to the City and the Oakland community, including prevention of blighted foreclosed properties and associated costs and enhanced economic development and quality of life.

PAST PERFORMANCE, EVALUATION AND FOLLOW-UP

The selected groups all have extensive experience and a stellar track record in delivering foreclosure prevention/mitigation related services. In addition, City staff will be monitoring program performance on a quarterly basis, including providing information in public reports.

SUSTAINABLE OPPORTUNITIES

Economic: The proposal will retard the deterioration of property values and will support future development and assist the economic growth and revitalization of the City.

Environmental: The proposal will reduce blight, including accumulation of garbage, dispersal of pollutants and target-organ toxins, and uncontrolled growth of vector populations.

Social Equity: The proposal will encourage the infusion and recurrence of diverse multi-cultural activities, businesses, and events.

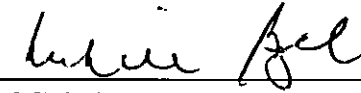
CEQA

In accordance with CEQA Guidelines Section 15301 (existing facilities) this action is categorically exempted.

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For questions regarding this report, please contact Margaretta Lin, Department of Housing and Community Development, at 510-238-6314.

Respectfully submitted,



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Attachment A: Program Design Flow Chart

Attachment B: Organizational Descriptions

Attachment C: ROOT Loan Fund Summary Terms

Attachment D: ROOT Loan Fund Capital Financing Model

Attachment E: ROOT Loan Fund Sample Transaction

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Attachments:

Attachment A: Program Design Flow Chart

Attachment B: Organizational Descriptions

Attachment C: ROOT Loan Fund Summary Terms

Attachment D: ROOT Loan Fund Capital Financing Model

Attachment E: ROOT Loan Fund Sample Transaction

Introduced by

FILED
OFFICE OF THE CITY CLERK
OAKLAND

Councilmember

2012 SEP 27 AM 11:49

Approved for Form and Legality

City Attorney

OAKLAND CITY COUNCIL

RESOLUTION No. _____ C.M.S.

A Resolution Supporting Foreclosure Prevention/Mitigation Activities Including 1) The Allocation Of Up to \$1,200,000 From The Neighborhood Stabilization Program (A HUD Federal Grant) To Community Housing Development Corporation For Purposes Of Funding A Foreclosure Prevention Loan Fund Program; 2) The Allocation of \$350,100 From Blighted Foreclosed Properties Penalties To Fund The Following: A) Community Outreach Services For \$150,000 Provided By Causa Justa::Just Cause (\$50,000), Family Bridges (\$25,000), OCCUR (\$25,000), Allen Temple Economic Development Agency (\$25,000), and the Martin Luther King Jr. Freedom Center (\$25,000); B) Homeowner Legal Advocacy For \$100,000 Provided By The Housing Economic Rights Advocates; C) Homeownership Counseling And Loan Modification Advocacy For \$50,000 Provided By The Community Housing Development Corporation; And D) Tenant Counseling And Legal Services For \$50,100 Total Provided By The East Bay Community Law Center (\$16,700), Centro Legal De La Raza (\$16,700), And Causa Justa::Just Cause (\$16,700); And 3) Requiring Staff To Develop A Foreclosure Mediation Policy For Council Consideration Should There Be Serious Problems With Bank Servicer And Lender Compliance In Oakland With The Attorney General Bank Settlement Agreement And State Homeowner Bill of Rights Act

WHEREAS, the City of Oakland has been devastated by the foreclosure crisis, with 10,542 foreclosures from 2007 to 2011, a rate of about 1 in 19 households in foreclosure; and

WHEREAS, properties throughout the City of Oakland which lenders have recorded a Notice of Default (defaulted) or have taken ownership through a Deed of Trust (foreclosed) have been and continue to be significant and unnecessary attractors for blighting conditions that create severe health hazards in neighborhoods, including explosions of vector populations, accumulations and dispersals of pollutants and target-organ toxins, degradation of air quality; and conditions that adversely impact the quality of life for Oakland residents; and

WHEREAS, defaulted and foreclosed properties throughout the City also have been and continue to be significant and unnecessary attractors for trespassers and transient occupants that foster and enable criminal activities, including theft, vandalism, prostitution, and the sale and use of narcotics and other controlled substances; and

WHEREAS, defaulted and foreclosed properties throughout the City also have been and continue to be a significant and unnecessary discourager to economic development and contributor to the decline of property values in neighborhoods; and

WHEREAS, the City has expended and continues to expend vast and unnecessary amounts of limited resources and scarce funds investigating defaulted and foreclosed properties, mitigating the detrimental effects of neglected maintenance, curtailing associated criminal activity, and monitoring the recurrence of nuisance activities; and

WHEREAS, historically, the resource requirements for monitoring defaulted or foreclosed properties increases with the time that building remains vacant or occupied by involving an escalating commitment from Code Enforcement administrative, fiscal, and supervisory staff, and involving a proliferating interaction with other City departments and agencies, including Real Estate, Finance, City Attorney, Fire, and Police and by City officers and officials; and

WHEREAS, historically, there are additional citywide costs of said resource requirements in areas of real estate divestiture and acquisition, fire prevention and suppression, neighborhood revitalization, nuisance and criminal activities, hazardous material identification and disposal, litigation, liens and collections, degradation of the general tax levy, and public notification and hearings; and

WHEREAS, defaulted and foreclosed properties impose additional financial burdens on neighbors, prospective purchasers, and the business community in the City of Oakland; and

WHEREAS, the City has received Neighborhood Stabilization Program (NSP) grants from the federal Housing and Urban Development Agency, including \$8.2 million for the NSP1 and over \$2 million for the NSP3 allocations; and

WHEREAS, the Council in June 2012 dedicated the use of penalty funds recovered from the City's defaulted and foreclosed properties blight program to fund foreclosure prevention efforts (penalty funds); and

WHEREAS, City staff has engaged in planning efforts with multiple State and community organizations working on foreclosure prevention and mitigation efforts and developed an integrated approach including community outreach, housing counseling, legal advocacy, tenant counseling, referral to the State Attorney General's office, a new foreclosure mitigation loan fund program (ROOT Loan Fund), and City coordination; and

WHEREAS, City staff has engaged in appropriate outreach and procedures in order to provide community outreach grants to service providers who are skilled at community outreach activities and provided prior City-funded and effective community outreach, namely Causa Justa: Just Cause for \$50,000; OCCUR for \$25,000; Family Bridges for \$25,000; Allen Temple Economic Development Corporation for \$25,000; and the Martin Luther King Jr. Freedom Center for \$25,000. These funds are from the City's penalty funds and will provide outreach and referral services for 3,500 residents; and

WHEREAS, City staff has engaged in appropriate outreach and procedures in order to provide a grant of \$50,000 to Community Housing Development Corporation (CHDC), a housing counseling agency with an effective track record of negotiating loan modifications for homeowners in foreclosure. These funds are from the City's penalty funds and will provide housing counseling and loan modification negotiations for 67 residents; and

WHEREAS, City staff has engaged in appropriate outreach and procedures in order to expand existing City funds for tenant counseling and legal services for tenant families in properties in foreclosure through grants to existing City providers, namely Causa Justa: Just Cause for \$16,700, East Bay Community Law Center for \$16,700, and Centro Legal de la Raza for \$16,700. These funds are from the City's penalty funds and will serve 300 tenant families in properties in foreclosure, including keeping 35 families in their homes, providing a hotline for tenants, and tenant counseling and legal services; and

WHEREAS, City staff has engaged in appropriate outreach and procedures in order to provide a grant of \$100,000 to Housing Economic Rights Advocates (HERA), a housing legal advocacy organization with an effective track record of negotiating loan modifications for homeowners in foreclosure. These funds are from the City's penalty funds and will serve 300 homeowners in foreclosure through a hotline service, direct advocacy for 100 homeowners, workshops for 100 homeowners, and technical assistance and training for City partners; and

WHEREAS, City staff has been working with CHDC, Enterprise Community Partners, LISC, One Pacific Coast Bank, East Bay Housing Organizations, and other organizations to establish a foreclosure mitigation loan fund program to be administered by CHDC with technical assistance to be provided by Enterprise and LISC, called the ROOT Loan Fund program; and

WHEREAS, City funds of \$1.2 million from its NSP allocation for the ROOT loan fund will leverage an additional \$7-9 million of funds from Enterprise, LISC, One Pacific Coast Bank, and the California Housing and Finance Agency; and

WHEREAS, the ROOT Loan Fund is anticipated to serve 20-25 Oakland homeowners in the pilot year as well as expand its ability to serve additional Oakland and Bay Area residents; and

WHEREAS, the requirements of the California Environmental Quality Act (CEQA), the Guidelines as prescribed by the Secretary of Resources, and the provisions of the Statement of Objectives, Criteria and Procedures for Implementation of the California Environmental Quality Act: City of Oakland, have been satisfied, and that in accordance with CEQA Guidelines Section 15301 (existing facilities) this project is categorically exempted; now, therefore,

RESOLVED, that up to \$1.2 million be allocated from City NSP funds to CHDC with up to \$1 million for the loan loss reserve, mortgages, and/or other capital support needs; and up to \$200,000 for CHDC operational support in the pilot year; and be it

FURTHER RESOLVED, that \$50,000 be allocated to CIJC for community outreach coordination and data management services to be funded from the City's defaulted and foreclosed properties registration and blight abatement penalty funds and \$25,000 each to be allocated to Family Bridges, OCCUR, Allen Temple Economic Development Agency, and the Martin Luther King Jr. Freedom Center for targeted community outreach services from special revenue Development Services Fund (2415), Neighborhood Preservation Inspections Organization (84454), Foreclosed Registration Project (A456210), Livable Neighborhood Code Enforcement Services Program (NB31); and be it

FURTHER RESOLVED, that \$100,000 be allocated to HERA for housing legal advocacy to be funded from the City's defaulted and foreclosed properties registration and blight abatement penalty funds, from special revenue Development Services Fund (2415), Neighborhood

Preservation Inspections Organization (84454), Foreclosed Registration Project (A456210), Livable Neighborhood Code Enforcement Services Program (NB31); and be it

FURTHER RESOLVED, that \$50,000 be allocated to CHDC for housing counseling services to be funded from the City's defaulted and foreclosed properties registration and blight abatement penalty funds, from special revenue Development Services Fund (2415), Neighborhood Preservation Inspections Organization (84454), Foreclosed Registration Project (A456210), Livable Neighborhood Code Enforcement Services Program (NB31); and be it

FURTHER RESOLVED, that existing City contracts for tenant counseling and legal services be expanded for CJC for \$16,700; EBCLC for \$16,700; and Centro Legal for \$16,700 to be funded from the City's defaulted and foreclosed properties registration and blight abatement penalty funds, from special revenue Development Services Fund (2415), Neighborhood Preservation Inspections Organization (84454), Foreclosed Registration Project (A456210), Livable Neighborhood Code Enforcement Services Program (NB31); and be it

FURTHER RESOLVED, that should collected data and program information show that lenders are failing to comply with the new State requirements in Oakland, City staff will review the possibility of developing a local foreclosure mediation program for Council consideration.

IN COUNCIL, OAKLAND, CALIFORNIA, _____, 2012

PASSED BY THE FOLLOWING VOTE:

AYES - BRUNNER, BROOKS, DE LA FUENTE, KAPLAN, KERNIGHAN, NADEL,
SCHAAF AND PRESIDENT REID

NOES -

ABSENT -

ABSTENTION -

ATTEST: _____

LATONDA SIMMONS
City Clerk and Clerk of the Council
of the City of Oakland, California

DATE OF ATTESTATION: _____

12 SEP 26 AM 11:22 2012 SEP 27 AM 11:50

Approved as to Form and Legality:


Deputy City Attorney

OAKLAND CITY COUNCIL

Ordinance No. _____ C.M.S.

AN ORDINANCE AMENDING OAKLAND MUNICIPAL CODE SECTION 15.68.100 (AFFORDABLE HOUSING TRUST FUND) TO (1) PERMIT FINES AND PENALTIES RECEIVED PURSUANT TO SECTION 8.54.620 (FORECLOSED AND DEFAULTED RESIDENTIAL PROPERTY REGISTRATION PROGRAM) AND SIMILAR PROGRAMS TO BE USED FOR FORECLOSURE PREVENTION AND MITIGATION ACTIVITIES, (2) AUTHORIZE THE CITY ADMINISTRATOR TO MAKE GRANTS OR SERVICE CONTRACTS UNDER THE PROGRAM OF UP TO \$100,000 WITHOUT RETURNING TO COUNCIL, AND (3) ALLOW AFFORDABLE HOUSING TRUST FUNDS TO BE USED TO ASSIST AFFORDABLE HOUSING PROJECTS AT RISK DUE TO MORTGAGE DEFAULT OR FORECLOSURE

WHEREAS, Chapter 8.54 of the Oakland Municipal Code, governing the Foreclosed and Defaulted Residential Property Registration Program, was amended in June 2012 to include properties throughout the City of Oakland where lenders have recorded a Notice of Default (defaulted) or have taken ownership through a Deed of Trust (foreclosed); and

WHEREAS, the June 2012 amendment specified that fines and penalties, subsequent to covering program administration costs, be deposited into the Affordable Housing Trust Fund, established under Section 15.68.100 of the Oakland Municipal Code, to fund foreclosure prevention programs; and

WHEREAS, other programs may designate the use of fines, penalties, or other funds deposited into the Affordable Housing Trust Fund for foreclosure prevention or mitigation purposes; and

WHEREAS, the Affordable Housing Trust Fund currently limits the use of the Fund to only acquisition and development of affordable housing units; and

WHEREAS, the City would like to support foreclosure prevention and mitigation efforts beyond affordable housing acquisition and development purposes; now, therefore,

THE COUNCIL OF THE CITY OF OAKLAND DOES ORDAIN AS FOLLOWS:

SECTION 1. Section 15.68.100 of the Oakland Municipal Code is hereby amended to read as

follows (deletions are indicated with strikethrough text, and additions with underlining):

15.68.100 - Affordable Housing Trust Fund.

The City Manager-~~Administrator~~ shall establish an Affordable Housing Trust Fund to provide assistance in developing and maintaining affordable housing in the City of Oakland. The Affordable Housing Tmst Fund shall receive all monies contributed pursuant to Sections 15.68.050 and 15.68.060 of this chapter. The Affordable Housing Tmst Fund may also receive funds from any other source.

Funds deposited into the Affordable Housing Trust Fund, and all interest and investment earnings thereon, shall be used to increase, improve, and preserve the supply of affordable housing in the City of Oakland, with priority given to housing for very low income households. For purposes of this paragraph, to "preserve" affordable housing means to acquire, finance, refinance, or rehabilitate housing that is at imminent risk of loss to the affordable housing supply due to termination of use restrictions, non-renewal of subsidy contract, mortgage default or foreclosure, or physical conditions that are likely to result in vacation of the property.

Funds may also be used to cover reasonable administrative or related expenses of the city not reimbursed through processing fees. No portion of the Affordable Housing Tmst Fund may be diverted to other purposes by way of loan or otherwise.

Funds in the Affordable Housing Trust Fund shall be used in accordance with the adopted housing element to the City's General Plan, the Consolidated Plan, and subsequent housing plans adopted by the City Council, to subsidize or assist the city, other government entities, nonprofit organizations, private organizations or firms, or individuals in the construction, preservation or substantial rehabilitation of affordable housing. Monies in the Affordable Housing Trust Fund may be disbursed, hypothecated, collateralized or otherwise employed for these purposes from time to time as the City Manager Administrator so determines is appropriate to accomplish the purposes of the Affordable Housing Tmst Fund. Eligible uses include, but are not limited to, assistance with staff costs or other administrative costs attributable to a specific affordable housing project, equity participation in affordable housing projects, loans and grants (including, predevelopment loans or grants) to affordable housing projects, or other public/private partnership arrangements. Monies from the Affordable Housing Trust Fund may be extended for the benefit of rental housing, owner occupied housing, limited equity cooperatives, mutual housing developments, or other types of affordable housing projects.

Notwithstanding the above, funds deposited into the Affordable Housing Trust Fund from fines and penalties received under the Foreclosed and Defaulted Residential Property Registration Program pursuant to Section 8.54.620 of the Oakland Municipal Code, or from fines, penalties, or other funds under other programs that designate the use of funds deposited into the Affordable Housing Tmst Fund for foreclosure prevention or mitigation purposes, may

be used for foreclosure prevention and mitigation activities, including but not limited to homebuyer or tenant assistance, rehabilitation, housing counseling, education, outreach, and advocacy activities, along with staff costs or other administrative costs attributable to such activities. Upon a finding by the City Council or the City Administrator that funds are no longer needed for foreclosure prevention or mitigation activities, such funds may also be used for other eligible Affordable Housing Trust Fund uses or for other low income or very low income tenant or homebuyer assistance. Funds received pursuant to Section 8.54.620 shall be appropriated to a separate project. For funds received under the Foreclosed and Defaulted Residential Property Registration Program or other programs that designate the use of funds for foreclosure prevention or mitigation purposes, the City Administrator or his or her designee is authorized to award grants and enter into grant contracts or service contracts without returning to the City Council in amounts not to exceed \$100,000.

The Affordable Housing Trust Fund shall be administered by the City ~~Manager~~ Administrator, who shall have the authority to govern the Affordable Housing Trust Fund consistent with this section and to prescribe regulations for the administration and use of the Affordable Housing Trust Fund. Funds deposited to the Affordable Housing Trust Fund shall be appropriated on a continuous basis to projects to be established consistent with this section. Notwithstanding the foregoing, all allocations of funds from the Affordable Housing Trust Fund, except as provided for above with respect to grants or service contracts from funds received under the Foreclosed and Defaulted Residential Property Registration Program or other programs, shall be approved by the City Council. An annual report showing impact fees imposed, revenues collected, funds committed, expenditures made, and any decisions made as to requests for reductions or exceptions shall be forwarded by the City ~~Manager~~ Administrator to the City Council.

SECTION 2. This Ordinance shall be in full force and effect immediately upon its passage as provided by Section 216 of the City Charter if adopted by at least six members of Council, or upon the seventh day after final adoption if adopted by fewer votes.

IN COUNCIL, OAKLAND, CALIFORNIA, _____, 2012

PASSED BY THE FOLLOWING VOTE:

AYES- BROOKS, BRUNNER, DE LA FUENTE, KAPLAN, KERNIGHAN, NADEL,
 SCHAAF, AND PRESIDENT REID

NOES-

ABSENT-

ABSTENTION-

ATTEST: _____
 LATONDA SIMMONS
 City Clerk and Clerk of the Council
 of the City of Oakland, California



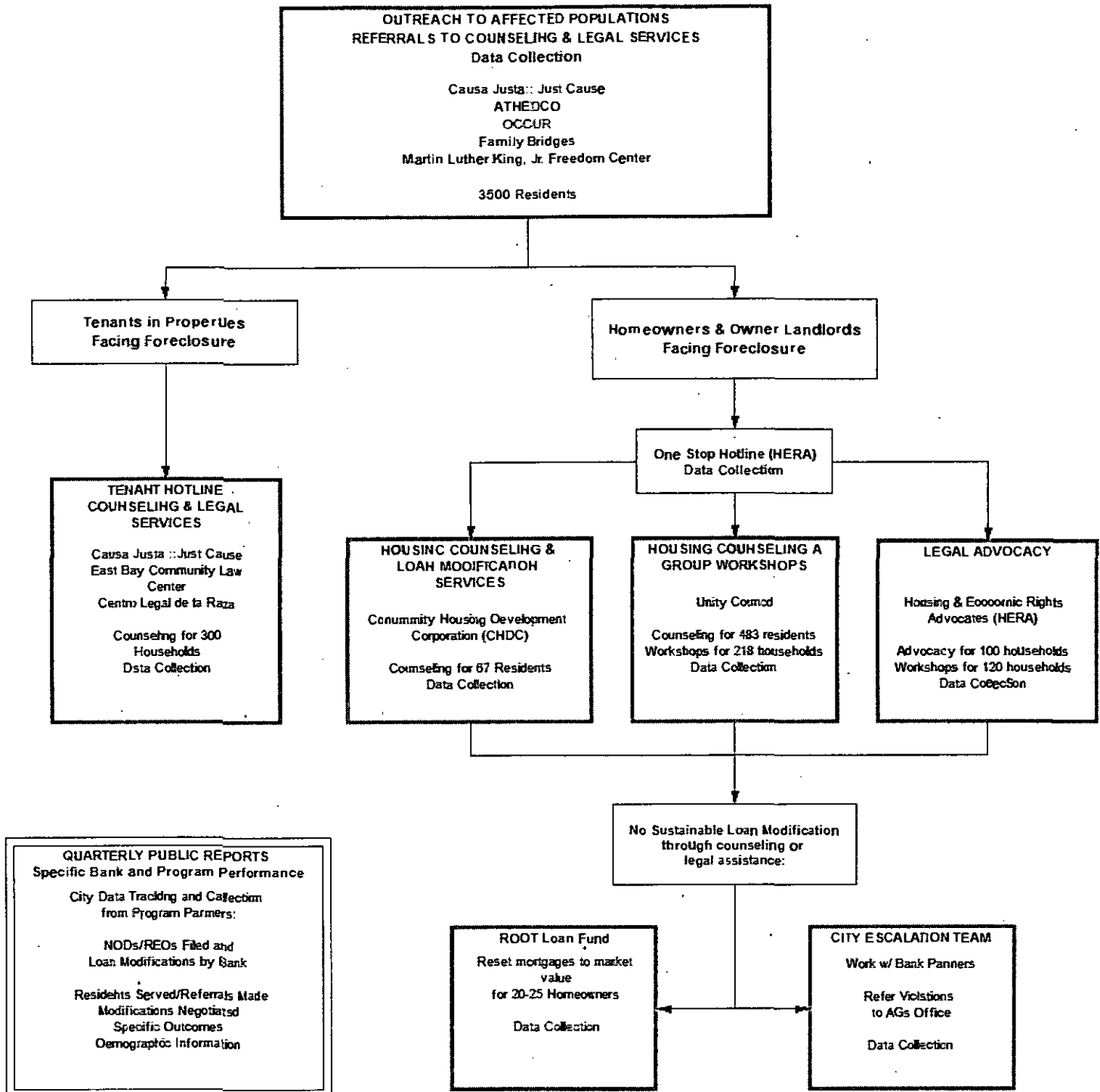
NOTICE AND DIGEST

AN ORDINANCE AMENDING OAKLAND MUNICIPAL CODE SECTION 15.68.100 (AFFORDABLE HOUSING TRUST FUND) TO (1) PERMIT FINES AND PENALTIES RECEIVED PURSUANT TO SECTION 8.54.620 (FORECLOSED AND DEFAULTED RESIDENTIAL PROPERTY REGISTRATION PROGRAM) AND SIMILAR PROGRAMS TO BE USED FOR FORECLOSURE PREVENTION AND MITIGATION ACTIVITIES, (2) AUTHORIZE THE CITY ADMINISTRATOR TO MAKE GRANTS AND SERVICE CONTRACTS UNDER THE PROGRAM OF UP TO \$100,000 WITHOUT RETURNING TO COUNCIL, AND (3) ALLOW AFFORDABLE HOUSING TRUST FUNDS TO BE USED TO ASSIST AFFORDABLE HOUSING PROJECTS AT RISK DUE TO MORTGAGE DEFAULT OR FORECLOSURE

This amendment to the provisions governing the Affordable Housing Trust Fund specifies that funds received into the tmst fund from fines and penalties collected under the Foreclosed and Defaulted Residential Property Registration Program or other similar programs may be used for foreclosure prevention and mitigation activities, including but not limited to homebuyer or tenant assistance, rehabilitation, housing counseling, education, outreach, and advocacy. The City Administrator or his or her designee would be authorized to make grants or service contracts of up to \$100,000 from these funds. This amendment would also allow the use of Affordable Housing Tmst Funds to acquire, finance, refinance, or rehabilitate affordable housing that is at imminent risk of loss due to mortgage default or foreclosure.

Attachment A

City of Oakland Comprehensive Foreclosure Prevention and Mitigation Plan



OAKLAND FORECLOSURE PREVENTION/MITIGATION PARTNER ORGANIZATIONAL EXPERIENCE

Community Outreach Team

The Allen Temple Housing and Economic Development Corporation (ATHEDCO) is a nonprofit organization whose mission is to address the pressing economic issues facing the residents and neighborhood of East Oakland and beyond. In addition to developing and operating affordable housing for seniors and disabled residents, ATHEDCO also operates a training academy to provide comprehensive services enabling formerly incarcerated individuals to gain and retain living wage employment and avoid recidivism. ATHEDCO's community outreach and education experience includes the City of Oakland's Weatherization and Energy Retrofit Loan Program and Weatherization Assistance Program and PG&E's Energy Savings Assistance program. ATHEDCO's extensive community network includes the congregation of Allen Temple Baptist Church, and other nonprofit, faith-based and community organizations throughout Oakland. ATHEDCO's outreach strategy includes Spanish bilingual outreach and focuses on creating job opportunities for those experiencing barriers to employment. ATHEDCO's recent door-to-door outreach efforts promoting the City's energy efficiency resources for low- and moderate-income households reached approximately 6,000 Oakland households.

Causa Justa :: Just Cause (CJJC) is a multiracial, multi-generational grassroots organization building community leadership to increase housing access and immigrant rights for low-income Oakland and San Francisco residents. CJJC's vast experience in effective community outreach in Oakland includes organizing and deploying teams of outreach workers in the following recent efforts: studying the health impacts of foreclosure in East Oakland; conducting community outreach and education around Ranked Choice Voting under a City contract; and leading a coalition of outreach organizations to promote a health fair at Laney College on the opportunities presented by the Affordable Care Act that drew over 1,100 participants. CJJC's outreach strategy includes Spanish bilingual outreach.

Family Bridges, Inc. was formed in 1968 as a storefront information and referral service to serve the growing Chinese immigrant population in the Oakland area. The mission of Family Bridges is to empower the most vulnerable -- the young, the elderly, immigrants, those with health conditions, and those with limited English proficiency, especially in the Asian community -- to lead self-sufficient, independent lives. Family Bridges' most recent large-scale community outreach experiences include the City of Oakland Ranked-Choice Voting Education Outreach in 2010 and the Asian Pacific Fund's U.S. Census 2010 Asian Outreach. In addition to staff, Family Bridges has previously worked with community volunteers, youth and students in conducting outreach activities. Family Bridges' outreach strategy will focus on Mandarin and Cantonese bilingual outreach.

Attachment B

The Martin Luther King Jr. Freedom Center (FC) carries out ongoing Democracy Education Classes; organizes events dedicated to justice, equality and democracy; and provides human development classes and trainings. The FC's most recent community outreach and organizing experience includes the following: organizing the participation of 52 community groups from public schools and community based organizations in the F.C.-produced Barbara Lee and Elihu Harris Lecture Series; home visits to approximately 400 FC students every year; door-to-door outreach at approximately 10,000 East and West Oakland homes to recruit new students for the Peralta Community College District; door-to-door outreach encouraging voter registration and participation under the Shoulder the Vote campaign; and outreach and education to over 6,000 homes about Ranked Choice Voting under a City contract. The FC's outreach strategy includes Spanish bilingual outreach and focuses on outreach involving youth leaders.

OCCUR is a 58-year old community-building and direct service organization that has extensive experience in consumer outreach/education, civic engagement, nonprofit capacity building, technology training and public policy advocacy. OCCUR has provided community outreach and education, particularly in low- to moderate-income neighborhoods and communities of color in Oakland, under the following government and utility programs: City's of Oakland's Weatherization and Energy Retrofit Loan Program and Weatherization Assistance Program; various State of California telecommunications accessibility programs, PG&E's CARE and Energy Savings Assistance Programs; and the State Public Utilities Commission's Get Connected internet accessibility/affordability campaign. In addition to this extensive consumer and community outreach experience, OCCUR also maintains close working relationships with a significant network of nonprofit, community-based, faith-based, direct service and public policy organizations. OCCUR's outreach strategy includes Spanish bilingual outreach. OCCUR's recent door-to-door and faith-based outreach efforts promoting the City's energy efficiency resources for low- and moderate-income households reached approximately over 10,000 Oakland households.

Housing Counseling & Loan Modifications

The mission of Community Housing Development Corporation (CHDC) is to create and sustain vibrant communities that make a positive impact in people's lives, by providing high-quality affordable housing and neighborhood services. CHDC was incorporated as a community-based nonprofit affordable housing developer in 1990. Today CHDC has developed 664 affordable units for rental and homeownership, has over 500 units in its development pipeline, and sponsors 692 rental units. CHDC has also provided financing for 52 first-time home buyers and offered pre-purchase housing counseling services to nearly 2,000 families resulting in more than 500 first-time, low-income buyers purchasing homes. Additionally, since 2006 CHDC has helped over 400 clients with mortgage problems successfully avoid foreclosure.

Attachment B

Since 2007, CHDC also began participating, along with the county District Attorney, the private bar, other housing counseling groups and real estate brokers, in anti-predatory lending activities. This history gives CHDC a high level of experience and skill in mortgage modifications, combating mortgage loan scams, and educating the public about how to protect home equity, especially in low-income communities. CHDC remains in high demand across the San Francisco Bay Area to assist individuals and educate the community on these issues.

CHDC retains a Program Director and Senior Housing Counselor with many years of experience in all aspects of pre- and post-purchase counseling. The Senior Counselor who is assigned full time to mortgage modification and scams assistance has served in this capacity since 2006. Her experience, ongoing training, and active involvement in policy development as a board member of the California Reinvestment Coalition, enables CHDC to stay ahead of the curve in seeking the best available solutions for each client. New counselors are typically hired with significant experience, or may be promoted from within. In total, since mid-2009, CHDC mortgage modification counseling staff has completed approximately 680 hours of current training. All CHDC housing and financial fitness counselors are certified in the specialty areas relevant to their duties, and in many cases support staff is also certified. CHDC strives to cross-train and certify all housing counselors. Currently, all 4 counselors are certified in both pre-purchase counseling and foreclosure intervention. CHDC adopted the National Industry Standards for Homeownership Education and Counseling in 2009.

As part of all one-on-one counseling, counselors receive on-going technical assistance from Housing and Economic Rights Advocates (HERA) in the area of loan document review. HERA attorneys read and discuss loan documents, assist CHDC staff in identifying predatory lending practices in loan documents as well as loan scam red flags. HERA provides valuable checklists that help staff identify predatory practices. They provide further resources to CHDC to disseminate to clients at risk of predatory lending practices and loan scams. In addition to providing quarterly trainings to CHDC staff, HERA's legal staff is also "on-call" for CHDC counseling staff to assist with loan document review questions as they arise.

Homeowner Legal Advocacy

HERA is a 501(c)(3), not-for-profit, California statewide, legal services and advocacy organization whose mission is to ensure that minority, elderly, and other vulnerable persons of low-and-moderate income are protected from abusive and discriminatory treatment in the realm of housing. To achieve this, HERA provides services which prevent or reduce predatory or unfair lending and related practices that result in homeownership loss or equity stripping for homeowners. Related practices include but are not limited to abusive or improper servicing of the mortgage loan, foreclosure rescue scams and homeowner association problems. Two years ago, HERA also added legal advocacy to address wrongful debt collections and credit reporting activity to its menu of services for people in need.

Attachment B

HERA's activities include (1) educating individual consumers and communities of vulnerable residents who are targeted for predatory practices, (2) providing legal services to individuals, (3) training attorneys, housing counselors, governmental staff and other professionals on how to identify and handle predatory lending, abusive mortgage servicing and related issues, (4) researching the scope and impact of abusive lending and related practices; (5) support for community organizing to fight predatory lending and abusive servicing; and (6) policy work.

The majority of HERA's work is in the nine counties of the Greater Bay Area, but it also provides services statewide with an emphasis on California's rural areas. Since its founding in 2005, HERA has provided legal advice to over 9,000 homeowners throughout the State of California, in-person, over the phone and at workshops. HERA has provided legal information to hundreds more at large-scale foreclosure education seminars and has reached many thousands more in the past three years through use of the media- articles, radio, television—in both Spanish and English. HERA's services are available in Tagalog, Russian, Portuguese and French and the organization utilizes interpreters for other key languages as needed to serve its diverse clientele.

Tenant Counseling and Advocacy

Causa Justa :: Just Cause's Housing Services Program employs a comprehensive, multi-faceted approach to assist low- and moderate-income Oakland renters to retain their homes, reach positive results in negotiations with their landlords, and prevent displacement and homelessness. CJ/JC maintains offices in Elmhurst/East Oakland and West Oakland and provides all of its services in both Spanish and English. CJJCs tenant services include intake, assessment, brief counseling and referrals to call- and drop-in tenants; case management/ongoing counseling services to households who are having tenant/landlord issues; and outreach and education at community events.

Centro Legal De La Raza, founded in 1969, provides free, bilingual, culturally sensitive legal aid for Latino residents of Oakland, including recent immigrants from Mexico and Central and South America. Centro provides information, referrals and legal counseling and representation services to tenants facing legal problems, including harassment, discrimination and eviction. Centro is located in the Fruitvale/San Antonio District of Oakland and primarily, although not exclusively, serves Spanish-speaking residents of Oakland.

East Bay Community Law Center is the legal community clinic for Berkeley Law School (Boalt Hall), with over 23 years of experience providing legal information and services to low-income residents of Alameda County. EBCLC's Housing Practice provides housing information, referrals, counseling and legal representation services to low-income individuals and families, with the goal of maintaining housing stability for clients at risk of eviction and homelessness. EBCLC provides extensive services to Oakland residents.

The chart below sets forth each organization's caseload and outcomes for foreclosure-related cases in FY 2011-12.

Attachment B

FY	Tenant Case Volume By Service Level	Foreclosure Cases	Favorable Outcomes
11-12			
EBCLC	1556 unduplicated clients <ul style="list-style-type: none"> 2766 limited scope services 256 full legal rep 	172 clients <ul style="list-style-type: none"> 38 pre-litigation 51 pro per eviction assistance 30 brief services and referral for eviction assistance 53 full legal rep 	100% of full representation cases for clients in foreclosed properties were favorably resolved.
Centro Legal	573 unduplicated clients <ul style="list-style-type: none"> 499 limited scope rep 74 full legal rep 	145 clients <ul style="list-style-type: none"> 84 limited scope rep. 51 clients full rep. (non-UD) 10 clients full rep. (UD) 	99% (non-UD) – 100% (UD) of full representation cases for clients in foreclosed properties were favorably resolved.
CJJC	600 unduplicated clients <ul style="list-style-type: none"> 600 info and referrals 540 brief counseling 200 case management clients 	150 clients	70-80% case management clients stay in homes for at least 3 months or receive acceptable compensation for negotiated move-out; 80% successful outcomes for tenants in properties in foreclosure
Bay Legal	553 <ul style="list-style-type: none"> 496 limited scope rep 45 full legal rep 12 extensive services 	62 (55 tenant, 7 owner) <ul style="list-style-type: none"> 60 limited scope rep. 2 full rep. 	100% of all full representation cases were favorably resolved.
TOTALS	3282 total clients	529 clients	99-100% of full legal representation cases favorably resolved 70-80% of non-legal managed cases favorably resolved

ROOT Loan Fund

CHDC has significant experience in affordable homeownership and particular expertise in single family, scattered site acquisition-rehab projects. It is unique in the East Bay in offering 1) affordable home purchase opportunities developed in partnership with large developers, 2) a robust HUD-approved housing counseling and foreclosure intervention program and 3) a down payment assistance and first mortgage lending program - all under one roof

Attachment B

Homeownership Including Acquisition/Rehabilitation: CHDC has completed well over 200 single family homes sold to new, low-moderate income homeowners - ranging from acquisition/rehab projects and scattered sites to large tract developments. We are currently conducting the NSP for both the City of Richmond and Contra Costa County, with a total of 15 units acquired so far, two sold, 4 in escrow and 6 in construction. Additionally, CHDC is working in collaboration with Self Help and the East Bay Community Foundation on a private project similar to NSP and has facilitated the sale of two homes under this program with 2 more in construction. Staff is skilled in selecting homes that can be completed feasibly with a high impact in neighborhood revitalization; short sale negotiations; rehab budgeting; and making improvements that are energy-efficient and environmentally sound. In addition to public support our NSP program has received support from Wells Fargo, Citi and Enterprise.

HUD-Approved Housing Counseling: CHDC is an experienced HUD certified housing counseling with about 20% of our client base in Oakland. As part of CHDC's homeownership counseling experience it has also developed an effective working relationship with the Unity Council. The two organizations have worked together closely on numerous outreach events, advocacy efforts and home loan workout events. Together, our experience will facilitate an efficient, thorough and client-centered program.

Lending: CHDC's down payment assistance lending program has two components: the Individual Development Account (IDA) program in operation since 2005 and its CalHOME portfolio of second mortgages. Under CalHOME, CHDC has made 44 loans since 2007 averaging \$40,000 each with a default rate (so far) of zero. The total amount loaned out to date is \$1,468,547. CHDC staff underwrites these loans following all federal and state SAFE Act requirements. The IDA program provides match finding of up to \$15,000 per borrower which converts to a grant after 5 years of successful owner occupancy. To date, CHDC has packaged and underwritten 70 of these loans on behalf of Mechanics Bank. Both these programs require HUD-approved homeownership education and counseling and the IDA program requires financial fitness education and counseling as well. This high level of homeowner education and individualized counseling coupled with selective yet flexible and fair lending guidelines contributes significantly to the low default rate.

Enterprise is a national nonprofit with nearly 30 years of experience in the community development and affordable housing field. Since 1982, Enterprise has invested more than \$11 billion in equity, grants and loans to help build or preserve nearly 300,000 affordable rental and for-sale homes to create vibrant communities and more than 410,000 jobs nationwide. Enterprise takes a multi-pronged approach to address the housing needs of low income families and help to stabilized distressed communities by (1) raising and leveraging capital and other financial resources to build and preserve affordable homes, (2) exercising a leading role in shaping affordable housing policy both nationally and at the local level, and (3) by developing and providing solutions to the biggest problems facing our field – including community revitalization, public housing revitalization, organizational sustainability, developing housing solutions to meet the needs of the homeless, veterans, seniors and other vulnerable populations, and working to integrate equitable housing solutions alongside the build-out of regional transit systems in communities across the country.

Attachment B

In Northern California Enterprise has created more than 3,500 affordable homes for 7,500 people through more than \$400 million of investment. In 2008 Enterprise launched the Enterprise Community Partners' Community Stabilization and Foreclosure Response Initiative we work closely with our partners to comprehensively address community stabilization and revitalization in the wake of the housing market and economic crisis in Oakland and in other communities throughout Northern California.

Local Initiatives Support Corporation (LISC) is a national organization with over 30 years of experience developing strategies and programs for local community organizations to develop affordable housing and create strong, equitable, and sustainable neighborhoods. Its mission is to support the neighborhood revitalization efforts led by communities by providing organizations with financing, technical and management assistance, training opportunities, and policy support. For three decades, Bay Area LISC has helped local community development organizations develop strong, stable neighborhoods where diverse groups of residents choose to live and take part in local leadership and life. Bay Area LISC has worked on a broad range of community development activities in Oakland from the creation and preservation of affordable housing to supporting neighborhood economic development. It has a long-standing commitment to partner with the City of Oakland, community residents and stakeholders to create vibrant neighborhoods in Oakland. Bay Area LSC has provided over \$10 million in grants and financing, and invested more than \$67 million to support community building and physical development activities in Oakland.

ATTACHMENT C

ROOT

Program Type: Purchase
Program Name: Restoring Ownership
Opportunities Together

General Information

Agency: Community Housing
Development
Corporation (CHDC)
Contact Name: Maria Benjamin
E-mail: Mbenjamin@chdcnr.com
Phone: 510-412-9290 x221
Fax: 510-215-9276
Address: 1535A Fred Jackson
Way, Richmond, CA
94801
Website: www.chdcnr.org

Administrator: Community First
Lending (CFL)
Contact Name: Lisa Weathers
E-mail: Lweathers@chdcnr.com
Phone: 510-412-9290 x 229
Address: 1535C Fred Jackson
Way, Richmond, CA
94801
Fax: 510-221-2598

Buyer / Owner Qualifications

Loan type(s):	30 year fixed
First Mtg Restrictions:	Owner Occupant Full doc
Subordinate Financing:	Allowed if available
Existing Homeowner:	Required
Hardship:	Must be documented
Mortgage Delinquency:	Required. Minimum 60 days
Income Limits:	120% AMI
Minimum Borrower Investment:	None
Credit Score:	No minimum
LTV:	100%
CLTV:	100% / improved value
Reserves:	3 months
ROOT Ratios:	Maximum 33% Front Maximum 45% Back Maximum Expense to income TBD
HUD Approved Homebuyer Education and Counseling:	Required.
Post Purchase, Financial, and Credit Counseling:	Required
Employment History:	6 months minimum

Property Requirement

Location:	Oakland, California (Target TBD)
Purchase Price Limit:	\$250,000
Property Type:	Existing /Minor Rehab; under \$10k
Max Units:	1

ROOT Terms

Loan Amount:	100% of purchase price plus rehab costs up to limit
ROOT Interest Rate Range:	7-8.5% based on current interest rate for similar programs and tied to borrowers credit worthiness
Max Term (mo):	360 months
Amortization:	Fully Amortizing
Acceptable Use of Funds:	Purchase and rehab
Shared Appreciation:	No
Resale / Deed Restrictions:	None

Assumptions

Purchase Discount: 20%
Sale Price: 100% full market value
Loan Loss Reserves: 10-20%

Processing / Closing

Application accepted by Agency / Administrator: Yes.
GFE/TIL(s) provided by Agency/Administrator: Yes.
Approved by Agency / Administrator: Yes.
Docs Drawn by Agency / Administrator: Yes.
Funds Provided by Agency / Administrator: Yes.

Servicing: Retained.

Supplementary Details

- Affordability: Fully documented income must be sufficient to support new mortgage payment.
- Ratios: Back end up to 45% - up to 50% considered on an exception basis- with documented compensating factors and loan committee approval.
 - o Expense to Income ratio – to be determined (this will be traditional underwriting of the monthly household expense in comparison to income).
- Credit : Prior credit history (based on tri-merged credit report and/or alternate/non-traditional credit history) will be analyzed to determine eligibility/likelihood of success.
 - Hardship must play a significant role in past credit issues
 - All late or missed payments will require borrower explanation in file.
 - All applicants will be required to attend post purchase and credit counseling to resolve/rehab delinquencies within 6 to 12 months.

CHDC will supplement traditional underwriting by review of credit report, bank statements, pay stubs and tax returns to understand the participant financial history, confirm financial situation, determine financial hardship, willingness to pay and ability to restore former creditworthiness.

- Employment History –Permanent employment for at least 6 months and verification from employer required.
 - o Unearned income allowed (soc sec, SSI, pension, child support, disability etc).
- Reserves : 3 months PITI reserves required deposited at escrow in restricted account; held for 12 months.
- Down payment : None required. Homeowner pays closing costs and establishes reserves.
- Credit Reporting: Post closing CHDC will report monthly payment history to credit bureaus to document positive credit history.
- Interest Rate: cost of funds + spread ~ (for example: 7% + 150 basis points).

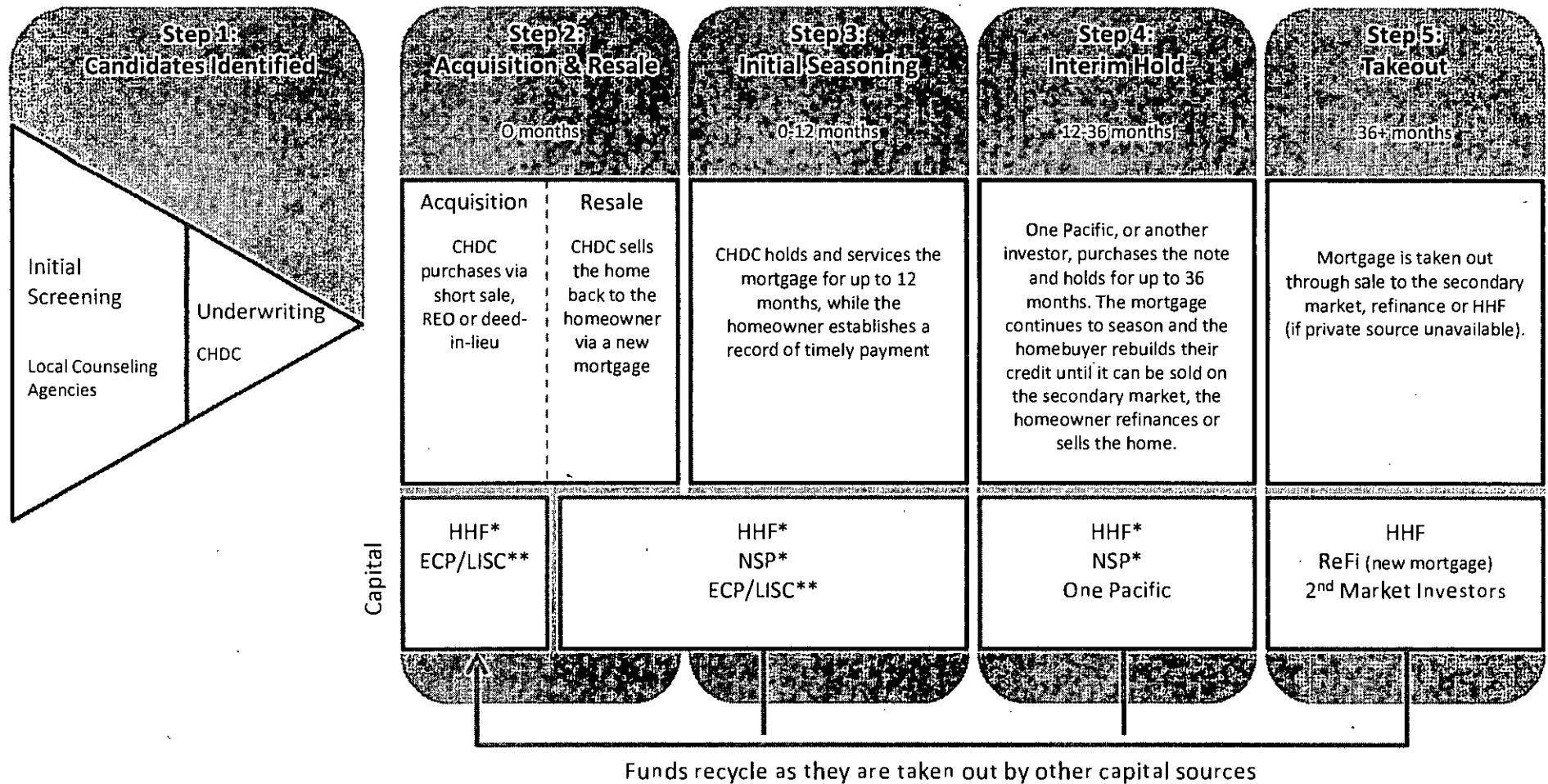
- **Loan Origination Fee:** Not less than 1.5%

**Restore Ownership Opportunities Together (ROOT)
Oakland Pilot
Note Sale to One Pacific Coast Bank**

Below is a draft of the terms under which Community Housing Development Corporation would sell mortgage notes originated through the ROOT program to One Pacific Coast Bank. These terms are intended as a starting place for an agreement between OPCB and CHDC memorializing the terms of note sales.

- **Payment History:** 6-12 months of consecutive timely loan payments; borrower in good standing
 - **Interest Rate:** ~ 7.5% to be finalized
 - **Borrower Underwriting:** Meet initial ROOT underwriting standards to qualify for the program and meets payment history requirements
 - **Servicing Rights/Fees:** Servicing rights would be sold to OPCB with the note, and CHDC or designee would continue servicing.
 - **Valuation of Mortgage:** OPCB and CHDC will use face value of mortgage notes as the sale price.
 - **Total Value of Mortgages:** \$5 million or the maximum based on reserves available, whichever is less.
 - **Reserve Amount:** 10% of the outstanding principal balance in an escrow account
 - **Reserve Coverage:** 100% of losses to principal resulting from the liquidation (foreclosure).
-
-

Oakland ROOT Pilot Process



*HHF and NSP could serve as reserve or direct capital

**Enterprise Community Partners and Local Initiatives Support Corporation



ATTACHMENT E

Sample ROOT Transaction

	Value	Notes
Peak Property Value	\$323,807	Average of available comps from zip 94621
Current Market Value	\$147,078	55% decline
Fair Market "Distressed Value"	\$117,662	Additional 20% discount
ROOT-Oakland Resale price to client	\$148,000	20% loan loss reserve
Mortgage principal	\$148,000	Assumes 100% LTV
Interest Rate	7%	30-year-term
Monthly Payment (PITI)	\$1,255	Includes taxes (1.25%) Hazard insurance (.33%)
Minimum Monthly income needed	\$3,765	33% front-end ratio
Down payment	\$0	No down payment required
Closing costs	\$5700	Includes 30 days mtg interest; 12 months insurance; 6 months of pre-paid taxes; 1.5% origination fee; \$1000 in title/escrow costs.
Minimum annual income required	\$45,180	Assuming 33% front-end ratio (CHDC's standard)
Percent AMI (assuming 2-person household – median is \$74,800 in Oakland)	60%	Low-income
Post Closing Reserves	\$2500-\$3800	2-3 months PITI



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2013 JUL 12 AM 10:01

AGENDA REPORT

TO: DEANNA J. SANTANA
CITY ADMINISTRATOR

FROM: Fred Blackwell
Assistant City Administrator

SUBJECT: Quarterly Report on Foreclosure Issues

DATE: June 27, 2013

City Administrator
Approval

Date

7/12/13

COUNCIL DISTRICT: City-wide

RECOMMENDATION

Staff recommends that the Committee accept this quarterly informational report:

**Quarterly Tracking Report on Housing Foreclosure and Outcome Data
from Related City Programs.**

BACKGROUND

This report responds to the standing request of the Community and Economic Development Committee for a quarterly report tracking housing foreclosure data and outcomes from City of Oakland programs designed to help address problems caused by foreclosures.

ANALYSIS

I. RESIDENTIAL FORECLOSURE DATA & TRENDS

National information on foreclosure issues shows the following trends in many urban communities:

1. Significant decrease in foreclosure activities.¹ But recent information indicates an increase in the filing of Notices of Default in Oakland.
2. Sale prices are up and availability of houses for sale is down.

¹ RealtyTrac, U.S. Foreclosure Starts Fall to Six-Year Low in January, 2/14/13. www.realtytrac.com.

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July 23, 2013

3. The prior increase in short sales² has now declined in Oakland, which appears to be primarily due to completion activities from the National Mortgage Settlement Agreement.
4. Increase in investors purchasing foreclosed properties.³

National Mortgage Settlement Agreement

Regarding the National Mortgage Settlement Agreement negotiated with five (5) major banks: Ally, Bank of America, Citibank, JP Morgan Chase, and Wells Fargo, according to the latest Monitor's report, "there continue to be issues with the loan modification process, single point of contact, and customer records."⁴ The Monitor is continuing to assess servicer performance.

Fair Housing Settlement Agreement with Wells Fargo, Including Oakland

HUD, the National Fair Housing Alliance and other fair housing groups recently entered into a settlement agreement with Wells Fargo Bank regarding fair housing and other claims. Under the agreement, Wells Fargo has committed to invest a total of \$39 million in 45 communities across the country through various programs to support home ownership, neighborhood stabilization, property rehabilitation and housing development. \$27 million of the agreement will be used to support neighborhoods in 19 areas, including Oakland. The National Fair Housing Alliance will be administering the funds and City staff will be in discussion with NFHA regarding the funds for Oakland.

Oakland Data

A. Post-National Mortgage Settlement Agreement—Increasing Notice of Default Filings in Quarter

The prior quarterly report included information about the significant decline in foreclosure activities. However, the number of new Notice of Defaults (NOD) filed in April and May 2013 (112 and 109 filings) was at similar levels from November and December 2012 (112 and 109 filings), right before the decline occurred. The NODs in January and February 2013 were respectively 60 and 62.

More information, including foreclosure activities by specific major lenders is available at ***Attachment A.***

² New York Times, Despite Aid, Borrowers Still Face Foreclosure, 2/21/13.

³ SF Chronicle, Foreclosures Drop in Bay Area, California, 1/23/13. When Investors Buy Up The Neighborhood: Preventing Investor Ownership from Causing Neighborhood Decline, Policy Link, April 2010.

⁴ Office of Mortgage Settlement Oversight, Summary of Compliance: A Report from the Monitor of the National Mortgage Settlement Agreement, June 19, 2013.

B. Changed Profile of Oakland Homeowners in Foreclosure—Current Impact on Long-time Residents

The profile of current Oakland homeowners in foreclosure crisis has changed dramatically in the past several years. At the height of the crisis, around 2008, the majority of Oakland homeowners in foreclosure owned their homes for less than 2 years. Currently, 90% of Oakland families in foreclosure have owned their home for at least 6 years, with over one-third of them owning their homes for more than 10 years. From outreach surveys, the majority of families in foreclosure have school-aged children. There is a heightened impact to neighborhood stabilization and public safety if these families lose their homes.

C. Decrease in Distressed Property Sales and Increase in Non-Distressed Market Sales

Similar to national and statewide trends, the sale of distressed properties in Oakland (foreclosure sales, short sales, third-party flips after auction purchase) are down (45% decrease from last year) and non-distressed property sales have increased (58%). In Oakland, overall residential housing sales have decreased about 7%.

Oakland Sales Trends

Period	Reg. Market Sales		Off-Market/Distressed		All Sales	
	Qtr	Avg/Mo	Qtr	Avg/Mo	Qtr	Avg/Mo
2012 Q1	280	93	685	228	965	322
Q2	514	171	861	287	1375	458
Q3	554	185	748	249	1302	434
Q4	668	223	688	229	1356	452
2013 Q1	556	185	533	178	1089	363
April		265		187		452
May		270		158		428
Change since May 2012:		58%		-45%		-7%

D. Decreasing Short Sale⁵ Activities in Oakland

The prior report noted that the rate of short sales in Oakland had significantly increased with a 35% increase from 2011 to 2012, similar to national trends. However, completing activities

⁵ Short sales are when a property is sold and the lender agrees to accept less money than is actually owed. In a short sale, the homeowner does not receive any proceeds from the sale.

from the National Mortgage Settlement Agreement appears to have resulted in a recent decline in short sales, which peaked in the last quarter of 2012, but dropped 32% in the first quarter of 2013. There were 80 short sales in May, 20% fewer than in May of 2012.

In addition, investors have flipped short sale purchases 3.5 times more in this quarter than last year.

Oakland Short Sales

Period	w/NOD in last 180 days		All	
	Qtr	Avg/Mo	Qtr	Avg/Mo
2012 Q1	95	32	235	78
Q2	120	40	301	100
Q3	159	53	342	114
Q4	116	39	341	114
2013 Q1	73	24	231	77
April		22		90
May		18		80
Change since May 2012:		-69%		-20%

E. Drastic Drop in Auction Sales in Oakland

There continues to be a significant decline of Oakland properties sold at trustee sale auctions, as well as properties completing foreclosure, Real Estate Owned (REO).

Auction Outcomes		
Quarter	REO%	Total Auctions
Q1 2012	70%	373 (avg 124/mo)
Q2 2012	61%	240 (80/mo)
Q3 2012	56%	264 (88/mo)
Q4 2012	53%	163 (54/mo)
Q1 2013	44%	121 (40/mo)
April 2013	31%	32
May 2013	12%	24

H. FORECLOSURE PREVENTION & MITIGATION PROGRAM STATUS

On October 16, 2012, Council approved funds for new and expanded activities to prevent and mitigate foreclosures, including the following:

- Direct outreach to homeowners with a NOD and tenants living in NOD properties.
- Hotline services for tenants and homeowners in distress to connect to appropriate services.
- Housing counseling and legal services.
- City escalation team to work with Bank escalation teams.
- ROOT loan fund program to preserve homeownership for qualified distressed families.
- Reporting of violations of National Mortgage Settlement Agreement or the new State Homeowner Bill of Rights Act to the State Monitor or Attorney General's office.

Several of these programs required a start-up period before providing direct services. The outreach workers began their door to door outreach services in mid-January. CHDC's housing counseling services in Oakland began in March. The below chart provides a summary of year to date activities.

Status	Outreach (Allen Temple, OCCUR, Family Bridges, MLK FC, CIJC)	Homeowner Hotline (HERA)	Housing Counseling (CHDC since March & Unity Council)	Homeowner Legal Services (HERA)	Tenant Hotline (CIJC)	Tenant Counseling (CIJC)	Tenant Legal Services (Centro Legal & EBCLC)
Oakland Households Reached or Served	2384 attempts 510 successful contacts	29	Total: 49 36 CHDC 13 Unity Council	135	111	84	Total: 110 74 EBCLC 36 Centro
Outcomes	40 homeowners contacted services 28 tenants contacted services	29 homeowners served by direct services (HERA or CHDC)	<u>CHDC</u> 8 referred to ROOT 6 in process for loan mod 14 other pending cases 2 referred to legal services 3 brief counseling	2 loan mod completed 1 other help keeping home 5 loan mods pending 6 other pending cases to save home 99 brief service or counseling 22 referred to ROOT or CHDC	Legal services referral: 27 Brief counseling: 46 Case management: 38	Stopped eviction: 11 Habitability or rent issues addressed: 22 Cash for keys: 4 Pending: 16 Other brief counseling: 31	<u>EBCLC</u> Stopped eviction: 7 Habitability issues addressed: 1 Cash for keys: 2 Brief service: 49 Pending: 1 <u>Centro</u> Habitability addressed and/or rent increase rescinded: 10 Negotiated settlement: 4 Provided single point of contact: 1 Brief service: 16

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The ROOT Loan Fund Program

The ROOT program, administered by Community Housing Development Corporation, an affordable housing nonprofit agency, preserves homeownership for qualified homeowners by purchasing their properties at current market value and reselling them back to the homeowner.

We are in negotiations to purchase 2 properties from Wells Fargo and Bank of America to preserve homeownership for long-time Oakland homeowners (51 and 38 years of ownership). One additional family passed the underwriting review and two others are in the underwriting process. In addition, there are 23 Oakland households who have expressed interest in the ROOT program but need to go through a loan modification process first or complete the application process. Eight other households were processed for ROOT but deemed ineligible or declined to participate. The Foreclosure Prevention outreach workers are engaging in targeted outreach for the ROOT program to NOD owner occupants and REO former owner occupants.

Jobs for Oakland Residents

In addition to staff currently employed with the funded organizations, the outreach organizations employed 8 employees to conduct street outreach on a part-time basis, all of whom are Oakland residents.

Provision of Technical Assistance for Other Communities

There is continuing interest from other communities regarding the City's foreclosure prevention and mitigation plan and staff has provided information and/or assistance to the following communities this quarter: Boston, San Francisco, and Seattle. The ROOT program was also selected to be featured in a Wall Street Journal article.

III. FORECLOSED PROPERTIES PROGRAM STATUS

The following is a quarterly and year-to-date summary of performance outcomes from the City's Foreclosed and Defaulted Properties Registration, Inspection, and Maintenance Programs. Specific information, including performance by major lenders is provided in *Attachment A*.

Time Period	Registrations	Inspections	Charges Collected
4/1/13-6/30/13	234	308	\$302,910 total <ul style="list-style-type: none">• \$54,528 reg fees• \$248,382 penalties
FY to date	1,745	949	\$1,061,468 total <ul style="list-style-type: none">• \$447,584 reg fees• \$613,884 penalties

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Proactive inspections of 949 foreclosed and defaulted properties have found 49 instances of blight, mostly minor, 94% of which were timely abated.

However, there are 2 current cases that came in through complaints that involve problem occupants in foreclosed properties. Unless the occupants are engaging in criminal activities or nuisance activities that arise to a certain threshold, the City, through OPD or the City Attorney's office, is unable to directly intervene with the occupants. The City's recourse is to escalate communications with the bank property owner and to use blight penalties, if there's the presence of blight, as leverage to compel expedited bank action. Staff has been working with the City Attorney's office to develop new tools to more effectively address these challenging situations.

Use of Liens and City Attorney Collection on Properties Owned by Non-Major Lenders

There has been an increase in the sale of foreclosed properties. In order to protect the City's financial interests on properties owned by non-major lenders, staff has begun issuing liens for outstanding penalties. Non-major lenders own about 11% of the Oakland foreclosed properties inventory. Liens are not generally issued on properties owned by major lenders⁶ as the City has assurance, including from past practice, that outstanding payments will be paid, even after the properties are transferred. In addition, the City Attorney's office will be issuing demand letters to collect outstanding payments.

Provision of Technical Assistance to Other Communities

There has been interest from other communities regarding the City's foreclosed and defaulted properties program and staff has provided information and/or assistance to the following jurisdictions this quarter: presentation at the national Green and Healthy Homes convening with Atlanta, Baltimore, Buffalo, Chicago, Cleveland, Denver, Detroit, Dubuque, Flint, Jackson, Lansing, Lewiston, New Haven, Newark, Philadelphia, Providence, San Antonio, Salt Lake City, and Staten Island.

IV. STATUS OF INVESTOR OWNED FORECLOSED AND DEFAULTED PROPERTIES PROGRAM

On November, 2013, the Council passed an ordinance requiring the registration, inspection, and maintenance of foreclosed or defaulted properties purchased by investors. Staff has been working on the development of the program, including a new online registration system and a new database system to identify targeted properties for enforcement. It is anticipated that the online registration program will be available in July. Staff will be providing outreach to the real estate community to notify them of the new requirements. In addition, individual notices will be issued on specific properties that are subject to the new requirements with the provision of time to register.

⁶ Bank of America, Chase, Fannie Mae, Freddie Mac, US Bank, and Wells Fargo.

V. DEVELOPMENT OF PROACTIVE PROGRAMS AND POLICY RECOMMENDATIONS

Subsequent to the last quarterly report, staff has continued to work with community partners and national experts to refine the development of new strategies to accomplish the following goals:

1. Preserve homeownership for qualified residents.
2. Provide meaningful access to foreclosed properties for owner-occupant purchasers.
3. Support the disposition of foreclosed properties into affordable and quality rental housing.

The following plan is based upon national best practice programs and innovative new strategies to address the new problems facing Oakland residents, as described above.⁷ In addition, the administration convened a recent meeting with senior officials who oversee the disposition of REO properties for the top six (6) lenders in Oakland⁸ to discuss the below proposal.

City partners, such as the San Francisco Federal Reserve, Enterprise Community Partners, and East Bay Housing Organizations are assisting in raising funds to support the City's goals. The starting place would be to utilize the City funded outreach workers to identify interested and eligible families and connect those families with the appropriate resource. For eligible homeowners in default, housing counseling and legal services would be provided to negotiate loan modifications with lenders. For the more challenging cases, including eligible homeowners in foreclosed properties, the ROOT program would be available. For interested and eligible tenants, we would create a new pipeline for homeownership counseling and resources to purchase either their existing home or a new REO vacant property. For former homeowners and tenants in REO properties where homeownership is not possible and who want to stay, we would create a pipeline for nonprofit or participating private developers to purchase those properties under a long-term lease agreement.

To address the problem of access to housing inventory, we are developing a new direct purchasing arrangement for owner-occupant homebuyers to purchase REO vacant properties. To address the problem of the lack of affordable rental housing and the dearth of Section 8 vouchers, we are exploring the development of a new transitional housing rental subsidy program for eligible families to live in REO properties owned by nonprofit or private developers. Eligibility criteria would include whether the participating family would be able to afford market-rate rents after the transitional housing period. In addition, the program design would include the provision of wrap-around services, including financial counseling, to promote economic self-sufficiency for participating families.

⁷ Research was conducted into best practice strategies in other cities, such as St. Paul Minnesota. Staff also consulted with national and local experts, including Wells Fargo and Chase Banks' Community Development programs, National Community Stabilization Trust, Enterprise Community Partners, LJSC, Alameda County Public Health Department, Urban Strategies Council, ACCE, EBHO, CHDC, Harvard Law School's Technical Assistance Project, Self-Help, Habitat for Humanity, and others.

⁸ Bank of America, Chase, Fannie Mae, Freddie Mac, US Bank, and Wells Fargo.

The following is a summary of the Plan and timeline.

1. Outreach Services to Identify Eligible and Interested Families

- Continue the City's funded outreach services to reach homeowner and tenant families in both defaulted and foreclosed properties and connect families with existing and new resources.
- Action: Return to Council with funding proposal in early Fall.

2. Anti-Displacement: Counseling & Legal Services for Homeowners and Tenants

- Continue the City's funded counseling and legal services, including negotiating loan modifications for homeowners in default.
- Action: Return to Council with funding proposal in early Fall.

3. Preserve Homeownership: ROOT Loan Fund Program for Eligible Homeowners

- Continue supporting ROOT program.
- Action: Return to Council in early Fall with request to receive \$2 million of the California Housing and Finance Agency loan funds, per original program design and prior Council report, for the ROOT program.

4. Acquire Properties in Foreclosure to Promote City Community Development Goals: Pilot Community Buying Program for NOD and REO Properties

- Utilizing City supplied data and criteria, identify properties for different disposition (ROOT, tenant-ownership, continued former owner or tenant rental, new owner-occupant homebuyer, nonprofit developer, private developer); match specific properties with specific buyers; provide quality control and assistance on buyer pricing; negotiate purchase with lenders (pre-First Look or First Look period).
- Develop a Short Sale First-Look program for NOD properties with interested homeowners. Utilize an auction strategy if short sale is not available.
- Similar to other programs operated in other jurisdictions, program administration funding would be from transactional fees paid by buyer, i.e. \$1,000 per property.
- The City would provide access to City Rehabilitation funds for qualified home-buyers.
- Action: City RFQ to select Program Administrator. City RFQ to select nonprofit and for-profit developer participants. July—August 2013. Return to Council in early Fall with an update.
- Target of 150 homes annually:

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- 50 nonprofit developer purchases for rehabilitation and subsequent ownership housing.
 - 50 direct purchases by owner-occupant buyers.
 - 50 private developer/rent subsidy participant purchases.
5. **Community Buying Program—Transforming Vacant Foreclosed Property to New Homeownership Opportunities Through Direct Consumer Purchase**
- Develop pipeline of pre-qualified owner-occupant purchasers, working with homeownership counseling groups including Unity Council, EBALDC, NID, CHDC, Habitat for Humanity.
 - Enterprise Community Partners will be issuing a RFP that may support seed funds for a qualified nonprofit agency to match specific properties with specific buyers, as well as connect purchasers with real estate, lending, and rehabilitation resources.
 - Action: Return to Council in early Fall with an update.
6. **Housing & Economic Success Rent Subsidy Program**
- Develop pilot program to provide rental housing support for 50-100 families who currently cannot afford market-rate rental housing and are working to achieve economic self-sufficiency, such as current enrollment in job training or educational programs.
 - A potential partner would be the Oakland Housing Authority. In addition, Enterprise Community Partners will be issuing a RFP that may support seed funds for a nonprofit agency partner to provide financial counseling and wrap-around services to participating families.
 - Action: Return to Council in early Fall with proposal for the use of City seed funds.

Development of Policy Recommendations for Council Consideration

There may be policy recommendations for Council action to support the alternative disposition goals of home preservation, new homeownership opportunities, and quality and affordable rental housing. Staff will be convening meetings with different stakeholder groups to develop any policy recommendations for Committee consideration, including the following: ACCE, Alameda County Public Health Department, CJJC, East Bay Rental Housing Association, Jobs and Housing Coalition, OCO, Oakland Realtors Association, Urban Strategies Council, and others.

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July 23, 2013

For questions regarding this report, please contact Margaretta Lin, Departments of Housing and Community Development and Planning and Building, at 510-238-6314.

Respectfully submitted,



Fred Blackwell
Assistant City Administrator

Reviewed by:
Michele Byrd
Director of Housing and Community Development

Rachel Flynn
Director of Planning and Building Department

Deborah Sandercock
Building Services Division

Prepared by:

Margaretta Lin
Strategic Initiatives Manager
Departments of Housing and Community Development
and Planning and Building

***Attachment A: Foreclosure Data
& Properties Status***

ATTACHMENT A

Time Period	Bank	Foreclosure Events			Registrations						Property Conditions			
		Recorded NOD/REO Filings			Notice of Default			Foreclosed / REO			Inspection		Abatement	
		NOD	Trustee Sale	REO	Total NOD	Occupied	Vacant	Total REO	Occupied	Vacant	# Inspected	Violations	Timely Abatement	Penalties
4/1/13-6/31/13														
	BofA	17	7	1	14	13	1	3	1	2	126	5		
	Chase	39	11	2	9	6	3	2	0	2	31	2		
	Fannie	7	1			0		5	5		63	3		
	Freddie	0	0	0	1	1		9	4	5	0	0		
	US Bank	9	3			0			0		3	0		
	Wells	56	5	2	70	66	4	3	1	2	7	0		
	Ocwen	15	3		2	0	2		0		2	0		
	Others	110	31	7	76	66	10	35	27	8	76	0		
	Total	253	61	12	172	152	20	57	38	19	308	10	0	0
F-Y.to Date														
	BofA	146	96	46	223	193	30	65	40	25	153	13	6	1
	Chase	270	89	47	310	284	26	16	4	12	49	6	4	0
	Fannie	17	11	9	11	6	5	291	181	110	85	9	4	2
	Freddie	0	0	0	7	5	2	76	39	37	1	1	1	0
	US Bank	59	38	10	94	80	14	17	13	4	9	4	3	1
	Wells	352	110	49	606	584	22	56	25	31	609	7	7	0
	Ocwen	51	24	6	6	1	5	53	48	5	4	1	1	0
	Others	651	369	193	343	306	37	136	88	48	165	12	12	0
	Total	1546	737	360	1600	1459	141	710	438	272	1075	53	38	4



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2013 OCT 10 PM 2:46

AGENDA REPORT

TO: DEANNA J. SANTANA
CITY ADMINISTRATOR

FROM: Fred Blackwell

SUBJECT: Quarterly Report on Foreclosure Issues

DATE: September 30, 2013

City Administrator
Approval

Deanna J. Santana

Date

10-9-13

COUNCIL DISTRICT: City-wide

RECOMMENDATION

Staff recommends that the Committee accept this quarterly informational report:

**Quarterly Tracking Report on Housing Foreclosure and Outcome Data
from Related City Programs.**

BACKGROUND

This report responds to the standing request of the Community and Economic Development Committee for a quarterly report tracking housing foreclosure data and outcomes from City of Oakland programs designed to help address problems caused by foreclosures.

ANALYSIS

I. RESIDENTIAL FORECLOSURE DATA & TRENDS

National information on foreclosure issues shows the following trends in many urban communities:

1. Significant decrease in foreclosure activities.¹
2. Sale prices are up and availability of houses for sale is down.

¹ RealtyTrac, Overall US Foreclosure Activity Drops to 6-Year Low 5/7/13. www.realtytrac.com.

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July 23, 2013

3. The prior increase in short sales² has now declined in Oakland, which appears to be primarily due to completion activities from the National Mortgage Settlement Agreement.
4. A slow-down of investors purchasing foreclosed properties in hot housing markets like Oakland's.³

National Mortgage Settlement Agreement

Regarding the National Mortgage Settlement Agreement negotiated with five (5) major banks: Ally, Bank of America, Citibank, JP Morgan Chase, and Wells Fargo, according to the latest Monitor's report, "there continue to be issues with the loan modification process, single point of contact, and customer records."⁴ The Monitor is continuing to assess servicer performance.

Fair Housing Settlement Agreement with Wells Fargo, Including Oakland

Last quarter we reported on a settlement agreement between HUD, the National Fair Housing Alliance and other fair housing groups with Wells Fargo Bank regarding fair housing and other claims. Under the \$39 million agreement, Wells Fargo committed to invest \$27 million to support neighborhoods in 19 areas, including Oakland. Pursuant to City staff communications with the National Fair Housing Alliance (NFHA), fund administrator, NFHA will consider a proposal from the City regarding the use of \$1.3 million dedicated to Oakland. Staff is developing an overall plan regarding the next round of foreclosure recovery grants to include both the use of City and settlement agreement funds for the November 12th CED meeting.

Oakland Data

A. Post-National Mortgage Settlement Agreement—Decreasing Notice of Default Filings in Quarter

Filings of Notice of Defaults (NOD) are in fluctuation in Oakland. Last quarter's filings of new NODs (112, 109, and 83) had increased to the levels from November and December 2012 (112 and 109 filings), right before the decline occurred. However, for this quarter NODs are back down from the 102/month average spike in Q2, to 67 in July and 81 in August. This is still slightly higher than the low from the beginning of the year (60/Jan and 62/Feb) but much lower than average filings in 2012.

² New York Times, Despite Aid, Borrowers Still Face Foreclosure, 2/21/13.

³ USA Today, As Prices Rise, Rental Home Investors Seek New Markets, January 22, 2013

⁴ Office of Mortgage Settlement Oversight, Summary of Compliance: A Report from the Monitor of the National Mortgage Settlement Agreement, June 19, 2013.

Oakland NOD Filings

Period	Qtr	Avg/Mo
2012 Q1	609	203
Q2	613	204
Q3	494	165
Q4	410	137
2013 Q1	224	75
Q2	305	102
July		67
August		81

Aug
2012: 173

June: 85

Change in since last Qtr: -27%

Change Aug 2012 - Aug 2013: -53%

More information, including foreclosure activities by specific major lenders is available at **Attachment A**.

B. Impact on Vulnerable Oakland Homeowners and Steep Rent Increases

As reported last quarter, the profile of current Oakland homeowners in foreclosure crisis has changed dramatically in the past several years. Currently, 90% of Oakland families in foreclosure have owned their home for at least 6 years, with over one-third of them owning their homes for more than 10 years. Most of the clients in the ROOT program have owned their homes for decades, including over 50 years. From outreach surveys, the majority of families in foreclosure have school-aged children.

Oakland's foreclosure crisis, which led to home loss for 1 in 14 Oakland households and then to subsequent investor purchases, has contributed to dramatically rising rents. Last quarter, Oakland was the second in the nation for the highest level of rent increases—6.9%.⁵ The 6.9% increase was in addition to the 11.5% increase in rents from 2011 to 2012.

C. Decrease in Distressed Property Sales and Increase in Non-Distressed Market Sales

Similar to national and statewide trends, the sale of distressed properties in Oakland (foreclosure sales, short sales, third-party flips after auction purchase) are down (44% decrease from last year) and non-distressed property sales have increased (58%). Non-distressed home sales continue to increase, up 10.5% from last quarter (325 from 295) and 57% from last year.

⁵ Wall Street Journal, Bay Area Rally Sends Rents Soaring, July 16, 2013.

In Oakland, overall residential housing sales is now at the same level as last year.

Oakland Sales Trends

Period	Reg. Market Sales		Off-Market/Distressed		All Sales	
	Qtr	Avg/Mo	Qtr	Avg/Mo	Qtr	Avg/Mo
2012 Q1	280	93	685	228	965	322
Q2	514	171	861	287	1375	458
Q3	554	185	748	249	1302	434
Q4	668	223	688	229	1356	452
2013 Q1	556	185	533	178	1089	363
Q2	885	295	518	173	1403	468
July		330		156		486
August		322		144		466
Change from last Qtr		+11%		-13%		0%
Change Aug 2012- Aug 2013:		+57%		-44%		0%

D. Decreasing Short Sale⁶ Activities in Oakland

Last quarter saw the beginning of a decline in short sale activities, contrary to a 35% increase from 2011 to 2012 (35%). This quarter's numbers show a leveling off of short sales with fewer number of short sales occurring with homes with recent NODs and more with homes that had old NODs or no NODs issued.

Investors are continuing to flip short sale purchases, but at a reduced rate given that there have been fewer total short sales in recent months. A stable average of 7 flips per month (21-22 per quarter) has been typical so far this year, but this dropped to only 3 in September.

⁶ Short sales are when a property is sold and the lender agrees to accept less money than is actually owed. In a short sale, the homeowner does not receive any proceeds from the sale.

Oakland Short Sale Trends

Period	w/NOD in last 180 days		All	
	Qtr	Avg/Mo	Qtr	Avg/Mo
2012 Q1	95	32	235	78
Q2	120	40	301	100
Q3	159	53	342	114
Q4	116	39	341	114
2013 Q1	73	24	231	77
Q2	54	18	260	87
July		17		74
August		8		75
Change since last Qtr:		-56%		-13%
Change since August 2012:		-85%		-38%

E. Drastic Drop in Auction Sales in Oakland

This quarter saw the continuing decline of the numbers of properties going to trustee sale auction. Last quarter's increase of investor purchases at auction (74% of properties) significantly declined this quarter with increasing numbers of properties reverting to the bank, Real Estate Owned (REO) (47% from 26%).

<u>Auction Outcomes</u>		All Auctions		Auction to REO%
Period		Qtr	Avg/Mo	
2012 Q1		405	135	71%
Q2		278	93	62%
Q3		266	89	57%
Q4		231	77	60%
TOTAL 2012		1180		63%
2013 Q1		161	54	55%
Q2		151	50	26%
July			47	40%
August			36	56%
TOTAL 2013 Year to Date		395		42%

II. FORECLOSURE PREVENTION & MITIGATION PROGRAM STATUS

On October 16, 2012, Council approved funds for new and expanded activities to prevent and mitigate foreclosures, including the following:

- Direct outreach to homeowners with a NOD and tenants living in NOD properties.
- Hotline services for tenants and homeowners in distress to connect to appropriate services.
- Housing counseling and legal services.
- City escalation team to work with Bank escalation teams.
- ROOT loan fund program to preserve homeownership for qualified distressed families.
- Reporting of violations of National Mortgage Settlement Agreement or the new State Homeowner Bill of Rights Act to the State Monitor or Attorney General's office.

Several of these programs required a start-up period before providing direct services. The outreach workers began their door to door outreach services in mid-January. CHDC's housing counseling services in Oakland began in March. The below chart provides a summary of year to date activities.

Status	Outreach (Allen Temple, OCCUR, Family Bridges, MLK FC, CJC) through August	Homeowner Hotline (HERA through August)	Housing Counseling (CHDC since March & Unity Council) through Sept.	Homeowner Legal Services (HERA through August)	Tenant Hotline (CJC through June 2013)	Tenant Counseling (CJC through June 2013)	Tenant Legal Services (Centro Legal & EBCLC through June 2013)
HHs Reached or Served	3480 attempts 699 reached	29	Total: 58 45 CHDC 13 Unity Council	174	111	84	Total: 118 74 EBCLC 44 Centro
Outcomes	330 tenants referred to services 339 homeowners referred to services	29 homeowners served by direct services (HERA or CHDC)	<u>CHDC</u> 13 referred to ROOT11 in process for loan mod 14 other pending cases 4 referred to legal services 8 brief counseling	15 loan mod completed 2 other help keeping home 10 loan mods pending 2 other pending cases to save home 120 brief legal service or counseling 25 referred to ROOT or CHDC	Legal services referral: 27 Brief counseling: 46 Case management: 38	Stopped eviction: 11 Habitability or rent issues addressed: 22 Cash for keys: 4 Pending: 16 Other brief counseling: 31	<u>EBCLC</u> Stopped eviction: 7 Habitability addressed: 1 Cash for keys: 2 Brief service: 49 Pending: 1 <u>Centro</u> Habitability addressed or rent increase rescinded: 11 Negotiated settlement: 5 Provided single point of contact: 1 Brief service: 22

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The following are case study profiles of Oakland families assisted through these services:

Preserving Homeownership for a Oakland Household of Nine

A key accomplishment of HERA's legal counseling is thwarting scams that attempt to extract money from an at-risk homeowner, primarily in low- and moderate-income communities, with false promises of being able to save the home. California is ground zero for these kinds of scams.⁷ Typical scams seen by HERA result in homeowners having paid anywhere from \$1,000 to \$30,000, frequently to attorneys or people who claim they are attorneys. HERA's legal advice helps homeowners identify whether they are dealing with a scam and, in some cases, HERA is able to help them retrieve money they have paid or HERA's advice stops them from making further payments. HERA's intervention preserves or reclaims critical household resources that homeowners may need to move to another location if unable to hang onto their home.

Some of the homeowners whom HERA has counseled are in a panic because they believe they will have to move from their home as soon as it is sold in foreclosure. HERA explains to them that this is not true, and also explains their post-foreclosure legal rights and timeline, whether they will owe any additional money on the mortgage. For seniors and for immigrant families, HERA's ability to bottom-line their legal rights is particularly valuable, as they are more vulnerable to abuses.

Some of this counseling results in households knowing what their target income is for purposes of qualifying for a modification of their mortgage. To achieve that income, they may have to rent out a room (to strangers or to family), or seek additional employment, which takes time and may mean that they do not contact HERA again for a few months.

For other HERA clients, when staff determines they are able to have a reasonable shot at obtaining a modification, HERA assists them through every step of the process, which can be lengthy, especially if the homeowner has a fluctuation in income during the course of HERA's representation. Most households served by HERA in this way consist of several family members. In a city with the fastest rising rents in the state, being able to keep the home and mortgage is frequently far cheaper than going into the private market as a renter.

An example of a HERA foreclosure prevention success story is an Oakland household of nine who had a sale date set on their home in just a couple days at the time they came to HERA for help. HERA determined that they could qualify for a modification, got the sale date postponed, and obtained a trial modification plan which HERA also ensured was converted into a final modification. This process took eight months from start to finish and is an excellent example of the potential harm risked when a homeowner does not know what to do and is not getting

⁷ See Financial Crimes Enforcement Report, 2012 at http://www.fincen.gov/news_room/nr/files/MLFUpdateQ22012_FINAL508.pdf

reliable advice about what he has to turn in, what he qualifies for, and what the steps are. This family of nine people now has an affordable mortgage and home they can hold onto for the future.

Preventing Tenant Displacement

The following case study is from a client that Centro Legal served.

The Tenant had been living at her house for about four years when the property went through foreclosure. The tenant never received information regarding the foreclosure, or information regarding where to make rental payments. In addition, repairs that were needed remained unaddressed during the foreclosure process. Months after the foreclosure, the bank began eviction proceedings against her. With an unlawful detainer (eviction) pending, and during settlement negotiations with the bank, a man who identified himself as "John" came to her house claiming to have purchased the property and ordering her and her daughter to move out. She communicated this to the bank's representative who told her that the property had not been sold.

Nonetheless, John continued coming to Tenant's house and served her with a 3-Day Notice to Pay Rent or Quit. When he came to her house, he threatened her, harassed her, and called her names. When she talked to the bank about John's visit and behavior, the bank advised her to ignore him, saying the property hadn't been sold.

After a two week period of silence from the bank, Tenant went to court and discovered that the property had indeed been sold, but was not told the identity of the new owner. The following day, John served her with a second 3-Day Notice to Pay Rent or Quit. Tenant immediately sought the help of a local non-profit and scheduled an inspection of the property with Oakland Code Compliance. Unfortunately, John filed an unlawful detainer complaint against her. Tenant tried to respond to the notice and file an answer, but was misinformed of the legal requirements and missed the deadline.

Tenant came to Centro Legal's office on the day that she received a Sheriff's Notice to Vacate, which informed her that she had to vacate the property within five days. Centro Legal provided Tenant with legal representation and was able to successfully have the case dismissed. Centro Legal also investigated the ownership of the property and was able to confirm that John owned the property. Centro Legal then negotiated a move-out agreement with John, wherein he agreed to waive all rent owed and stay away from the house until Tenant moved. Ultimately, after having gone through two unlawful detainer actions, Tenant was able to get one year's worth of rent waived. More importantly, she was able to locate a habitable residence with her daughter and was no longer on the receiving end of John's threats and harassment.

The ROOT Loan Fund Program

The ROOT program, administered by Community Housing Development Corporation, an affordable housing nonprofit agency, preserves homeownership for qualified homeowners by purchasing their properties at current market value and reselling them back to the homeowner.

Negotiations with Wells Fargo to purchase the long-time home (51 years) of an Oakland family who had been recently foreclosed upon has been successful and are now in the transactional process to sell the property back to the family. Negotiations to purchase two other properties from Wells Fargo and one from Bank of America are also occurring to preserve homeownership for long-time Oakland homeowners. One additional family passed the underwriting review. In addition, there are 40 Oakland households who have expressed interest in the ROOT program but need to go through a loan modification process first or complete the application process. Ten other households were processed for ROOT but deemed ineligible or declined to participate. Alternative assistance is offered to households denied for the ROOT program, such as assistance to get into the pipeline for affordable rental housing. The Foreclosure Prevention outreach workers are engaging in targeted outreach for the ROOT program to NOD owner occupants and REO former owner occupants.

Jobs for Oakland Residents

In addition to staff currently employed with the funded organizations, the outreach organizations employed eight employees to conduct street outreach on a part-time basis, all of whom are Oakland residents.

National Learning Community

There is continuing interest from other communities regarding the City's foreclosure prevention and mitigation plan and staff has provided information and/or assistance to the following communities this quarter: Los Angeles, Sacramento, Buffalo, as well as presented Oakland's programs at convenings organized by the San Francisco Federal Reserve. Program staff were also interviewed by the Center for American Progress for their research on foreclosure recovery strategies. In addition, the program is learning from new efforts launched in Cleveland to address the problem of blighted abandoned properties, and is in communication with the Center for Community Progress regarding possible technical assistance in developing new strategies to address abandoned and/or blighted properties in Oakland. Through facilitation from the SF Federal Reserve, the national trade alliance HOPE NOW has helped the City connect with the right officials at servicing agencies where staff did not have a prior relationship.

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III. FORECLOSED PROPERTIES PROGRAM STATUS

The following is a quarterly and year-to-date summary of performance outcomes from the City's Foreclosed and Defaulted Properties Registration, Inspection, and Maintenance Programs. Specific information, including performance by major lenders is provided in **Attachment A**.

Time Period	Registrations	Inspections	Charges Collected
7/1/13-9/30/13	235	104	\$356,834.02 total • \$37,818.66 reg fees ⁸ • \$319,015.66 penalties

Proactive inspections of 98 foreclosed and defaulted properties found three instances of blight, mostly minor, which are currently in the abatement period.⁹ In addition, there were eleven complaints of blighted defaulted or foreclosed properties this quarter. Information in **Attachment A** provides violation break-downs by specific lenders.

Staff are dealing with increasing numbers of illegal occupants in defaulted or foreclosed properties who are creating blight or engaged in nuisance activities, with four of these active cases. Coordination has been enhanced between Code Enforcement and Oakland Police Department in order to more effectively resolve these problems.

IV. STATUS OF INVESTOR OWNED FORECLOSED AND DEFAULTED PROPERTIES PROGRAM

On November, 2013, the City Council passed an ordinance requiring the registration, inspection, and maintenance of foreclosed or defaulted properties purchased by investors. The new program, including a new online registration portal, launched in early August. Notices have been issued to 50 properties for registration with registrations due between early October and November and inspections to be scheduled by early November to early December. As of this date, six of the 50 noticed properties have registered.

V. DEVELOPMENT OF PROACTIVE PROGRAMS AND POLICY RECOMMENDATIONS

As provided in past reports, staff has been working with community partners and national experts to develop new strategies and identify new resources to accomplish the following goals:

1. Preserve homeownership for qualified residents.

⁸ An additional \$4,817.34 in Rec/Tech restricted fees were collected.

⁹ Proactive inspections this quarter found 14 blighted properties in the default stage, with mostly minor violations. As provided under the City's ordinance, the lender is being pursued for abatement in only 3 of these cases due to potential abandonment.

2. Provide meaningful access to foreclosed properties for owner-occupant purchasers.
3. Support the disposition of foreclosed properties into affordable and quality rental housing.

The new foreclosure recovery plan is based upon national best practice programs and innovative new strategies to address the new problems facing Oakland residents, as described in last quarter's report.¹⁰ The administration also convened a recent meeting with senior officials who oversee the disposition of REO properties for the top six lenders in Oakland¹¹ to discuss the new efforts.

In addition to the potential Wells Fargo settlement agreement funds administered by NFHA, Enterprise Community Partners is also helping to fund the City's new efforts.

As provided in the last report, the City issued a Solicitation for Partners to select a Nonprofit Administrator of the Community Buying Program and qualified nonprofit and for profit developers committed to working with the City to achieve its community development and neighborhood stabilization goals. The deadline for responses is October 4th. See <http://www2.oaklandnet.com/Government/o/hcd/index.htm#new>

Development of Policy Recommendations for Council Consideration

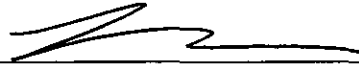
There may be policy recommendations for Council action, in a separate future staff report, to support the alternative disposition goals of home preservation, new homeownership opportunities, and quality and affordable rental housing. Staff will be convening meetings with different stakeholder groups to develop any policy recommendations for Committee consideration, including the following: ACCE, Alameda County Public Health Department, CJC, East Bay Rental Housing Association, Jobs and Housing Coalition, OCO, Oakland Realtors Association, Urban Strategies Council, and others.

¹⁰ Research was conducted into best practice strategies in other cities, such as St. Paul Minnesota. Staff also consulted with national and local experts, including Wells Fargo and Chase Banks' Community Development programs, National Community Stabilization Trust, Enterprise Community Partners, LISC, Alameda County Public Health Department, Urban Strategies Council, ACCE, EBHO, CHDC, Harvard Law School's Technical Assistance Project, Self-Help, Habitat for Humanity, and others.

¹¹ Bank of America, Chase, Fannie Mae, Freddie Mac, US Bank, and Wells Fargo.

For questions regarding this report, please contact Margaretta Lin, Departments of Housing and Community Development and Planning and Building, at 510-238-6314.

Respectfully submitted,



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Assistant City Administrator

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and Planning and Building

***Attachment A: Foreclosure Data
& Properties Status***

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ATTACHMENT A: Foreclosure Data and Programs

		Foreclosure Events			Registrations						Inspections					
		NOD/REO Filings			Notice of Default			Foreclosed / REO			Inspections			Abatement		
Time Period	Bank*	NOD	Trustee Sale	REO	Total NOD	Occupied	Vacant	Total REO	Occupied	Vacant	Proactive	Complaints	Violations Found**	Pending	Timely	Penalties
Q3/FY to date: July - September 2013																
Major Lenders	BofA	5	3	2	14	10	4	1	1	0	8	1	1			1
	Chase	17	11	3	32	23	9	1	0	1	19	0	1	1	-	-
	Fannie Mae	5	1	1	1	1		7	4	3	3	3	3	1	-	2
	Freddie Mac	0	0	0	0	0		0	0	0	0	0	0	-	-	-
	US Bank	10	7	3	4	4		0	0	0	3	0	0	-	-	-
	Wells	34	11	5	31	29	2	3	0	3	16	0	2	2	-	-
Other Lenders	Ocwen	14	3	1	22	22	0	0	0	0	18	0	0	-	-	-
	Nationstar	10	10	8	32	30	2	1	0	1	0	1	1	1	-	-
	Bank of NY	3	3	2	4	4	0	0	0	0	2	1	0	-	-	-
	Deutsche Bk	7	1	0	2	1	1	1	0	1	7	0	0	-	-	
	One West	11	2	2	1	0	1	0	0	0	2	1	1	-	-	1
	SP Servicing	2	0	0	5	4	1	0	0	0	6	1	1	-	-	1
	Metropolitan	0	0	0	0	0	0	1	0	1	0	1	1	1	-	-
	ING Direct	0	0	0	0	0	0	0	0	0	0	1	1	-	1	-
	Others	72	31	12	65	62	3	7	2	5	14	1	1	1	-	-
	Total	190	53	39	213	190	23	22	7	15	98	11	13	7	1	5

Notes on Methodology:

*There are often multiple entities involved in the loan for a defaulted or foreclosed property, including the lender or investor/note holder and the servicer that manages the loan payments. Properties are assigned to the primary responsible party based on a combination of information pulled from public records and details provided in the registry.

**There were 13 properties with blight violations this quarter—10 from complaints and 3 from proactive inspections. While proactive inspections this quarter found 14 blighted properties in the default stage, with mostly minor violations, the lender is being pursued for only 3 abatement actions due to City ordinance requirement requiring abandonment by the owner in default to trigger lender involvement.



CITY OF OAKLAND

FILED
OFFICE OF THE CITY CLERK
OAKLAND

2012 SEP 27 AM 11:49

AGENDA REPORT

TO: DEANNA J. SANTANA
CITY ADMINISTRATOR

FROM: Michele Byrd

SUBJECT: Foreclosure Prevention Plan

DATE: September 17, 2012

City Administrator
Approval

Date

9/27/12

COUNCIL DISTRICT: City-wide

RECOMMENDATION

Staff recommends that the City Council adopt the following legislation:

A Resolution Supporting Foreclosure Prevention/Mitigation Activities Including 1) The Allocation Of Up to \$1,200,000 From The Neighborhood Stabilization Program (A HUD Federal Grant) To Community Housing Development Corporation For Purposes Of Funding A Foreclosure Prevention Loan Fund Program; 2) The Allocation of \$350,100 From Blighted Foreclosed Properties Penalties To Fund The Following: A) Community Outreach Services For \$150,000 Provided By Causa Justa::Just Cause (\$50,000), Family Bridges (\$25,000), OCCUR (\$25,000), Allen Temple Economic Development Agency (\$25,000), and the Martin Luther King Jr. Freedom Center (\$25,000); B) Homeowner Legal Advocacy For \$100,000 Provided By The Housing Economic Rights Advocates; C) Homeownership Counseling And Loan Modification Advocacy For \$50,000 Provided By The Community Housing Development Corporation; And D) Tenant Counseling And Legal Services For \$50,100 Total Provided By The East Bay Community Law Center (\$16,700), Centro Legal De La Raza (\$16,700), And Causa Justa::Just Cause (\$16,700); And 3) Requiring Staff To Develop A Foreclosure Mediation Policy For Council Consideration Should There Be Serious Problems With Bank Servicer And Lender Compliance In Oakland With The Attorney General Bank Settlement Agreement And State Homeowner Bill of Rights Act.

An Ordinance Amending Oakland Municipal Code Section 15.68.100 (Affordable Housing Trust Fund) to 1) Permit Fines and Penalties Received Pursuant to Oakland Municipal Code Section 8.54.620 (Foreclosed And Defaulted Residential Property Registration Program) to be Used for Foreclosure Prevention and Mitigation Activities, 2) Authorize the City Administrator to Make Grants or Service Contracts Under the Program of Up To \$100,000 Without Returning to Council, And 3) Allow Affordable Housing Trust Funds to be Used to Assist Affordable Housing Projects At Risk Due to Mortgage Default or Foreclosure.

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EXECUTIVE SUMMARY

The City of Oakland has been working to address the foreclosure crisis that has heavily impacted Oakland, especially devastating many residents and neighborhoods in Oakland's flatland areas. City efforts have included funding housing counseling programs to assist distressed homeowners and foreclosure mitigation projects, as well as partnerships with local, state, and national partners.

Recently, City staff have been working with many different public agencies and community-based partners to develop an integrated plan of action to prevent and mitigate against foreclosures, especially in light of new State tools—the Attorney General Bank Settlement Agreement and State Homeowner Bill of Rights. The following proposed plan, to be coordinated by the City, addresses current gaps in foreclosure prevention strategies, as well as builds upon effective efforts. Main components include:

- I. **Partnership with the State Attorney General's (AG) and California Settlement Agreement Monitor's Offices:** The AG's office has committed to providing trainings for Oakland groups on new State requirements and taking direct referrals from the City and key partners on violations of new State requirements.
- II. **Community Outreach and Referral to Services:** Many families in distress do not have access to reliable services and are prey to predatory schemes. Many tenants do not know that their homes are in default until it is too late. Trained outreach workers will be deployed to connect families with available resources, such as tenant and homeowner counseling and legal services, as well as to collect preliminary data for the City. The program goal is to reach at least 3,500 tenant and homeowner households who are in the foreclosure process.

Staff proposes a grant of \$50,000 from the dedicated blighted foreclosed properties penalty funds to Causa Justa::Just Cause (CJJC) for the coordination and training of outreach workers, and management of a database system and outreach data collection efforts. Four organizations with community outreach experience, OCCUR, Allen Temple Economic Development Corporation (ATHEDCO), Martin Luther King Jr. Freedom Center, and Family Bridges, would provide targeted direct outreach services for \$25,000 each from the City's blight penalty funds.

- III. **Homeowner and Tenant Counseling Services:** Staff proposes to build upon existing City funded tenant and homeowner counseling and legal services to expand services, engage in expanded data collection, and enhance referrals to additional resources, such as the new ROOT loan fund program.

Staff proposes the allocation of \$50,000 to Community Housing Development Corporation (CHDC) to provide homeowner counseling and loan modification services for 67 Oakland residents. This builds upon the City's existing \$83,000 contract with Unity Council for foreclosure prevention counseling services.

Staff proposes the allocation of \$50,000 to existing City contracts for tenant services—East Bay Community Law Center, Centro Legal de la Raza, and CJJC, to expand or maintain existing hotline, counseling, and legal services for tenant households in properties facing foreclosure. It is estimated that 300 Oakland residents would be served.

- IV. Homeowner Legal Advocacy:** Housing Economic Rights Advocates (HERA) is a nationally recognized legal advocacy organization based in Oakland that offers legal advocacy, counseling, and training services to keep homeowners and tenants facing foreclosures in their homes. HERA has an existing contract with the City to provide legal advocacy and training services for residents outside of Oakland.

Staff proposes to allocate \$100,000 to HERA to operate a new one-stop hotline for Oakland homeowners facing foreclosure, legal advocacy for 100 Oakland households, workshops for an additional 120 Oakland households, and technical assistance and training.

- V. City Escalation Team with Bank Partners:** Building upon the City's effective foreclosed properties anti-blight program with major lenders, City staff will set up relationships with the appropriate servicer senior officials to address eligible homeowners who were not able to have been assisted by the counseling agencies or legal advocates.

- VI. ROOT Loan Fund:** This new loan fund program creates a vehicle for the re-setting of home mortgages to current market values in order to provide sustainable loan modifications for eligible Oakland residents.

Staff is proposing the allocation of up to \$1.2 million from the City's federal HUD Neighborhood Stabilization Program grant (NSP) for the ROOT Loan Fund, with \$1 million for the capital loan fund, and up to \$200,000 for operational support and housing counseling referrals and financial counseling to CHDC. The City's contribution would leverage an additional \$7 to 9 million from One Pacific Coast Bank, Enterprise, and LISC, and California Housing & Finance Agency.

The Oakland pilot program would enable about 20-25 Oakland qualified homeowners who are facing the threat of foreclosure to remain in their homes through significant principal reductions, by resetting their mortgages to today's current market value. The pilot program would result in a refined program design, the attraction of additional funds,

and the expansion of the program to serve more Oakland residents and others in the Bay Area.

VII. Accountability Measures: Data Collection, Public Reports, Referral to Attorney General's Office, and Program Evaluation: City staff and appropriate partners will refer unresolved violations to the Attorney General's Monitoring and Compliance Units, as well as issue quarterly public reports to Council that include both negative and positive bank-by-bank activities. In addition, staff is developing a data collection system that will track both bank activities (such as NODs or REOs filed, as well as loan modifications worked out with housing counseling agencies), as well as City funded program performance (such as numbers of referrals made, loan modifications negotiated, families kept housed).

The following is a summary of the foreclosure prevention/mitigation plan:

Proposed Funds	Service	Organization	Households To Be Served	Leveraged Funds
NSP Grant \$1.2 million	ROOT Loan Fund	CHDC	20-25	\$7-9 million
Blight Penalty \$150,000	Community Outreach	<ul style="list-style-type: none"> • CJC (\$50,000) • OCCUR (\$25,000) • Family Bridges (\$25,000) • Allen Temple (\$25,000) • Freedom Center (\$25,000) 	3,500	\$75,000
Blight Penalty \$50,000	Homeowner Counseling & Loan Modifications	CHDC	67	
Blight Penalty \$50,100	Tenant Counseling & Advocacy	Centro Legal CJC EBCLC	300	\$91,500
Blight Penalty \$100,000	Homeowner Legal Advocacy	HERA	Over 300	\$43,000
Total: \$1,550,100 City Funds			Info & resources: 3,500 Homeowners preserved: 100 Tenants preserved: 35	\$7,209,500 to \$9,209,500

Given the length and complexity of this report, staff is providing a table of contents.

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In addition, when the Council dedicated the use of penalty funds from the City's foreclosed and defaulted residential properties program in June 2012, these funds were to be placed in the City's Affordable Housing Trust Fund (Trust Fund) for foreclosure prevention efforts. However, the originating legislation for the Trust Fund, OMC 15.68.100, limited its use to only affordable housing acquisition and development. Therefore, staff is proposing an amendment to the Trust Fund ordinance in order for the Fund to be used for foreclosure prevention and mitigation activities, as well as other changes to the Trust Fund ordinance in order to facilitate the funding of foreclosure prevention activities.

OUTCOME

Council action would result in the following:

1. Saving the homes for at least 100 Oakland homeowners through sustainable loan modification/principal reduction strategies to be achieved through the ROOT loan fund, housing counseling/loan modification negotiations, and legal advocacy.
2. Keeping 35 Oakland tenant families facing foreclosure in their homes.
3. Education and referral outreach services to 3,500 Oakland residents through community outreach, workshops, and hotline service for homeowners and tenants.
4. Staff will monitor lender compliance with new State requirements and develop a Foreclosure Mediation policy for Council consideration should data collected show that there is substantial noncompliance.

BACKGROUND/LEGISLATIVE HISTORY

Oakland's Foreclosure Crisis

Oakland, like many urban communities throughout the nation, has been devastated by the foreclosure crisis. According to recent information issued by the Urban Strategies Council (USC), there were 10,542 foreclosures from 2007 to 2011, a rate of about 1 in 19 households in foreclosure. See <http://www.urbanstrategies.org/foreclosure/>. In 2011, there were 3,337 Notice of Defaults filed and 1,342 completed foreclosures or REOs. See www.foreclosureradar.com. The number of REO properties in Oakland for 2011 marks a decrease of 35.6% from 2010 figures.

Year	2007	2008	2009	2010	2011
NODs	3,120	4,225	4,482	3,753	3,337
NOD change		+35.4%	+6.1%	-16.3%	-11.1%
Foreclosures	1,613	3,079	2,424	2,084	1,342
Foreclosure change		+ 90.9%	-21.3%	-14%	-35.6%

The impact of foreclosures in Oakland has been extremely significant and include the following:

1. **Economic impact:** Urban Strategies Council estimates that the costs of the foreclosure crisis in Oakland to homeowners, the City of Oakland, neighborhoods, and lenders will be about

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\$875 million.¹ Part of the impact has included a decline in property values in neighborhoods affected by foreclosures, as well as blighted conditions discouraging economic development.

2. **Public health impact:** A recent report by the Alameda County Public Health Department and Causa Justa :: Just Cause details myriad negative physical and emotional health impacts resulting from the financial instability, unhealthy housing conditions and overwhelming stress caused by foreclosures.² In addition, buildings in the foreclosure process throughout the City of Oakland are significant and unnecessary attractors for blighting conditions that create severe health hazards.
3. **Public safety impact:** Vacant, foreclosed buildings are attractors for trespassers and transient occupants that foster and enable criminal activities.
4. **City fiscal and program resources:** The City continues to expend limited resources and scarce funds investigating foreclosed and defaulted buildings, both vacant and occupied, mitigating the detrimental effects of neglected maintenance, curtailing associated criminal activity, and monitoring the recurrence of nuisance activities.

This year is a pivotal year regarding the foreclosure trend—some economists believe that foreclosures will increase due to increasing unemployment, as well as bank action post AG Settlement Agreement. Others believe that the new State legal requirements will serve as sufficient tools to keep significant numbers of homeowners in their homes. Given the devastation that foreclosures have had on the Oakland community, the City leadership, under Mayor Quan, has committed to work with multiple partners, including State agencies, community based organizations, and lending institutions, to implement expanded tools in order to prevent and mitigate against foreclosures for eligible Oakland residents.

Past and Current Efforts

The City of Oakland has been working to address the foreclosure crisis, including through the following efforts:

- Sponsoring anti-predatory lending legislation. Unfortunately, Oakland legislation was pre-empted by state legislation.
- Funding housing counseling services, including assisting residents to obtain loan modification from lenders. Under an \$83,000 City contract, in FY 11-12 Unity Council delivered foreclosure prevention and intervention group workshops to 218 participants;

¹ <http://www.urbanstrategies.org/foreclosure/>

² Rebuilding Neighborhoods, Restoring Health: A Report on the Impact of Foreclosures on Public Health, Causa Justa :: Just Cause and Alameda County Public Health Department, 2010.

provided individual financial planning and money management counseling to 483 distressed homeowners; and reached out to 4,829 households at risk of foreclosure through telemarketing, email and traditional mail.

- Funding the Oakland Community Land Trust (OCLT) to transform foreclosed properties into long-term affordable ownership housing. Under a \$5,025,000 Neighborhood Stabilization Program (NSP) contract with the City, OCLT has purchased 17 foreclosed homes, rehabilitated 9 of those homes, and sold 2 as affordability-restricted housing to qualified families, with 8 currently in the rehabilitation pipeline and 7 currently available for sale.
- Funding the rehabilitation of critical affordable housing projects to stabilize neighborhoods hard hit by the foreclosure crisis, such as Drasnin Manor in San Antonio/Fruitvale and Project Pride in West Oakland. Using \$2.06 million in NSP funding and \$3.4 million in ORA funding, the City has partnered with owners to rehabilitate 46 rental units in these two properties, with private parties investing in the rehabilitation of an additional 20 low-income rental units at Marin Way Court.
- The passage and recent expansion of registration and maintenance requirements for defaulted and foreclosed properties to address the impact of blighted properties.
- Development of a proactive blighted foreclosed properties enforcement program, including requiring lenders to fix the problems (rather than the City) and using a \$1,000/day blight penalty. Results include lenders curing the cited blight, registering over 1,600 properties and directly paying over \$1.6 million in fees and penalties.

The Gap—Principal Reductions, Servicing Standards, and Accountability

Until the passage of the new State requirements, many of the existing publicly funded programs have not been able offer significant principal reductions. A recent report by the California Reinvestment Coalition and Urban Strategies Council found that while “*principal reduction is critical to stemming foreclosure and housing crises, as it provides an effective way to keep borrowers in their homes and stabilize communities*,” among all loan modifications in the four California Metropolitan Statistical Areas (MSAs) of San Francisco/Oakland, Fresno, Los Angeles, and Sacramento, *only 5.9% of loan modifications came with principal reductions*. Eleven percent of borrowers in the San Francisco/Oakland MSA did receive some principal reduction as part of their modification, compared to less than 5% of borrowers in Fresno and Los Angeles.³

Inconsistent servicing standards and significant difficulties establishing contact with the appropriate entity or person, including being passed around to multiple people providing different or conflicting information or engaging in “dual tracking” (lender’s pursuit of

³ Race to the Bottom: An Analysis of HAMP Loan Modification Outcomes by Race and Ethnicity for California, page 9, California Reinvestment Coalition and Urban Strategies Council, July 2011.

foreclosure against owner seeking loan modification) has been a nightmare for many homeowners in foreclosure.⁴

At the local level, local jurisdictions lack reliable, complete data about the nature of loan modifications on a bank-by-bank basis. Publicly reported data is provided at the national level, and sometimes at the MSA level, but not at the local level.⁵ City governments are left without sufficient tools to understand which lenders are acting in ways that promote neighborhood stabilization and economic revitalization exigencies and which lenders are hurting City priorities.

Addressing the Gap: New Federal/State Requirements & The Oakland Local Implementation Plan

Recent national and state developments have provided Oakland and other local jurisdictions with additional tools to prevent foreclosures—namely the National Mortgage Settlement Agreement reached with the country's five largest loan servicers (National Settlement), the California Attorney General's separate side agreement with these five loan servicers (CA Settlement), and the passage of the State Homeowner Bill of Rights Act (HBOR).

In February 2012, 49 state attorneys general and the federal government announced a historic joint state-federal settlement with the country's five largest loan servicers:

- Ally/GMAC
- Bank of America
- Citi
- JP Morgan Chase
- Wells Fargo

The settlement provides about \$25 billion in relief to distressed borrowers and direct payments to states and the federal government. It's the largest multistate settlement since the Tobacco Master Settlement with major U.S. tobacco companies in 1998.

The agreement settles state and federal investigations finding that the country's five largest loan servicers routinely signed foreclosure-related documents outside the presence of a notary public and without knowledge as to whether the facts contained in the documents were correct. The settlement provides benefits to borrowers whose loans are owned by the settling banks as well as to many of the borrowers whose loans they service.

In addition, the California Attorney General's office negotiated a separate side agreement that provided for an additional \$18 billion for California. The following are the main terms of the California Settlement:

⁴ Id at 12.

⁵ Id at 2.

- More than \$12 billion is guaranteed to reduce the principal on loans or offer short sales to approximately 250,000 California homeowners who are underwater on their loans and behind or almost behind in their payments.
- \$849 million is estimated to be dedicated to refinancing the loans of 28,000 homeowners who are current on their payments but underwater on their loans.
- \$279 million will be dedicated to offering restitution to approximately 140,000 California homeowners who were foreclosed upon between January 1, 2008 and December 31, 2011.
- \$1.1 billion is estimated to be distributed to homeowners for unemployed payment forbearance and transition assistance as well as to communities to repair the blight and devastation left by waves of foreclosures, targeted at 16,000 recent foreclosures.
- \$3.5 billion will be dedicated to relieving 32,000 homeowners of unpaid balances remaining when their homes are foreclosed.
- \$430 million in costs, fees and penalty payments.

On January 1, 2013, the California Homeowner Bill of Rights will go into effect and makes significant changes to California's non-judicial foreclosure process, including the following components:

- ***Covers more banks than the Settlement*** – Applies to mortgage servicers beyond just the five banks covered under the National and California Settlements.
- ***Meaningful loss mitigation options*** – Requires servicers to provide available loss-mitigation options, such as first lien loan modifications or other alternatives to foreclosure.
- ***Dual track foreclosure ban*** – Requires a mortgage servicer to render a decision on a loan modification application before advancing the foreclosure process by filing a notice of default or notice of sale, or by conducting a trustee's sale. The foreclosure process is essentially paused upon the completion of a loan modification application for the duration of the lender's review of that application.
- ***Single point of contact*** – Requires a mortgage servicer to designate a "single point of contact" for borrowers who are potentially eligible for a federal or proprietary loan modification application. The single point of contact is an individual or team, which must have knowledge of the borrower's status and foreclosure prevention alternatives, access to decision-makers, and the responsibility to coordinate the flow of documentation between borrower and mortgage servicer.

- ***Enforceability*** – Includes authority for borrowers to seek redress of “material” violations of the legislation. Injunctive relief would be available prior to a foreclosure sale and recovery of damages would be available following a sale.
- ***Verification of documents*** – Subjects the recording and filing of multiple unverified documents to a civil penalty of up to \$7,500 per loan in an action brought by a civil prosecutor. It would also allow enforcement under a violator’s licensing statute by the Department of Corporations, Department of Real Estate or Department of Financial Institutions.

In addition, the City of Oakland has been recently selected to participate in a new national initiative operated by Harvard Legal Aid Bureau (HLAB) to develop a foreclosure prevention/intervention loan fund. The loan fund program will be based upon the efforts of national organizations developing similar foreclosure mitigation models.

In order to ensure that Oakland residents in the foreclosure process have timely access to these new legal protections and resources to assist in their struggles to keep their homes, City staff has worked with multiple agencies to develop a local integrated plan of action that takes advantage of the new legal tools, financial motivations of lenders to engage in principal reductions, funding resources, and unique partnerships.

Amendment to Affordable Housing Trust Fund Ordinance (OMC 15.68.100)

When the City Council dedicated the use of penalty funds from the City’s foreclosed and defaulted residential properties program in June 2012, these funds were to be placed in the City’s Affordable Housing Trust Fund (Trust Fund) for foreclosure prevention efforts. However, the authorizing legislation for the Trust Fund, OMC 15.68.100, limited its use to affordable housing acquisition and development. Staff is proposing to amend the Trust Fund ordinance to ensure that funds derived from these fees and penalties can be used for foreclosure prevention and mitigation activities, such as the ones proposed in this report.

In order to expedite the funding of foreclosure prevention activities from the blight penalty funds, given the crisis nature, it is also recommended that the City Administrator be provided with the authority to enter into grant agreements or contracts for foreclosure prevention services under a \$100,000 threshold.

Third, OMC 15.68.100 currently permits Trust Fund revenues to be used to “increase, improve and preserve the supply of affordable housing.” Preservation is defined as actions to save housing at risk of loss from the affordable housing supply due to “termination of use restrictions, non-renewal of subsidy contract, or physical conditions that are likely to result in vacation of the property.” Staff proposes to amend this definition to include prevention of loss due to mortgage default or foreclosure. This change would authorize Trust Fund revenues to be used to halt

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foreclosure on existing assisted housing units, thereby permitting use of these funds to protect both the City's investment and the affordable housing resource in the event there is the threat of foreclosure by a senior lender on a City-assisted project.

Fourth, upon a finding by the City Council or the City Administrator that funds are no longer needed for foreclosure prevention or mitigation activities, such funds would be used for other eligible Affordable Housing Trust Fund uses or for other low-income or very-low-income tenant or homebuyer assistance.

Technical changes have also been drafted to change the term "City Manager" to "City Administrator".

ANALYSIS

City staff is proposing an integrated foreclosure prevention plan that addresses identified priority gaps in prevention efforts, as well as takes advantage of the new State requirements, resources, and partnerships. The following main components include:

1. Trained community outreach workers to engage in direct communications with homeowners and tenants residing in properties in the foreclosure process to collect initial data and refer households to appropriate services.
2. Homeowner counseling services, negotiation of loan modifications, referral to the ROOT loan fund or legal advocacy, and data collection.
3. Tenant counseling and legal services, referral to City escalation team, and data collection.
4. Homeowner legal advocacy, referral to City escalation team, and data collection.
5. ROOT loan fund program that enables eligible households to re-purchase homes at a significant principal reduction based upon current market value of the home, and data collection.
6. City coordinated accountability includes an escalation team to work with lenders, produce quarterly reports to Council on bank by bank performance, referral to State Attorney General's office.

These services will operate in an integrated way where information, referrals, and problem-solving efforts will be shared through regular collaboration meetings.
See *Attachment A* for a flow chart of the program design.

Trained Community Outreach Workers

Staff is proposing the allocation of \$150,000 from the dedicated blight penalty funds for community outreach to households in the foreclosure process: \$50,000 to Causa Justa :: Just Cause (CJJC) for coordination and training of outreach workers, and maintenance of the database system and data collection; and \$100,000 divided equally among four other groups for outreach work: Allen Temple Housing and Economic Development Corporation (ATHEDCO), Family Bridges, Inc., Martin Luther King, Jr. Freedom Center (Freedom Center), and OCCUR. On a monthly basis, CJJC will assign contacts to each agency's outreach team based on geography and language capacity. Several attempts will be made to contact each household with the goal of reaching approximately 3,500 tenant and homeowner households in foreclosure.

The community outreach plan is designed to maximize the extent to which residents of homes in foreclosure know their rights and have access to resources that will help them assert their rights. The outreach strategies employed for this project have been developed based on proven models of effective outreach to low-income communities, focusing on door-to-door outreach conducted by local community organizations that generally employ local residents from the communities they serve. About half of outreach workers will be bilingual, and all materials will be made available in Spanish or Chinese to ensure language-appropriate outreach to households in all impacted neighborhoods.

Using data provided by the City, outreach workers will visit the majority of Oakland homes entering foreclosure, focused on low-income neighborhoods most hard-hit by the foreclosure crisis and with the fewest financial resources. In these visits, outreach workers will inform the residents – tenants and/or homeowners – that the property is in foreclosure, provide referral information to local agencies, and gather basic demographic and property information.

CJJC will coordinate several intensive trainings for outreach workers and their host agencies, including on the foreclosure process and basic rights of homeowners and tenants, the Homeowners Bill of Rights, Attorney General's settlement, or other relevant changes in policy or legislation. In addition to trainings on substantive issues, outreach workers will be trained in effective outreach techniques.

Data Tracking and Evaluation: Using a sophisticated online database system, agencies will be able to enter data based on the outreach they have conducted. CJJC will compile the data and produce reports that can measure the effectiveness of the outreach and progress towards established goals. These reports will be submitted regularly to the City and can be analyzed further as well as used to augment the City's defaulted and foreclosed property database. Success will be measured by several indicators:

- 1) percentage of inhabited properties reached;
- 2) percentage of residents responding positively to the information provided;

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- 3) number of properties where additional data is successfully collected; and
- 4) number of referrals received by service agencies, including the tenant and homeowner counseling services.

At the end of the pilot year, a report will be generated that measures the outreach outcomes according to the relevant indicators and summarizes lessons learned that can be used for future outreach efforts.

Specific Goals for Outreach: Approximately 440 direct conversations with residents of foreclosed properties per month. This is based on a contact rate of approximately 1.5 contacts per hour and a total of 2,352 hours of outreach workers in the field, for a total of 3,538 contacts over the pilot year.

Budget: The \$150,000 will support outreach staff at the five partnering organizations, including a Program Co-Director, Outreach and Organizing Lead, Data Coordinator, Outreach Team Coordinator, 12 Outreach Team members and 4 Outreach Team leaders. Funding will also cover training and program materials, office supplies and minor travel expenses. The proposed funding will leverage about \$75,000 in CJJC's private foundation funding for community work in East Oakland, mitigation of the foreclosure crisis and support for the financial sustainability of low-income residents.

See **Attachment B** for a description of the organizational experience of CJJC, ATHEDCO, OCCUR, Family Bridges, and the Freedom Center.

Homeowner Counseling and Loan Modifications

The City currently provides \$83,000 to the Unity Council to provide informational mailings, outreach and counseling services to low and moderate income homeowners facing possible foreclosure.⁶

Staff proposes to provide \$50,000 to CHDC, a premier housing counseling agency with higher rates of success than the national average, for their senior housing counselor to provide housing counseling and negotiate loan modifications for about 67 Oakland residents. CHDC anticipates being able to successfully help fourteen (14), or twenty-one percent (21%), of these Oakland households avoid foreclosure while providing counseling and referral to assistance resources to the others. The national foreclosure avoidance average rate for housing counseling services is 14%. The following are key data about CHDC's FY11-12 activities:

⁶ For FY11-12, the Unity Council has held foreclosure prevention and intervention group workshops for 218 participants, provided individual financial planning and money management counseling to 483 distressed homeowners, and engaged in targeted outreach through telemarketing, email or regular mail to 4,829 Oakland homeowners who have received a Notice of Default or Notice of Trustee Sale.

- CHDC has served 231 foreclosure intervention clients since October 1, 2011. Of the 231 clients, 34 are Oakland residents (15%).
- Of the 231 foreclosure intervention clients, 48 avoided foreclosure (21%) and 30 avoided foreclosure due to a successful loan modification (13%).

See *Attachment B* for a description of CHDC's organizational experience.

Homeowner Hotline and Legal Advocacy

Staff is proposing to increase and expand the City's existing contract with HERA by an additional \$100,000 to: (1) provide 100 Oakland homeowners facing foreclosure with in-depth legal advocacy or technical assistance; (2) staff a new one-stop hotline service for Oakland homeowners; (3) provide workshops for an additional 120 Oakland residents; and (4) supervise pro bono lawyers or law students.

HERA currently has a contract with the City of Oakland to provide legal advocacy for homeowners in Alameda County, outside of Oakland, as part of the Alameda County Community Action Partnership funds. The City of Oakland serves as the administrator/pass through agency for this grant.

From January 1, 2012 to September 10, 2012, HERA staff served 3,347 residents (not including workshops). In that same timeframe, HERA has served 431 Oakland residents, including 357 homeowners and 74 tenants. HERA's success rate on loan modification negotiations and other advocacy to help homeowners keep their homes is about 70%. Out of about 500 cases, HERA kept about 375 people in their homes.

New one-stop hotline for homeowners in foreclosure: There is currently no dedicated hotline service for homeowners in foreclosure to call. HERA would provide experienced staff to conduct initial homeowner screening in order to ensure that distressed homeowners are being referred to the best and most appropriate service for their unique situation, be it housing counseling, HERA, 211 for non-housing services, or other available resources.

Provide in-depth legal advocacy for Oakland homeowners facing foreclosure. Homeowners in foreclosure will be referred to HERA by housing counseling agencies, the new hotline, the City of Oakland or other agencies. HERA will be addressing problem cases and reviewing servicer responses and homeowner files to verify homeowner options and/or the veracity of servicers' claims, and doing any other necessary research and advocacy. Based upon past track record, HERA estimates that it will keep 70% of Oakland homeowners in their home through loan modification work and/or other legal advocacy.

There may be cases that HERA does not pursue for longer-term advocacy but reviews all of the homeowner's options, investigates whether the servicer's responses comport with federal or other

modification rules, and advises the City and/or the homeowner. The total number of Oakland homeowners whom HERA will serve under both in-depth legal advocacy and technical assistance combined will be up to 100 over the course of the grant period.

Provide consumer workshops. HERA will conduct workshops to educate the public on key terms from the CA Settlement and on the HBOR, serving a total of 120 homeowners over the course of the grant period (for an average of 15 consumers at each workshop).

In addition, HERA will provide one training for HUD certified housing counselors and/or volunteers on latest loan modification program requirements, as well as supervise law students or other pro bono assistance on identifying servicing and HBOR violations. The total cost of the above services is \$143,000, with the City of Oakland providing \$100,000 and \$43,000 from private foundation and other sources.⁷

See *Attachment B* for HERA's organizational description.

Tenant Counseling and Legal Services

The City, using its Community Development Block Grant funds, currently supports tenant/landlord counseling and housing related legal services to three organizations: the East Bay Community Law Center (EBCLC), Centro Legal De La Raza (Centro), and Causa Justa :: Just Cause. In addition, the City's Rent Adjustment Program also funds Bay Legal Aid to provide tenant services. In fiscal year 2011-2012, in addition to providing other tenant services, the groups served 529 clients who were in homes in the foreclosure process.

Staff proposes an allocation of \$16,700 each to EBCLC, CJC and Centro (for a total of \$50,100) to continue providing counseling and legal services for tenants residing in or at risk of foreclosure. The new funds for tenants in homes threatened by foreclosure are expected to support services for an additional 160 hotline callers, 20-25 tenant households through case management, and 120 tenant households through a combination of limited and full-scope legal representation.

Budget and Tenants Served: For the 8 month term of the proposed contract, CJC's proposed budget of \$16,700 will partially cover the staff costs of a bilingual tenant counselor, database support staff, and hotline intake specialist. This additional staff capacity will enable CJC to better serve Spanish-speaking tenants, especially in heavily-impacted East Oakland neighborhoods, while maintaining service levels and focusing on the needs of tenants throughout the City impacted by foreclosure. CJC estimates that the proposed enhancement in their tenant

⁷ The costs do not include the additional cost of training an estimated 10 counselors and/or volunteers on the latest modification requirements and supervising 5 law students or other pro bono assistance on HBOR issues over the course of the grant period.

counseling and advocacy would serve an additional 20 clients per month through the hotline (for a total of 160 clients over the grant period) and an additional 20-25 managed cases.

EBCLC's proposed budget for these funds will support a Housing Staff Attorney whose primary focus is tenants in foreclosure properties with a small allocation for a Contracts Manager to track needed data. The Housing Attorney has been supported for the last 2 years by an Equal Justice Works fellowship which ended in September. These proposed funds would leverage \$30,000 in private foundation funds for EBCLC's foreclosure and housing-related services and fund EBCLC's limited scope services for an estimated 65 tenants and full legal representation for an estimated 10 tenants in homes affected by foreclosure.

The proposed funds for Centro Legal will help support database enhancement to capture more detailed data regarding tenants and foreclosure-related services, a Development Coordinator to run and analyze monthly foreclosure data reports, and one housing attorney. Prior year outcomes were the result of having three full-time housing attorneys on staff. In June 2012, Centro Legal lost funding for one of the housing attorneys and expects to use the proposed funding to hire a part-time attorney, resulting in slightly lower outcomes than the prior year. The proposed funding would leverage Centro's other funding for foreclosure-related services, including \$61,500 in private grants and donations. Centro estimates that the proposed funding will support limited scope services for an additional 40 tenant households and full legal representation for an additional 5 tenant households in homes affected by foreclosure.

See *Attachment B* for organizational descriptions.

ROOT Loan Fund

The ROOT Collaborative is a group of Bay Area organizations committed to stabilizing neighborhoods impacted by the foreclosure crisis. Its goal is to secure homeowners and stabilize neighborhoods. The Collaborative includes groups based in Oakland, Alameda County, and Contra Costa County who are eager to grow the program in their own communities, as well as organizations that work across the Bay Area. Starting in Oakland, the Collaborative is working to launch a demonstration pilot in the Bay Area that will help existing homeowners facing foreclosure to retain their homes.

The goal of the program is to prevent displacement and ensure long-term homeownership by purchasing homes in foreclosure and selling them back to their occupants with a new affordable mortgage. A lead non-profit agency, CHDC, purchases a distressed home at a discount from a lender, and then sells it to the existing occupants. The new mortgage is structured to reflect current market value, functioning as a long-term principal reduction. This approach intervenes before eviction, avoiding neighborhood blight as well as family trauma. It also ensures

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sustainable homeownership through close work with clients, who are supported by community organizations providing advocacy and financial education.

The Oakland pilot is inspired by other successful foreclosure mitigation efforts but adapted for the Oakland market, and tied with the City of Oakland's integrated strategies to address foreclosures through a range of property-based and household-based programs. The City's capital funds of \$1 million would be used as a loan loss reserve or for mortgages, and would leverage an additional \$7-9 million from Community Development Financial Institution (CDFI) partners and other investors. Once further capital is assembled and recycled, ROOT will be expanded to serve more residents in both Oakland and other parts of the Bay Area.

Program Design and Eligibility

ROOT will serve homeowners of low and moderate income who are committed to staying in their homes and could afford their mortgage if it were adjusted to reflect the current market value of their homes. Additional information is contained in the ROOT Summary Terms, **Attachment C**. The main components include the following:

- Eligible homeowners must have a stable income but are unable to make monthly payments based on their existing mortgage, often due to a 20-30% reduction in income due to unemployment or other hardship.
- The typical program participant will likely be a first-time homebuyer, between 80-100% of area median income, who bought at the peak of the market, had a subprime or low-end prime loan, and has tried and failed to work out a solution with his or her lender.
- CHDC will purchase the home of an individual going through or at risk of foreclosure, repairs and minor renovations will be made and the home will be sold back to the original occupant with a new mortgage they can afford.
- The new mortgage will be based on the current market value of the home, typically 40% to 50% of the original mortgage and will have a fixed and favorable interest rate and 30 year term, with no balloon payments.
- To support program participants to successfully retain their homes, they will be required to participate in financial counseling and coaching sessions. A bi-weekly payment plan will be established so homeowners can manage their payments and build up reserves that can be used to pay down the principal and reduce the length of their loan, or can be used for necessary repairs.

City funding will be used as a loan loss reserve or mortgages, and leverage an additional financing of \$7 to 9 million committed by partners LISC, Enterprise, One Pacific Coast Bank, and the California Housing Finance Agency (CAL HFA). It is anticipated that 20-25 Oakland households will be served in the pilot year.

Wells Fargo Bank has agreed to participate in the loan fund by selling their properties with eligible Oakland ROOT clients to CHDC at a discounted rate using current market values.

ROOT partners have identified 37 Oakland homeowners who would meet the initial criteria for the program and who are already working with a housing counselor. Twenty-five (25) of the thirty-seven (37) homeowners have either Wells loans or loans serviced by Wells. These homes are in the 06001 Census Tract with the following zip codes: 94603; 94605 – 15; and 94621 – 7.

Four different types of capital are needed for Oakland ROOT to be implemented. The categories of financing needed for the Oakland ROOT program are Short-term, Interim, Permanent and Loan Loss Reserve. See **Attachment D** for the capital financing model.

- Short-term is used to acquire the property, provide a 30-year mortgage and hold for 6-12 months as a payment history is established. This acts as a revolving line of credit. Funds will be repaid when the mortgage is placed in the Interim loan pool.
- Interim serves as the take-out or repayment source for the Short-term. The term is 6-60 months.
- Permanent is the take-out or repayment source for the Interim. The term is 30 years.
- Loan Loss Reserve (LLR) supports or credit enhances the Short-term and Interim financing. Loan Loss Reserve funds provide a cushion against loan defaults and potential losses from the liquidation of collateral. A 20% reserve is assumed as an abundance of caution to assure lenders providing more traditional financing. LLR funds will be recaptured by funders at termination of the pool.

The expectation is that \$1 million in Loan Loss Reserve funds would support up to \$5 million in a combination of Short-term and Interim financing. Once a mortgage has seasoned under the Interim period (up to 5 years) with good repayment performance, secondary market buyers and/or programs should be available to purchase the assets. In addition, the credit worthiness of the homeowners will dramatically improve as they establish a mortgage repayment history, making them eligible for a range of publicly supported mortgage programs. The major risk would be interest rate increases over the next 5 years. Financing sources for the pilot program include:

- \$1,000,000 City of Oakland NSP for mortgages and loan loss;
- \$2,000,000 CalHFA funds for acquisition, loan loss and mortgages;
- \$5,000,000 One Pacific Bank for mortgages – Interim;
- \$1,000,000 LISC for acquisition; and
- \$1,000,000 Enterprise for acquisition.

Assuming CalHFA is involved, \$1 million would be set-aside for a loan loss reserve with the remaining funds used for all phases: Short-term, Interim, and Permanent. CalHFA funds would supplement the other funding sources. Because CalHFA funds comes at a lower cost of funds (3%) its usage would be maximized. If needed, LISC and ECP loans would be used for purchasing the homes. The City's NSP would be used to fund the homebuyer mortgages or loan loss reserve, and One Pacific would purchase the mortgages after they have been seasoned. The process is as follows:

1. Homeowner meeting ROOT eligibility criteria is identified by counseling agency. Counseling agency pre-screens for eligibility.
2. CHDC underwrites borrower.
3. CHDC negotiates with lender to purchase the property.
4. CHDC utilizing funding from CalHFA or a loan from LISC or ECP acquires the property.
5. CHDC sells the home back to the homeowner and provides a new mortgage (30 year, fixed, ~7%). Mortgage is funded by City NSP (acquisition loan is repaid).
6. After mortgage is seasoned, up to 12 months, One Pacific purchases mortgage. City NSP funds cycled out of this mortgage.
7. After additional seasoning for secondary market, up to 36 months, the mortgage is sold to secondary market or the homeowner refinances and pays off the mortgage (One Pacific's capital is recycled). If a secondary market is not available and the homeowner is unable to refinance, then a portion of the City NSP or CalHFA funds would be utilized to purchase the mortgages from OnePacific.

See **Attachment E** for a sample ROOT loan fund transaction.

Loan Fund Administrator: CHDC

CHDC will be engaging in the following activities:

- Review and approval of project property and homeowner to ensure program guidelines are met
- Negotiate each short sale purchase with lender
- Property rehab as needed, keeping occupant in place.
- Resale of the property to the occupant.
- Origination of home loan to the owner
- Hold and service the first mortgage for a maximum of 18 months
- Sale of the loan to Enterprise, Self-Help or another secondary market purchaser

See **Attachment B** for organizational description of CHDC.

Two national Community Development Financial Institutions (CDFI), Enterprise Community Partners and Local Initiatives Support Corporation (LISC) have been and will continue to provide technical assistance to CHDC to ensure successful outcomes with the ROOT program. See ***Attachment B*** for organizational descriptions.

ROOT Partners

Working Group on Program Design and Capital Assembly

- Bay Area LISC
- City of Oakland
- Community Housing Development Corporation (CHDC)
- East Bay Housing Organizations (EBHO)
- Enterprise Community Partners

Partners and Advisers

- Alliance of Californians for Community Empowerment (ACCE)
- Cause Justa: Just Cause (CJJC)
- PICO Network and Oakland Community Organization (OCO)
- Unity Council
- Urban Strategies Council and Oakland Community Land Trust
- One Pacific Coast Bank
- Wells Fargo Bank

City Coordinated Accountability: Comprehensive Database System, Quarterly Reports, Referrals to State Attorney General

The integrated foreclosure prevention plan enables the City to develop a comprehensive system to assess the performance of specific lenders, as well as City funded programs. Quarterly public reports to be issued to Council will include the following information:

- **Specific Bank Performance:** including the numbers of NODs and REOs filed, properties sold and to owner-occupants or investors, loan modifications issued including with principal reduction, properties registered with the City's registration program, blighted properties and their resolution, tenant complaints and their resolution, complaints of violations under the new State requirements and their resolution, and unresolvable complaints tiled by the City with the State Attorney General's office.

The data will come from existing database sources that the City utilizes, the City's new Defaulted and Foreclosed Properties Registration Program, and data from City partners including through community outreach, tenant services, homeowner services, and referrals to the City.

- **Program Performance:** including information from organizations with new and current City funds working on foreclosure prevention efforts on the numbers of residents served, demographic information, and specific outcomes from the service.

With the new integrated approach where information will be collected at every level of the plan, the City and our partners will be able to timely assess any performance issues and make appropriate adjustments. For example, the tenant counseling and housing counseling agencies will note which referrals they receive are coming from the City's community outreach workers. In turn, HERA and the ROOT loan fund program will be able to assess the quality of referrals they receive from the housing counseling agencies. City staff will conduct spot-check reviews to provide both program assistance and assessment of the effectiveness of the tenant counseling, housing counseling, legal advocacy, and ROOT.

City staff will verify violations of new State requirements, provide the banks with an opportunity to resolve any violations, and then refer unresolved complaints to the Attorney General's office.

Local Mediation Program

Should collected data and program information show that lenders are failing to comply with the new State requirements in Oakland, City staff will review the possibility of developing a local foreclosure mediation program. There has been national interest in local jurisdictions requiring a mediation process before a foreclosure can be completed and there has been some success with mediation in the foreclosure context.⁸ Staff would learn from these experiences, including the voluntary mediation programs, and return to Council with a proposal for Council consideration.

PUBLIC OUTREACH/INTEREST

Staff has been working with and/or provided information to: ACCE, OCO, SEIU 1021, Alameda County Public Health Department, Building Services Improvements Advisory Task Force, Wells Fargo Bank, JP Morgan Chase Bank, Urban Strategies Council, California Reinvestment Coalition, Oakland Realtors Association, East Bay Rental Housing Association, and the Oakland Metropolitan Chamber of Commerce. In addition, Mayor Quan has played an instrumental role in securing the support of lending institutions for the ROOT loan fund program.

COORDINATION

Coordination has occurred between Housing, Building Services and the City Attorney's office.

⁸ http://www.unitedtrustees.com/enews/pdf/Foreclosure_Ordinance.pdf;
http://www.nclc.org/images/pdf/foreclosure_mortgage/mediation/report-state-meditation-programs-update.pdf, 4;
<http://www.psh.com/content/724>; <http://disb.dc.gov/disr/cwp/view,a,1299,q,645508.asp>;
http://www.stlbeacon.org/#1/content/26517/foreclosure_mediation_passes_st_louis_county.

COST SUMMARY/IMPLICATIONS

Funding sources are from available monies dedicated to foreclosure prevention and mitigation activities—the City’s **NSP** grant and foreclosed properties penalty fund. Under the proposed plan, it would cost about \$800 in City funds to keep one Oakland tenant or homeowner household facing foreclosure in their home through counseling, advocacy, and/or legal services. Under the **ROOT** loan fund program, a typical participant will receive a loan of about \$200,000 to cover both acquisition and rehabilitation costs. The City’s funds of \$1 million for the loan loss reserve or mortgage, leveraging an additional \$7-9 million, would result in serving 20-25 households in a one-year loan cycle for the pilot program. In addition, the City would be contributing up to \$200,000 towards the first year operational expenses. This equates to \$60,000 to \$48,000 of City funds per participating households.

FISCAL/POLICY ALIGNMENT

Support for effective foreclosure prevention programs will result in financial benefits to the City and the Oakland community, including prevention of blighted foreclosed properties and associated costs and enhanced economic development and quality of life.

PAST PERFORMANCE, EVALUATION AND FOLLOW-UP

The selected groups all have extensive experience and a stellar track record in delivering foreclosure prevention/mitigation related services. In addition, City staff will be monitoring program performance on a quarterly basis, including providing information in public reports.

SUSTAINABLE OPPORTUNITIES

Economic: The proposal will retard the deterioration of property values and will support future development and assist the economic growth and revitalization of the City.

Environmental: The proposal will reduce blight, including accumulation of garbage, dispersal of pollutants and target-organ toxins, and uncontrolled growth of vector populations.

Social Equity: The proposal will encourage the infusion and recurrence of diverse multi-cultural activities, businesses, and events.

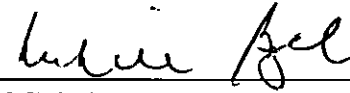
CEQA

In accordance with CEQA Guidelines Section 15301 (existing facilities) this action is categorically exempted.

Item: _____
CED Committee
October 9, 2012

For questions regarding this report, please contact Margaretta Lin, Department of Housing and Community Development, at 510-238-6314.

Respectfully submitted,



Michele Byrd
Director of Housing and Community
Development

Prepared by:

Margaretta Lin
Strategic Initiatives Manager
Department of Housing and Community Development
Lin Chin
Program Analyst
Department of Housing and Community Development
Maryann Sargent
Housing Coordinator
Department of Housing and Community Development
Jean Casey
Program Analyst
Department of Housing and Community Development

Attachment A: Program Design Flow Chart

Attachment B: Organizational Descriptions

Attachment C: ROOT Loan Fund Summary Terms

Attachment D: ROOT Loan Fund Capital Financing Model

Attachment E: ROOT Loan Fund Sample Transaction

Item: _____
CED Committee
October 9, 2012

Attachments:

Attachment A: Program Design Flow Chart

Attachment B: Organizational Descriptions

Attachment C: ROOT Loan Fund Summary Terms

Attachment D: ROOT Loan Fund Capital Financing Model

Attachment E: ROOT Loan Fund Sample Transaction

Introduced by

FILED
OFFICE OF THE CITY CLERK
OAKLAND

Councilmember

2012 SEP 27 AM 11:49

Approved for Form and Legality

City Attorney

OAKLAND CITY COUNCIL

RESOLUTION No. _____ C.M.S.

A Resolution Supporting Foreclosure Prevention/Mitigation Activities Including 1) The Allocation Of Up to \$1,200,000 From The Neighborhood Stabilization Program (A HUD Federal Grant) To Community Housing Development Corporation For Purposes Of Funding A Foreclosure Prevention Loan Fund Program; 2) The Allocation of \$350,100 From Blighted Foreclosed Properties Penalties To Fund The Following: A) Community Outreach Services For \$150,000 Provided By Causa Justa::Just Cause (\$50,000), Family Bridges (\$25,000), OCCUR (\$25,000), Allen Temple Economic Development Agency (\$25,000), and the Martin Luther King Jr. Freedom Center (\$25,000); B) Homeowner Legal Advocacy For \$100,000 Provided By The Housing Economic Rights Advocates; C) Homeownership Counseling And Loan Modification Advocacy For \$50,000 Provided By The Community Housing Development Corporation; And D) Tenant Counseling And Legal Services For \$50,100 Total Provided By The East Bay Community Law Center (\$16,700), Centro Legal De La Raza (\$16,700), And Causa Justa::Just Cause (\$16,700); And 3) Requiring Staff To Develop A Foreclosure Mediation Policy For Council Consideration Should There Be Serious Problems With Bank Servicer And Lender Compliance In Oakland With The Attorney General Bank Settlement Agreement And State Homeowner Bill of Rights Act

WHEREAS, the City of Oakland has been devastated by the foreclosure crisis, with 10,542 foreclosures from 2007 to 2011, a rate of about 1 in 19 households in foreclosure; and

WHEREAS, properties throughout the City of Oakland which lenders have recorded a Notice of Default (defaulted) or have taken ownership through a Deed of Trust (foreclosed) have been and continue to be significant and unnecessary attractors for blighting conditions that create severe health hazards in neighborhoods, including explosions of vector populations, accumulations and dispersals of pollutants and target-organ toxins, degradation of air quality; and conditions that adversely impact the quality of life for Oakland residents; and

WHEREAS, defaulted and foreclosed properties throughout the City also have been and continue to be significant and unnecessary attractors for trespassers and transient occupants that foster and enable criminal activities, including theft, vandalism, prostitution, and the sale and use of narcotics and other controlled substances; and

WHEREAS, defaulted and foreclosed properties throughout the City also have been and continue to be a significant and unnecessary discourager to economic development and contributor to the decline of property values in neighborhoods; and

WHEREAS, the City has expended and continues to expend vast and unnecessary amounts of limited resources and scarce funds investigating defaulted and foreclosed properties, mitigating the detrimental effects of neglected maintenance, curtailing associated criminal activity, and monitoring the recurrence of nuisance activities; and

WHEREAS, historically, the resource requirements for monitoring defaulted or foreclosed properties increases with the time that building remains vacant or occupied by involving an escalating commitment from Code Enforcement administrative, fiscal, and supervisory staff, and involving a proliferating interaction with other City departments and agencies, including Real Estate, Finance, City Attorney, Fire, and Police and by City officers and officials; and

WHEREAS, historically, there are additional citywide costs of said resource requirements in areas of real estate divestiture and acquisition, fire prevention and suppression, neighborhood revitalization, nuisance and criminal activities, hazardous material identification and disposal, litigation, liens and collections, degradation of the general tax levy, and public notification and hearings; and

WHEREAS, defaulted and foreclosed properties impose additional financial burdens on neighbors, prospective purchasers, and the business community in the City of Oakland; and

WHEREAS, the City has received Neighborhood Stabilization Program (NSP) grants from the federal Housing and Urban Development Agency, including \$8.2 million for the NSP1 and over \$2 million for the NSP3 allocations; and

WHEREAS, the Council in June 2012 dedicated the use of penalty funds recovered from the City's defaulted and foreclosed properties blight program to fund foreclosure prevention efforts (penalty funds); and

WHEREAS, City staff has engaged in planning efforts with multiple State and community organizations working on foreclosure prevention and mitigation efforts and developed an integrated approach including community outreach, housing counseling, legal advocacy, tenant counseling, referral to the State Attorney General's office, a new foreclosure mitigation loan fund program (ROOT Loan Fund), and City coordination; and

WHEREAS, City staff has engaged in appropriate outreach and procedures in order to provide community outreach grants to service providers who are skilled at community outreach activities and provided prior City-funded and effective community outreach, namely Causa Justa: Just Cause for \$50,000; OCCUR for \$25,000; Family Bridges for \$25,000; Allen Temple Economic Development Corporation for \$25,000; and the Martin Luther King Jr. Freedom Center for \$25,000. These funds are from the City's penalty funds and will provide outreach and referral services for 3,500 residents; and

WHEREAS, City staff has engaged in appropriate outreach and procedures in order to provide a grant of \$50,000 to Community Housing Development Corporation (CHDC), a housing counseling agency with an effective track record of negotiating loan modifications for homeowners in foreclosure. These funds are from the City's penalty funds and will provide housing counseling and loan modification negotiations for 67 residents; and

WHEREAS, City staff has engaged in appropriate outreach and procedures in order to expand existing City funds for tenant counseling and legal services for tenant families in properties in foreclosure through grants to existing City providers, namely Causa Justa: Just Cause for \$16,700, East Bay Community Law Center for \$16,700, and Centro Legal de la Raza for \$16,700. These funds are from the City's penalty funds and will serve 300 tenant families in properties in foreclosure, including keeping 35 families in their homes, providing a hotline for tenants, and tenant counseling and legal services; and

WHEREAS, City staff has engaged in appropriate outreach and procedures in order to provide a grant of \$100,000 to Housing Economic Rights Advocates (HERA), a housing legal advocacy organization with an effective track record of negotiating loan modifications for homeowners in foreclosure. These funds are from the City's penalty funds and will serve 300 homeowners in foreclosure through a hotline service, direct advocacy for 100 homeowners, workshops for 100 homeowners, and technical assistance and training for City partners; and

WHEREAS, City staff has been working with CHDC, Enterprise Community Partners, LISC, One Pacific Coast Bank, East Bay Housing Organizations, and other organizations to establish a foreclosure mitigation loan fund program to be administered by CHDC with technical assistance to be provided by Enterprise and LISC, called the ROOT Loan Fund program; and

WHEREAS, City funds of \$1.2 million from its NSP allocation for the ROOT loan fund will leverage an additional \$7-9 million of funds from Enterprise, LISC, One Pacific Coast Bank, and the California Housing and Finance Agency; and

WHEREAS, the ROOT Loan Fund is anticipated to serve 20-25 Oakland homeowners in the pilot year as well as expand its ability to serve additional Oakland and Bay Area residents; and

WHEREAS, the requirements of the California Environmental Quality Act (CEQA), the Guidelines as prescribed by the Secretary of Resources, and the provisions of the Statement of Objectives, Criteria and Procedures for Implementation of the California Environmental Quality Act: City of Oakland, have been satisfied, and that in accordance with CEQA Guidelines Section 15301 (existing facilities) this project is categorically exempted; now, therefore,

RESOLVED, that up to \$1.2 million be allocated from City NSP funds to CHDC with up to \$1 million for the loan loss reserve, mortgages, and/or other capital support needs; and up to \$200,000 for CHDC operational support in the pilot year; and be it

FURTHER RESOLVED, that \$50,000 be allocated to CIJC for community outreach coordination and data management services to be funded from the City's defaulted and foreclosed properties registration and blight abatement penalty funds and \$25,000 each to be allocated to Family Bridges, OCCUR, Allen Temple Economic Development Agency, and the Martin Luther King Jr. Freedom Center for targeted community outreach services from special revenue Development Services Fund (2415), Neighborhood Preservation Inspections Organization (84454), Foreclosed Registration Project (A456210), Livable Neighborhood Code Enforcement Services Program (NB31); and be it

FURTHER RESOLVED, that \$100,000 be allocated to HERA for housing legal advocacy to be funded from the City's defaulted and foreclosed properties registration and blight abatement penalty funds, from special revenue Development Services Fund (2415), Neighborhood

Preservation Inspections Organization (84454), Foreclosed Registration Project (A456210), Livable Neighborhood Code Enforcement Services Program (NB31); and be it

FURTHER RESOLVED, that \$50,000 be allocated to CHDC for housing counseling services to be funded from the City's defaulted and foreclosed properties registration and blight abatement penalty funds, from special revenue Development Services Fund (2415), Neighborhood Preservation Inspections Organization (84454), Foreclosed Registration Project (A456210), Livable Neighborhood Code Enforcement Services Program (NB31); and be it

FURTHER RESOLVED, that existing City contracts for tenant counseling and legal services be expanded for CJC for \$16,700; EBCLC for \$16,700; and Centro Legal for \$16,700 to be funded from the City's defaulted and foreclosed properties registration and blight abatement penalty funds, from special revenue Development Services Fund (2415), Neighborhood Preservation Inspections Organization (84454), Foreclosed Registration Project (A456210), Livable Neighborhood Code Enforcement Services Program (NB31); and be it

FURTHER RESOLVED, that should collected data and program information show that lenders are failing to comply with the new State requirements in Oakland, City staff will review the possibility of developing a local foreclosure mediation program for Council consideration.

IN COUNCIL, OAKLAND, CALIFORNIA, _____, 2012

PASSED BY THE FOLLOWING VOTE:

AYES - BRUNNER, BROOKS, DE LA FUENTE, KAPLAN, KERNIGHAN, NADEL,
SCHAAF AND PRESIDENT REID

NOES -

ABSENT -

ABSTENTION -

ATTEST: _____

LATONDA SIMMONS
City Clerk and Clerk of the Council
of the City of Oakland, California

DATE OF ATTESTATION: _____

12 SEP 26 AM 11:22 2012 SEP 27 AM 11:50

Approved as to Form and Legality:


Deputy City Attorney

OAKLAND CITY COUNCIL

Ordinance No. _____ C.M.S.

AN ORDINANCE AMENDING OAKLAND MUNICIPAL CODE SECTION 15.68.100 (AFFORDABLE HOUSING TRUST FUND) TO (1) PERMIT FINES AND PENALTIES RECEIVED PURSUANT TO SECTION 8.54.620 (FORECLOSED AND DEFAULTED RESIDENTIAL PROPERTY REGISTRATION PROGRAM) AND SIMILAR PROGRAMS TO BE USED FOR FORECLOSURE PREVENTION AND MITIGATION ACTIVITIES, (2) AUTHORIZE THE CITY ADMINISTRATOR TO MAKE GRANTS OR SERVICE CONTRACTS UNDER THE PROGRAM OF UP TO \$100,000 WITHOUT RETURNING TO COUNCIL, AND (3) ALLOW AFFORDABLE HOUSING TRUST FUNDS TO BE USED TO ASSIST AFFORDABLE HOUSING PROJECTS AT RISK DUE TO MORTGAGE DEFAULT OR FORECLOSURE

WHEREAS, Chapter 8.54 of the Oakland Municipal Code, governing the Foreclosed and Defaulted Residential Property Registration Program, was amended in June 2012 to include properties throughout the City of Oakland where lenders have recorded a Notice of Default (defaulted) or have taken ownership through a Deed of Trust (foreclosed); and

WHEREAS, the June 2012 amendment specified that fines and penalties, subsequent to covering program administration costs, be deposited into the Affordable Housing Trust Fund, established under Section 15.68.100 of the Oakland Municipal Code, to fund foreclosure prevention programs; and

WHEREAS, other programs may designate the use of fines, penalties, or other funds deposited into the Affordable Housing Trust Fund for foreclosure prevention or mitigation purposes; and

WHEREAS, the Affordable Housing Trust Fund currently limits the use of the Fund to only acquisition and development of affordable housing units; and

WHEREAS, the City would like to support foreclosure prevention and mitigation efforts beyond affordable housing acquisition and development purposes; now, therefore,

THE COUNCIL OF THE CITY OF OAKLAND DOES ORDAIN AS FOLLOWS:

SECTION 1. Section 15.68.100 of the Oakland Municipal Code is hereby amended to read as

follows (deletions are indicated with strikethrough text, and additions with underlining):

15.68.100 - Affordable Housing Trust Fund.

The City Manager-~~Administrator~~ shall establish an Affordable Housing Trust Fund to provide assistance in developing and maintaining affordable housing in the City of Oakland. The Affordable Housing Tmst Fund shall receive all monies contributed pursuant to Sections 15.68.050 and 15.68.060 of this chapter. The Affordable Housing Tmst Fund may also receive funds from any other source.

Funds deposited into the Affordable Housing Trust Fund, and all interest and investment earnings thereon, shall be used to increase, improve, and preserve the supply of affordable housing in the City of Oakland, with priority given to housing for very low income households. For purposes of this paragraph, to "preserve" affordable housing means to acquire, finance, refinance, or rehabilitate housing that is at imminent risk of loss to the affordable housing supply due to termination of use restrictions, non-renewal of subsidy contract, mortgage default or foreclosure, or physical conditions that are likely to result in vacation of the property.

Funds may also be used to cover reasonable administrative or related expenses of the city not reimbursed through processing fees. No portion of the Affordable Housing Tmst Fund may be diverted to other purposes by way of loan or otherwise.

Funds in the Affordable Housing Trust Fund shall be used in accordance with the adopted housing element to the City's General Plan, the Consolidated Plan, and subsequent housing plans adopted by the City Council, to subsidize or assist the city, other government entities, nonprofit organizations, private organizations or firms, or individuals in the constmction, preservation or substantial rehabilitation of affordable housing. Monies in the Affordable Housing Trust Fund may be disbursed, hypothecated, collateralized or otherwise employed for these purposes from time to time as the City Manager Administrator so determines is appropriate to accomplish the purposes of the Affordable Housing Tmst Fund. Eligible uses include, but are not limited to, assistance with staff costs or other administrative costs attributable to a specific affordable housing project, equity participation in affordable housing projects, loans and grants (including, predevelopment loans or grants) to affordable housing projects, or other public/private partnership arrangements. Monies from the Affordable Housing Trust Fund may be extended for the benefit of rental housing, owner occupied housing, limited equity cooperatives, mutual housing developments, or other types of affordable housing projects.

Notwithstanding the above, funds deposited into the Affordable Housing Trust Fund from fines and penalties received under the Foreclosed and Defaulted Residential Property Registration Program pursuant to Section 8.54.620 of the Oakland Municipal Code, or from fines, penalties, or other funds under other programs that designate the use of funds deposited into the Affordable Housing Tmst Fund for foreclosure prevention or mitigation purposes, may

be used for foreclosure prevention and mitigation activities, including but not limited to homebuyer or tenant assistance, rehabilitation, housing counseling, education, outreach, and advocacy activities, along with staff costs or other administrative costs attributable to such activities. Upon a finding by the City Council or the City Administrator that funds are no longer needed for foreclosure prevention or mitigation activities, such funds may also be used for other eligible Affordable Housing Trust Fund uses or for other low income or very low income tenant or homebuyer assistance. Funds received pursuant to Section 8.54.620 shall be appropriated to a separate project. For funds received under the Foreclosed and Defaulted Residential Property Registration Program or other programs that designate the use of funds for foreclosure prevention or mitigation purposes, the City Administrator or his or her designee is authorized to award grants and enter into grant contracts or service contracts without returning to the City Council in amounts not to exceed \$100,000.

The Affordable Housing Trust Fund shall be administered by the City ~~Manager~~ Administrator, who shall have the authority to govern the Affordable Housing Trust Fund consistent with this section and to prescribe regulations for the administration and use of the Affordable Housing Trust Fund. Funds deposited to the Affordable Housing Trust Fund shall be appropriated on a continuous basis to projects to be established consistent with this section. Notwithstanding the foregoing, all allocations of funds from the Affordable Housing Trust Fund, except as provided for above with respect to grants or service contracts from funds received under the Foreclosed and Defaulted Residential Property Registration Program or other programs, shall be approved by the City Council. An annual report showing impact fees imposed, revenues collected, funds committed, expenditures made, and any decisions made as to requests for reductions or exceptions shall be forwarded by the City ~~Manager~~ Administrator to the City Council.

SECTION 2. This Ordinance shall be in full force and effect immediately upon its passage as provided by Section 216 of the City Charter if adopted by at least six members of Council, or upon the seventh day after final adoption if adopted by fewer votes.

IN COUNCIL, OAKLAND, CALIFORNIA, _____, 2012

PASSED BY THE FOLLOWING VOTE:

AYES- BROOKS, BRUNNER, DE LA FUENTE, KAPLAN, KERNIGHAN, NADEL,
 SCHAAF, AND PRESIDENT REID

NOES-

ABSENT-

ABSTENTION-

ATTEST: _____
 LATONDA SIMMONS
 City Clerk and Clerk of the Council
 of the City of Oakland, California



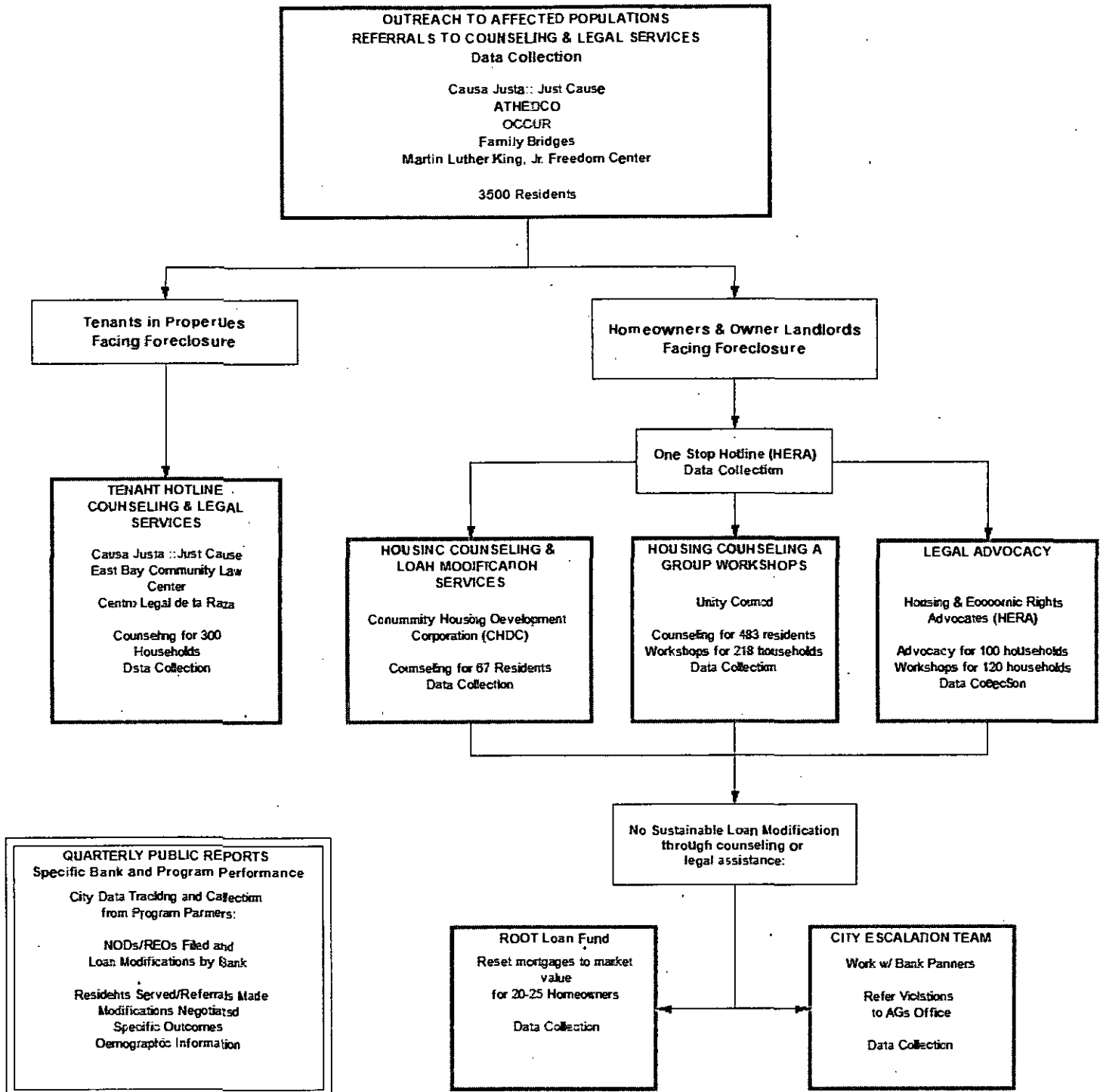
NOTICE AND DIGEST

AN ORDINANCE AMENDING OAKLAND MUNICIPAL CODE SECTION 15.68.100 (AFFORDABLE HOUSING TRUST FUND) TO (1) PERMIT FINES AND PENALTIES RECEIVED PURSUANT TO SECTION 8.54.620 (FORECLOSED AND DEFAULTED RESIDENTIAL PROPERTY REGISTRATION PROGRAM) AND SIMILAR PROGRAMS TO BE USED FOR FORECLOSURE PREVENTION AND MITIGATION ACTIVITIES, (2) AUTHORIZE THE CITY ADMINISTRATOR TO MAKE GRANTS AND SERVICE CONTRACTS UNDER THE PROGRAM OF UP TO \$100,000 WITHOUT RETURNING TO COUNCIL, AND (3) ALLOW AFFORDABLE HOUSING TRUST FUNDS TO BE USED TO ASSIST AFFORDABLE HOUSING PROJECTS AT RISK DUE TO MORTGAGE DEFAULT OR FORECLOSURE

This amendment to the provisions governing the Affordable Housing Trust Fund specifies that funds received into the tmst fund from fines and penalties collected under the Foreclosed and Defaulted Residential Property Registration Program or other similar programs may be used for foreclosure prevention and mitigation activities, including but not limited to homebuyer or tenant assistance, rehabilitation, housing counseling, education, outreach, and advocacy. The City Administrator or his or her designee would be authorized to make grants or service contracts of up to \$100,000 from these funds. This amendment would also allow the use of Affordable Housing Tmst Funds to acquire, finance, refinance, or rehabilitate affordable housing that is at imminent risk of loss due to mortgage default or foreclosure.

Attachment A

City of Oakland Comprehensive Foreclosure Prevention and Mitigation Plan



OAKLAND FORECLOSURE PREVENTION/MITIGATION PARTNER ORGANIZATIONAL EXPERIENCE

Community Outreach Team

The Allen Temple Housing and Economic Development Corporation (ATHEDCO) is a nonprofit organization whose mission is to address the pressing economic issues facing the residents and neighborhood of East Oakland and beyond. In addition to developing and operating affordable housing for seniors and disabled residents, ATHEDCO also operates a training academy to provide comprehensive services enabling formerly incarcerated individuals to gain and retain living wage employment and avoid recidivism. ATHEDCO's community outreach and education experience includes the City of Oakland's Weatherization and Energy Retrofit Loan Program and Weatherization Assistance Program and PG&E's Energy Savings Assistance program. ATHEDCO's extensive community network includes the congregation of Allen Temple Baptist Church, and other nonprofit, faith-based and community organizations throughout Oakland. ATHEDCO's outreach strategy includes Spanish bilingual outreach and focuses on creating job opportunities for those experiencing barriers to employment. ATHEDCO's recent door-to-door outreach efforts promoting the City's energy efficiency resources for low- and moderate-income households reached approximately 6,000 Oakland households.

Causa Justa :: Just Cause (CJJC) is a multiracial, multi-generational grassroots organization building community leadership to increase housing access and immigrant rights for low-income Oakland and San Francisco residents. CJJC's vast experience in effective community outreach in Oakland includes organizing and deploying teams of outreach workers in the following recent efforts: studying the health impacts of foreclosure in East Oakland; conducting community outreach and education around Ranked Choice Voting under a City contract; and leading a coalition of outreach organizations to promote a health fair at Laney College on the opportunities presented by the Affordable Care Act that drew over 1,100 participants. CJJC's outreach strategy includes Spanish bilingual outreach.

Family Bridges, Inc. was formed in 1968 as a storefront information and referral service to serve the growing Chinese immigrant population in the Oakland area. The mission of Family Bridges is to empower the most vulnerable -- the young, the elderly, immigrants, those with health conditions, and those with limited English proficiency, especially in the Asian community -- to lead self-sufficient, independent lives. Family Bridges' most recent large-scale community outreach experiences include the City of Oakland Ranked-Choice Voting Education Outreach in 2010 and the Asian Pacific Fund's U.S. Census 2010 Asian Outreach. In addition to staff, Family Bridges has previously worked with community volunteers, youth and students in conducting outreach activities. Family Bridges' outreach strategy will focus on Mandarin and Cantonese bilingual outreach.

Attachment B

The Martin Luther King Jr. Freedom Center (FC) carries out ongoing Democracy Education Classes; organizes events dedicated to justice, equality and democracy; and provides human development classes and trainings. The FC's most recent community outreach and organizing experience includes the following: organizing the participation of 52 community groups from public schools and community based organizations in the F.C.-produced Barbara Lee and Elihu Harris Lecture Series; home visits to approximately 400 FC students every year; door-to-door outreach at approximately 10,000 East and West Oakland homes to recruit new students for the Peralta Community College District; door-to-door outreach encouraging voter registration and participation under the Shoulder the Vote campaign; and outreach and education to over 6,000 homes about Ranked Choice Voting under a City contract. The FC's outreach strategy includes Spanish bilingual outreach and focuses on outreach involving youth leaders.

OCCUR is a 58-year old community-building and direct service organization that has extensive experience in consumer outreach/education, civic engagement, nonprofit capacity building, technology training and public policy advocacy. OCCUR has provided community outreach and education, particularly in low- to moderate-income neighborhoods and communities of color in Oakland, under the following government and utility programs: City's of Oakland's Weatherization and Energy Retrofit Loan Program and Weatherization Assistance Program; various State of California telecommunications accessibility programs, PG&E's CARE and Energy Savings Assistance Programs; and the State Public Utilities Commission's Get Connected internet accessibility/affordability campaign. In addition to this extensive consumer and community outreach experience, OCCUR also maintains close working relationships with a significant network of nonprofit, community-based, faith-based, direct service and public policy organizations. OCCUR's outreach strategy includes Spanish bilingual outreach. OCCUR's recent door-to-door and faith-based outreach efforts promoting the City's energy efficiency resources for low- and moderate-income households reached approximately over 10,000 Oakland households.

Housing Counseling & Loan Modifications

The mission of Community Housing Development Corporation (CHDC) is to create and sustain vibrant communities that make a positive impact in people's lives, by providing high-quality affordable housing and neighborhood services. CHDC was incorporated as a community-based nonprofit affordable housing developer in 1990. Today CHDC has developed 664 affordable units for rental and homeownership, has over 500 units in its development pipeline, and sponsors 692 rental units. CHDC has also provided financing for 52 first-time home buyers and offered pre-purchase housing counseling services to nearly 2,000 families resulting in more than 500 first-time, low-income buyers purchasing homes. Additionally, since 2006 CHDC has helped over 400 clients with mortgage problems successfully avoid foreclosure.

Attachment B

Since 2007, CHDC also began participating, along with the county District Attorney, the private bar, other housing counseling groups and real estate brokers, in anti-predatory lending activities. This history gives CHDC a high level of experience and skill in mortgage modifications, combating mortgage loan scams, and educating the public about how to protect home equity, especially in low-income communities. CHDC remains in high demand across the San Francisco Bay Area to assist individuals and educate the community on these issues.

CHDC retains a Program Director and Senior Housing Counselor with many years of experience in all aspects of pre- and post-purchase counseling. The Senior Counselor who is assigned full time to mortgage modification and scams assistance has served in this capacity since 2006. Her experience, ongoing training, and active involvement in policy development as a board member of the California Reinvestment Coalition, enables CHDC to stay ahead of the curve in seeking the best available solutions for each client. New counselors are typically hired with significant experience, or may be promoted from within. In total, since mid-2009, CHDC mortgage modification counseling staff has completed approximately 680 hours of current training. All CHDC housing and financial fitness counselors are certified in the specialty areas relevant to their duties, and in many cases support staff is also certified. CHDC strives to cross-train and certify all housing counselors. Currently, all 4 counselors are certified in both pre-purchase counseling and foreclosure intervention. CHDC adopted the National Industry Standards for Homeownership Education and Counseling in 2009.

As part of all one-on-one counseling, counselors receive on-going technical assistance from Housing and Economic Rights Advocates (HERA) in the area of loan document review. HERA attorneys read and discuss loan documents, assist CHDC staff in identifying predatory lending practices in loan documents as well as loan scam red flags. HERA provides valuable checklists that help staff identify predatory practices. They provide further resources to CHDC to disseminate to clients at risk of predatory lending practices and loan scams. In addition to providing quarterly trainings to CHDC staff, HERA's legal staff is also "on-call" for CHDC counseling staff to assist with loan document review questions as they arise.

Homeowner Legal Advocacy

HERA is a 501(c)(3), not-for-profit, California statewide, legal services and advocacy organization whose mission is to ensure that minority, elderly, and other vulnerable persons of low-and-moderate income are protected from abusive and discriminatory treatment in the realm of housing. To achieve this, HERA provides services which prevent or reduce predatory or unfair lending and related practices that result in homeownership loss or equity stripping for homeowners. Related practices include but are not limited to abusive or improper servicing of the mortgage loan, foreclosure rescue scams and homeowner association problems. Two years ago, HERA also added legal advocacy to address wrongful debt collections and credit reporting activity to its menu of services for people in need.

Attachment B

HERA's activities include (1) educating individual consumers and communities of vulnerable residents who are targeted for predatory practices, (2) providing legal services to individuals, (3) training attorneys, housing counselors, governmental staff and other professionals on how to identify and handle predatory lending, abusive mortgage servicing and related issues, (4) researching the scope and impact of abusive lending and related practices; (5) support for community organizing to fight predatory lending and abusive servicing; and (6) policy work.

The majority of HERA's work is in the nine counties of the Greater Bay Area, but it also provides services statewide with an emphasis on California's rural areas. Since its founding in 2005, HERA has provided legal advice to over 9,000 homeowners throughout the State of California, in-person, over the phone and at workshops. HERA has provided legal information to hundreds more at large-scale foreclosure education seminars and has reached many thousands more in the past three years through use of the media- articles, radio, television—in both Spanish and English. HERA's services are available in Tagalog, Russian, Portuguese and French and the organization utilizes interpreters for other key languages as needed to serve its diverse clientele.

Tenant Counseling and Advocacy

Causa Justa :: Just Cause's Housing Services Program employs a comprehensive, multi-faceted approach to assist low- and moderate-income Oakland renters to retain their homes, reach positive results in negotiations with their landlords, and prevent displacement and homelessness. CJ/JC maintains offices in Elmhurst/East Oakland and West Oakland and provides all of its services in both Spanish and English. CJJCs tenant services include intake, assessment, brief counseling and referrals to call- and drop-in tenants; case management/ongoing counseling services to households who are having tenant/landlord issues; and outreach and education at community events.

Centro Legal De La Raza, founded in 1969, provides free, bilingual, culturally sensitive legal aid for Latino residents of Oakland, including recent immigrants from Mexico and Central and South America. Centro provides information, referrals and legal counseling and representation services to tenants facing legal problems, including harassment, discrimination and eviction. Centro is located in the Fruitvale/San Antonio District of Oakland and primarily, although not exclusively, serves Spanish-speaking residents of Oakland.

East Bay Community Law Center is the legal community clinic for Berkeley Law School (Boalt Hall), with over 23 years of experience providing legal information and services to low-income residents of Alameda County. EBCLC's Housing Practice provides housing information, referrals, counseling and legal representation services to low-income individuals and families, with the goal of maintaining housing stability for clients at risk of eviction and homelessness. EBCLC provides extensive services to Oakland residents.

The chart below sets forth each organization's caseload and outcomes for foreclosure-related cases in FY 2011-12.

Attachment B

FY	Tenant Case Volume By Service Level	Foreclosure Cases	Favorable Outcomes
11-12			
EBCLC	1556 unduplicated clients <ul style="list-style-type: none"> 2766 limited scope services 256 full legal rep 	172 clients <ul style="list-style-type: none"> 38 pre-litigation 51 pro per eviction assistance 30 brief services and referral for eviction assistance 53 full legal rep 	100% of full representation cases for clients in foreclosed properties were favorably resolved.
Centro Legal	573 unduplicated clients <ul style="list-style-type: none"> 499 limited scope rep 74 full legal rep 	145 clients <ul style="list-style-type: none"> 84 limited scope rep. 51 clients full rep. (non-UD) 10 clients full rep. (UD) 	99% (non-UD) – 100% (UD) of full representation cases for clients in foreclosed properties were favorably resolved.
CJJC	600 unduplicated clients <ul style="list-style-type: none"> 600 info and referrals 540 brief counseling 200 case management clients 	150 clients	70-80% case management clients stay in homes for at least 3 months or receive acceptable compensation for negotiated move-out; 80% successful outcomes for tenants in properties in foreclosure
Bay Legal	553 <ul style="list-style-type: none"> 496 limited scope rep 45 full legal rep 12 extensive services 	62 (55 tenant, 7 owner) <ul style="list-style-type: none"> 60 limited scope rep. 2 full rep. 	100% of all full representation cases were favorably resolved.
TOTALS	3282 total clients	529 clients	99-100% of full legal representation cases favorably resolved 70-80% of non-legal managed cases favorably resolved

ROOT Loan Fund

CHDC has significant experience in affordable homeownership and particular expertise in single family, scattered site acquisition-rehab projects. It is unique in the East Bay in offering 1) affordable home purchase opportunities developed in partnership with large developers, 2) a robust HUD-approved housing counseling and foreclosure intervention program and 3) a down payment assistance and first mortgage lending program - all under one roof

Attachment B

Homeownership Including Acquisition/Rehabilitation: CHDC has completed well over 200 single family homes sold to new, low-moderate income homeowners - ranging from acquisition/rehab projects and scattered sites to large tract developments. We are currently conducting the NSP for both the City of Richmond and Contra Costa County, with a total of 15 units acquired so far, two sold, 4 in escrow and 6 in construction. Additionally, CHDC is working in collaboration with Self Help and the East Bay Community Foundation on a private project similar to NSP and has facilitated the sale of two homes under this program with 2 more in construction. Staff is skilled in selecting homes that can be completed feasibly with a high impact in neighborhood revitalization; short sale negotiations; rehab budgeting; and making improvements that are energy-efficient and environmentally sound. In addition to public support our NSP program has received support from Wells Fargo, Citi and Enterprise.

HUD-Approved Housing Counseling: CHDC is an experienced HUD certified housing counseling with about 20% of our client base in Oakland. As part of CHDC's homeownership counseling experience it has also developed an effective working relationship with the Unity Council. The two organizations have worked together closely on numerous outreach events, advocacy efforts and home loan workout events. Together, our experience will facilitate an efficient, thorough and client-centered program.

Lending: CHDC's down payment assistance lending program has two components: the Individual Development Account (IDA) program in operation since 2005 and its CalHOME portfolio of second mortgages. Under CalHOME, CHDC has made 44 loans since 2007 averaging \$40,000 each with a default rate (so far) of zero. The total amount loaned out to date is \$1,468,547. CHDC staff underwrites these loans following all federal and state SAFE Act requirements. The IDA program provides match finding of up to \$15,000 per borrower which converts to a grant after 5 years of successful owner occupancy. To date, CHDC has packaged and underwritten 70 of these loans on behalf of Mechanics Bank. Both these programs require HUD-approved homeownership education and counseling and the IDA program requires financial fitness education and counseling as well. This high level of homeowner education and individualized counseling coupled with selective yet flexible and fair lending guidelines contributes significantly to the low default rate.

Enterprise is a national nonprofit with nearly 30 years of experience in the community development and affordable housing field. Since 1982, Enterprise has invested more than \$11 billion in equity, grants and loans to help build or preserve nearly 300,000 affordable rental and for-sale homes to create vibrant communities and more than 410,000 jobs nationwide. Enterprise takes a multi-pronged approach to address the housing needs of low income families and help to stabilized distressed communities by (1) raising and leveraging capital and other financial resources to build and preserve affordable homes, (2) exercising a leading role in shaping affordable housing policy both nationally and at the local level, and (3) by developing and providing solutions to the biggest problems facing our field – including community revitalization, public housing revitalization, organizational sustainability, developing housing solutions to meet the needs of the homeless, veterans, seniors and other vulnerable populations, and working to integrate equitable housing solutions alongside the build-out of regional transit systems in communities across the country.

Attachment B

In Northern California Enterprise has created more than 3,500 affordable homes for 7,500 people through more than \$400 million of investment. In 2008 Enterprise launched the Enterprise Community Partners' Community Stabilization and Foreclosure Response Initiative we work closely with our partners to comprehensively address community stabilization and revitalization in the wake of the housing market and economic crisis in Oakland and in other communities throughout Northern California.

Local Initiatives Support Corporation (LISC) is a national organization with over 30 years of experience developing strategies and programs for local community organizations to develop affordable housing and create strong, equitable, and sustainable neighborhoods. Its mission is to support the neighborhood revitalization efforts led by communities by providing organizations with financing, technical and management assistance, training opportunities, and policy support. For three decades, Bay Area LISC has helped local community development organizations develop strong, stable neighborhoods where diverse groups of residents choose to live and take part in local leadership and life. Bay Area LISC has worked on a broad range of community development activities in Oakland from the creation and preservation of affordable housing to supporting neighborhood economic development. It has a long-standing commitment to partner with the City of Oakland, community residents and stakeholders to create vibrant neighborhoods in Oakland. Bay Area LSC has provided over \$10 million in grants and financing, and invested more than \$67 million to support community building and physical development activities in Oakland.

ATTACHMENT C

ROOT

Program Type: Purchase
Program Name: Restoring Ownership
Opportunities Together

General Information

Agency: Community Housing
Development
Corporation (CHDC)
Contact Name: Maria Benjamin
E-mail: Mbenjamin@chdcnr.com
Phone: 510-412-9290 x221
Fax: 510-215-9276
Address: 1535A Fred Jackson
Way, Richmond, CA
94801
Website: www.chdcnr.org

Administrator: Community First
Lending (CFL)
Contact Name: Lisa Weathers
E-mail: Lweathers@chdcnr.com
Phone: 510-412-9290 x 229
Address: 1535C Fred Jackson
Way, Richmond, CA
94801
Fax: 510-221-2598

Buyer / Owner Qualifications

Loan type(s):	30 year fixed
First Mtg Restrictions:	Owner Occupant Full doc
Subordinate Financing:	Allowed if available
Existing Homeowner:	Required
Hardship:	Must be documented
Mortgage Delinquency:	Required. Minimum 60 days
Income Limits:	120% AMI
Minimum Borrower Investment:	None
Credit Score:	No minimum
LTV:	100%
CLTV:	100% / improved value
Reserves:	3 months
ROOT Ratios:	Maximum 33% Front Maximum 45% Back Maximum Expense to income TBD
HUD Approved Homebuyer Education and Counseling:	Required.
Post Purchase, Financial, and Credit Counseling:	Required
Employment History:	6 months minimum

Property Requirement

Location:	Oakland, California (Target TBD)
Purchase Price Limit:	\$250,000
Property Type:	Existing /Minor Rehab; under \$10k
Max Units:	1

ROOT Terms

Loan Amount:	100% of purchase price plus rehab costs up to limit
ROOT Interest Rate Range:	7-8.5% based on current interest rate for similar programs and tied to borrowers credit worthiness
Max Term (mo):	360 months
Amortization:	Fully Amortizing
Acceptable Use of Funds:	Purchase and rehab
Shared Appreciation:	No
Resale / Deed Restrictions:	None

Assumptions

Purchase Discount: 20%
Sale Price: 100% full market value
Loan Loss Reserves: 10-20%

Processing / Closing

Application accepted by Agency / Administrator: Yes.
GFE/TIL(s) provided by Agency/Administrator: Yes.
Approved by Agency / Administrator: Yes.
Docs Drawn by Agency / Administrator: Yes.
Funds Provided by Agency / Administrator: Yes.

Servicing: Retained.

Supplementary Details

- Affordability: Fully documented income must be sufficient to support new mortgage payment.
- Ratios: Back end up to 45% - up to 50% considered on an exception basis- with documented compensating factors and loan committee approval.
 - o Expense to Income ratio – to be determined (this will be traditional underwriting of the monthly household expense in comparison to income).
- Credit : Prior credit history (based on tri-merged credit report and/or alternate/non-traditional credit history) will be analyzed to determine eligibility/likelihood of success.
 - Hardship must play a significant role in past credit issues
 - All late or missed payments will require borrower explanation in file.
 - All applicants will be required to attend post purchase and credit counseling to resolve/rehab delinquencies within 6 to 12 months.

CHDC will supplement traditional underwriting by review of credit report, bank statements, pay stubs and tax returns to understand the participant financial history, confirm financial situation, determine financial hardship, willingness to pay and ability to restore former creditworthiness.

- Employment History –Permanent employment for at least 6 months and verification from employer required.
 - o Unearned income allowed (soc sec, SSI, pension, child support, disability etc).
- Reserves : 3 months PITI reserves required deposited at escrow in restricted account; held for 12 months.
- Down payment : None required. Homeowner pays closing costs and establishes reserves.
- Credit Reporting: Post closing CHDC will report monthly payment history to credit bureaus to document positive credit history.
- Interest Rate: cost of funds + spread ~ (for example: 7% + 150 basis points).

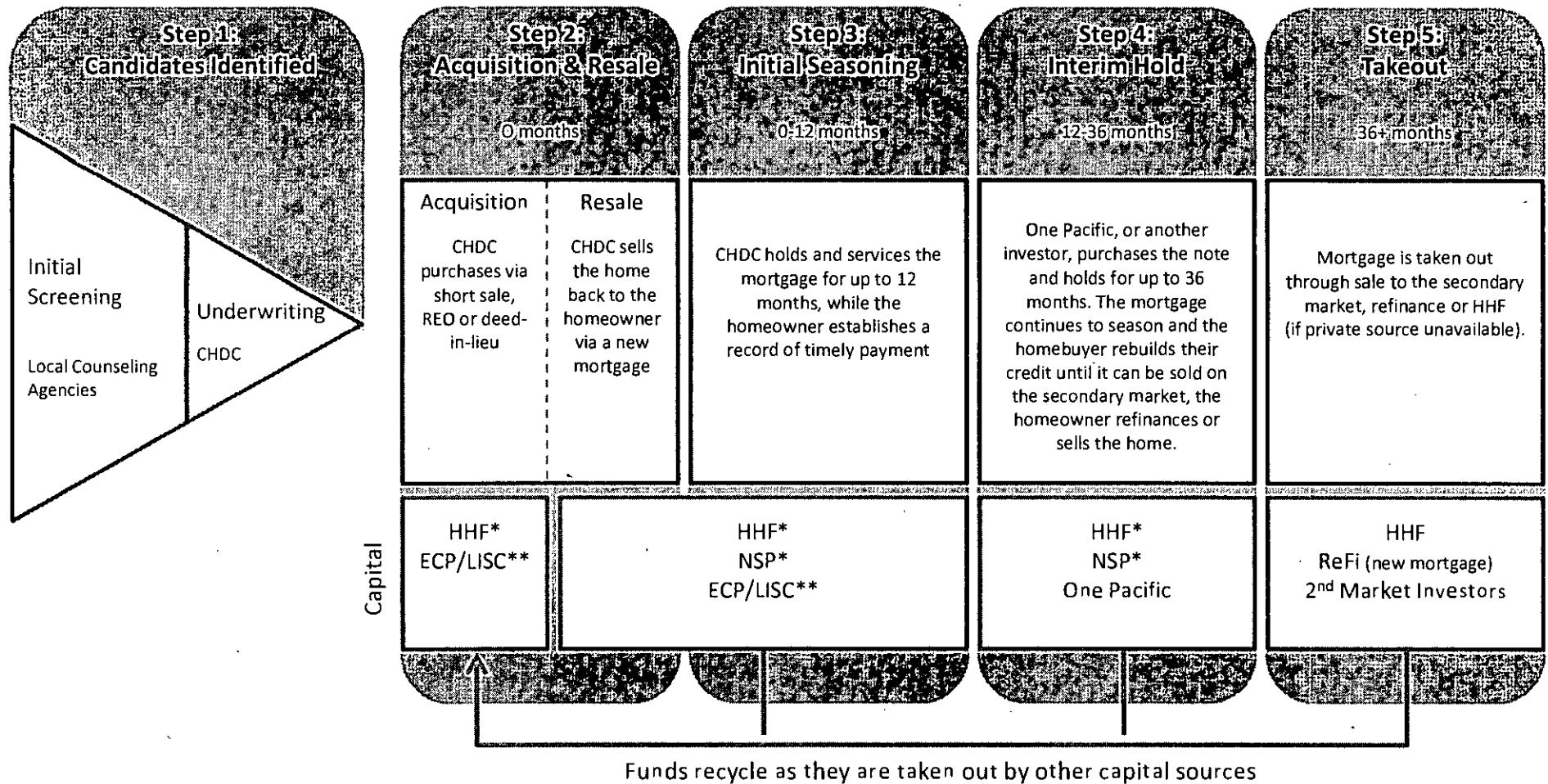
- **Loan Origination Fee:** Not less than 1.5%

**Restore Ownership Opportunities Together (ROOT)
Oakland Pilot
Note Sale to One Pacific Coast Bank**

Below is a draft of the terms under which Community Housing Development Corporation would sell mortgage notes originated through the ROOT program to One Pacific Coast Bank. These terms are intended as a starting place for an agreement between OPCB and CHDC memorializing the terms of note sales.

- **Payment History:** 6-12 months of consecutive timely loan payments; borrower in good standing
 - **Interest Rate:** ~ 7.5% to be finalized
 - **Borrower Underwriting:** Meet initial ROOT underwriting standards to qualify for the program and meets payment history requirements
 - **Servicing Rights/Fees:** Servicing rights would be sold to OPCB with the note, and CHDC or designee would continue servicing.
 - **Valuation of Mortgage:** OPCB and CHDC will use face value of mortgage notes as the sale price.
 - **Total Value of Mortgages:** \$5 million or the maximum based on reserves available, whichever is less.
 - **Reserve Amount:** 10% of the outstanding principal balance in an escrow account
 - **Reserve Coverage:** 100% of losses to principal resulting from the liquidation (foreclosure).
-
-

Oakland ROOT Pilot Process



*HHF and NSP could serve as reserve or direct capital

**Enterprise Community Partners and Local Initiatives Support Corporation



ATTACHMENT E

Sample ROOT Transaction

	Value	Notes
Peak Property Value	\$323,807	Average of available comps from zip 94621
Current Market Value	\$147,078	55% decline
Fair Market "Distressed Value"	\$117,662	Additional 20% discount
ROOT-Oakland Resale price to client	\$148,000	20% loan loss reserve
Mortgage principal	\$148,000	Assumes 100% LTV
Interest Rate	7%	30-year-term
Monthly Payment (PITI)	\$1,255	Includes taxes (1.25%) Hazard insurance (.33%)
Minimum Monthly income needed	\$3,765	33% front-end ratio
Down payment	\$0	No down payment required
Closing costs	\$5700	Includes 30 days mtg interest; 12 months insurance; 6 months of pre-paid taxes; 1.5% origination fee; \$1000 in title/escrow costs.
Minimum annual income required	\$45,180	Assuming 33% front-end ratio (CHDC's standard)
Percent AMI (assuming 2-person household – median is \$74,800 in Oakland)	60%	Low-income
Post Closing Reserves	\$2500-\$3800	2-3 months PITI



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OAKLAND

2014 JAN 16 AM 9:48

AGENDA REPORT

TO: DEANNA J SANTANA
CITY ADMINISTRATOR

FROM: Fred Blackwell

SUBJECT: Quarterly Report on Foreclosure Issues

DATE: January 2, 2014

City Administrator
Approval

Date

COUNCIL DISTRICT: City-wide

RECOMMENDATION

Staff recommends that the Committee accept this quarterly informational report

Quarterly Tracking Report on Housing Foreclosure and Outcome Data
from Related City Programs.

BACKGROUND

This report responds to the standing request of the Community and Economic Development Committee for a quarterly report tracking housing foreclosure data and outcomes from City of Oakland programs designed to help address problems caused by foreclosures

ANALYSIS

I RESIDENTIAL FORECLOSURE DATA & TRENDS

National information on foreclosure issues shows the following trends in many urban communities have continued this past quarter

- 1 Significant decrease in foreclosure activities¹
- 2 Sale prices are up and availability of houses for sale is down
- 3 The prior increase in short sales² has now declined in Oakland, which appears to be primarily due to completion activities from the National Mortgage Settlement Agreement

¹ RealtyTrac, Overall US Foreclosure Activity Drops to 6-Year Low 5/7/13 www.realtytrac.com

² New York Times, Despite Aid, Borrowers Still Face Foreclosure, 2/21/13

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- 4 A slow-down of investors purchasing foreclosed properties in hot housing markets like Oakland's³

National Mortgage Settlement Agreement & Aftermath

Regarding the National Mortgage Settlement Agreement (NMSA) negotiated with five (5) major banks Ally, Bank of America, Citibank, JP Morgan Chase, and Wells Fargo, according to the latest Monitor's report, "there continue to be issues with the loan modification process, single point of contact, and customer records"⁴ The Monitor is continuing to assess servicer performance Problems with dual tracking still occur, some of which are not covered under the protections of the new California Homeowner Bill of Rights Act

The New York State Attorney General recently found that Bank of America and Wells Fargo had violated the terms of the NMSA Bank of America has agreed to provide additional protections, including the provision of a high level escalation officer to work with housing counseling agencies New York State has filed a lawsuit against Wells Fargo⁵ JP Morgan Chase recently agreed, in a settlement agreement with the U S Department of Justice, to pay \$13 billion to settle mortgage claims related to Fannie Mae and Freddie Mac loans As part of the settlement, JP Morgan Chase is required to provide \$4 billion in mortgage relief to homeowners, including principal reduction Ocwen Financial, the nation's fourth largest mortgage servicer, has also recently entered into a \$2.1 billion settlement agreement with federal and state regulators regarding claims of mortgage servicing violations It is anticipated that the settlement would provide eligible California homeowners up to \$268 million in first lien principal reductions⁶

The Los Angeles City Attorney recently sued Citigroup and Wells Fargo on mortgage discrimination claims, including alleged violations of fair housing laws⁷

Fair Housing Settlement Agreement with Wells Fargo, Including Oakland

In the prior quarters we reported on a settlement agreement between HUD, the National Fair Housing Alliance and other fair housing groups with Wells Fargo Bank regarding fair housing and other claims Under the \$39 million agreement, Wells Fargo committed to invest \$27 million to support neighborhoods in 19 areas, including Oakland Pursuant to City staff communications with the National Fair Housing Alliance (NFHA), fund administrator, NFHA has agreed to support the City's proposal developed with local foreclosure recovery partners

³ USA Today, As Prices Rise, Rental Home Investors Seek New Markets, January 22, 2013

⁴ Office of Mortgage Settlement Oversight, Summary of Compliance A Report from the Monitor of the National Mortgage Settlement Agreement, June 19, 2013

⁵ New York Times, New York to Sue Wells Fargo Over Mortgage Settlement, October 1, 2013

⁶ Visalja Times Delta, Attorney General Announces Mortgage Settlement, December 30, 2013

⁷ USA Today, LA Sues Wells Fargo, Citigroup Over Foreclosures, December 6, 2013

regarding the use of \$1.3 million dedicated to Oakland. Details regarding the funding allocations are provided below.

Oakland Data

A. Post-National Mortgage Settlement Agreement—Decreasing Notice of Default Filings in Quarter

Notice of Default (NOD) filings have continued to fluctuate month to month this quarter with the average number of filings in October and November at 71, unchanged from last quarter. The monthly trends seen in the last quarter (67, 81, and 67 per month) continued in October and November (89 and 54), which reflect a 36% average decline from the peak of the brief upswing in NOD filings from the Spring. While the numbers are still slightly higher than the low level of filings from the beginning of the year (60/Jan and 62/Feb), they represent a 54% decrease in NOD filings from November 2012.

Oakland NOD Filings

Period	Qtr	Avg/Mo	Nov 2012 117
2012 Q1	609	203	
Q2	613	204	
Q3	494	165	
Q4	410	137	
2013 Q1	224	75	
Q2	305	102	
Q3	215	72	
October 2013		89	
November 2013		54	
Q4 2mo Avg		72	
Change in Avg since last Qtr		0%	
Change Nov 2012 - Nov 2013:		-54%	

More information, including foreclosure activities by specific major lenders is available at ***Attachment A***.

B. Rise in Homeowner Association Related Foreclosures

Reports from local advocates as well as information from Nationstar, a growing mortgage servicing company, indicate a rise in Homeowner Association collection and assessment issues, that can lead to homeowners losing their homes over small debt owed. For example, without

targeted outreach and publicity, HERA has recently seen in the past year approximately 20 Oakland households and another 30 non-Oakland households regarding HOA collections issues. HERA recently filed a class action lawsuit against a debt collector for related unfair practices.

C. Impact on Vulnerable Oakland Homeowners and Steep Housing & Rent Increases

As reported last quarter, the profile of current Oakland homeowners in foreclosure crisis has changed dramatically in the past several years. Currently, 90% of Oakland families in foreclosure have owned their home for at least 6 years, with over one-third of them owning their homes for more than 10 years. Most of the clients in the ROOT program have owned their homes for decades, including over 50 years.

Surveys conducted by the foreclosure prevention outreach workers of about 600 households show:

- Of households (both tenant and homeowner) affected by foreclosure
 - 40% have school-aged children
 - 19% have seniors and 13% have disabilities
 - 26% are female-headed households
 - 88% have lived in Oakland over 6 years, 43% over 20 years
 - 61% have lived in their home over 6 years
- Reasons for default given by homeowners
 - 35% lost wages due to recession
 - 12% were long-term unemployed
 - 16% cited health problems or medical expenses
 - 20% cited the type of mortgage (reverse, balloon, interest-only)

Oakland's housing prices continue to skyrocket and Oakland is considered to be one of the nation's fastest-moving housing markets.⁸ According to realtor.com, Oakland's median listing price of \$467,500 is an increase of 23.35% from last year's prices.⁹

In addition, Oakland's foreclosure crisis, which led to home loss for 1 in 14 Oakland households and then to subsequent investor purchases, has contributed to dramatically rising rents. Last quarter, as compared to 2012, reports show that Oakland saw a 15% increase in rents across

⁸ <http://www.homebuyinginstitute.com/news/homes-selling-faster-440/>

⁹ <http://www.realtor.com/data-portal/Real-Estate-Statistics.aspx>

apartment buildings and a 10.3% rent increase in buildings of 50 units or more.¹⁰ These increases were in addition to the 11.5% increase in rents from 2011 to 2012.

D. Decrease in Distressed Property Sales and Increase in Non-Distressed Market Sales

Similar to national and statewide trends, distressed property sales in Oakland continue to decline sharply. Altogether, November short sales, REO sales, and 3rd party purchases at auction are down 54% from last year. Non-distressed market sales including market flips of formerly distressed properties continue to increase at a modest pace, up 11% from last quarter and up 22% from this time last year. The reduction in distressed sales outweighs the increase in regular market transactions, however, and overall residential housing sales are down 16% from last year.

Oakland Sales Trends

Period	Reg. Market Sales		Off-Market/Distressed		All Sales	
	Qtr	Avg/Mo	Qtr	Avg/Mo	Qtr	Avg/Mo
2012 Q1	280	93	685	228	965	322
Q2	514	171	861	287	1375	458
Q3	554	185	748	249	1302	434
Q4	668	223	688	229	1356	452
2013 Q1	556	185	533	178	1089	363
Q2	885	295	518	173	1403	468
Q3	879	293	494	165	1373	458
October		275		121		396
November		246		95		341
Change from last Qtr		11%				-19%
Change Nov 2012- Nov 2013		22%				-16%
						-54%

E. Decreasing Short Sale¹¹ Activities in Oakland

Short sale activity has declined over the past two quarters following the spike in late 2012 that resulted from lender concessions mandated by the National Mortgage Settlement Agreement. Lenders have mostly fulfilled their obligations and monthly short sale activity is half what it was

¹⁰ San Francisco Chronicle, "Rents Soaring Across Region," October 25, 2013 (10.3% increase from 2012 for buildings over 50 units from source RealFacts, 15% increase across all apt buildings from source Lovely)

¹¹ Short sales are when a property is sold and the lender agrees to accept less money than is actually owed. In a short sale, the homeowner does not receive any proceeds from the sale.

in the spring, down 38% from November 2012 Re-sales or “flips” of short sale purchases are also down slightly, to about 5 per month

Oakland Short Sale Trends

Period	w/NOD in last 180 days		All	
	Qtr	Avg/Mo	Qtr	Avg/Mo
2012 Q1	95	32	235	78
Q2	120	40	301	100
Q3	159	53	342	114
Q4	116	39	341	114
2013 Q1	73	24	231	77
Q2	54	18	260	87
Q3	34	11	162	54
October		7		58
November		11		42
Quarterly Change in avg NODs/mo		-21%		-52%
Change since November 2012		-57%		-38%

F Auction Sales Continue to Decline in Oakland

Trustee sales continue to decline and the projected number of auctions in 2013 is less than half as many as were completed in 2012 The spike in investor activity at trustee sale has also dropped off and the share of REO outcomes at auction is up 16 percentage points from Q2 to 42% in November On average, about 10 homes auctioned per month end up in bank inventory

<u>Auction Outcomes</u>		All Auctions		Auction to REO%
Period		Qtr	Avg/Mo	
2012 Q1		405	135	71%
Q2		278	93	62%
Q3		266	89	57%
Q4		231	77	60%
TOTAL 2012		1180		63%
2013 Q1		161	54	55%
Q2		151	50	26%
Q3		103	34	38%
October			29	34%
November			24	42%
TOTAL 2013 Year to Date		468		30%

II. FORECLOSURE PREVENTION & MITIGATION PROGRAM STATUS

On October 16, 2012, Council approved funds for new and expanded activities to prevent and mitigate foreclosures, including the following

- Direct outreach to homeowners with a NOD and tenants living in NOD properties
- Hotline services for tenants and homeowners in distress to connect to appropriate services
- Housing counseling and legal services
- City escalation team to work with Bank escalation teams
- ROOT loan fund program to preserve homeownership for qualified distressed families
- Reporting of violations of National Mortgage Settlement Agreement or the new State Homeowner Bill of Rights Act to the State Monitor or Attorney General's office

Several of these programs required a start-up period before providing direct services. The outreach workers began their door to door outreach services in mid-January 2013. CHDC's housing counseling services in Oakland began in March. The reporting of tenant service outcomes beginning July 2013 is being developed with the tenant service providers as the foreclosure related services are being folded into the renewed CDBG funded agreement, versus the separate contract arrangement in FY 12-13. We anticipate providing updated tenant service numbers in the next quarterly report. The below chart provides a summary of year to date activities.

Status	Outreach (Allen Temple, OCCUR, Family Bridges, MLK FC, CJJC) through October	Homeowner Hotline (HERA through December)	Housing Counseling (CHDC March – November & Unity Council July - June)	Homeowner Legal Services (HERA through October)	Tenant Hotline (CJJC through June 2013)	Tenant Counseling (CJJC through June 2013)	Tenant Legal Services (Centre Legal & EBCLC through June 2013)
HHs Reached or Served	4292 attempts 792 reached	29	Total 62 CHDC 120 Unity Council	183	111	84	Total 118 74 EBCLC 44 Centro
Outcomes	369 tenants referred to services 431 homeowners referred to services	29 homeowners served by direct services (HERA or CHDC)	<u>CHDC</u> 2 loan mod completed 19 in process for loan mod 12 other pending cases 16 referred to ROOT	29 loan mod completed (through December) 2 other help keeping home 19 loan mods or help to save home pending	Legal services referral 27 Brief counseling 46 Case	Stopped eviction 11 Habitability or rent issues addressed 22 Cash for keys 4 Pending 16 Other brief	<u>EBCLC</u> Stopped eviction 7 Habitability addressed 1 Cash for keys 2 Brief service 49 Pending 1 <u>Centro</u> Habitability addressed

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Status	Outreach (Allen Temple, OCCUR, Family Bridges, MLK FC, CJJC) through October	Homeowner Hotline (HERA through December)	Housing Counseling (CHDC March – November & Unity Council July - June)	Homeowner Legal Services (HERA through October)	Tenant Hotline (CJJC through June 2013)	Tenant Counseling (CJJC through June 2013)	Tenant Legal Services (Centro Legal & EBCLC through June 2013)
			5 referred to legal services 8 brief counseling <u>Unity Council</u> 9 loan modifications 42 other help keeping home 8 other positive outcomes 32 pending 18 unable to help/ withdrew 11 brief service	106 brief legal service or counseling 27 referred to ROOT or CHDC	management 38	counseling 31	or rent increase rescinded 11 Negotiated settlement 5 Provided single point of contact 1 Brief service 22

The ROOT Loan Fund Program

The ROOT program, administered by Community Housing Development Corporation, an affordable housing nonprofit agency, preserves homeownership for qualified homeowners by purchasing their properties at current market value and reselling them back to the homeowner.

Five Oakland households have completed the ROOT underwriting process. Negotiations with Wells Fargo to purchase the long-time home (51 years) of an Oakland family who had been recently foreclosed upon has been successful and are now in the transactional process to sell the property back to the family. Negotiations to purchase two other properties from Wells Fargo and one from Bank of America are also occurring to preserve homeownership for long-time Oakland homeowners. Complications with the fifth family are being addressed with Fannie Mae. During this quarter an additional 16 households are in various stages of being reviewed for ROOT eligibility. Alternative assistance is offered to households denied for the ROOT program, such as assistance to get into the pipeline for affordable rental housing. The Foreclosure

Prevention outreach workers are engaging in targeted outreach for the ROOT program to NOD owner occupants and REO former owner occupants

Jobs for Oakland Residents

In addition to staff currently employed with the funded organizations, the outreach organizations employed eight employees to conduct street outreach on a part-time basis, all of whom are Oakland residents

National Learning Community

There is continuing interest from other communities regarding the City's foreclosure prevention and mitigation plan and staff has provided information and/or assistance to the following communities this quarter: Los Angeles, Sacramento, Buffalo, as well as presented Oakland's programs at convenings organized by the San Francisco Federal Reserve. Program staff were also interviewed by the Center for American Progress for their research on foreclosure recovery strategies. In addition, the program is learning from new efforts launched in Cleveland to address the problem of blighted abandoned properties, and is in communication with the Center for Community Progress regarding possible technical assistance in developing new strategies to address abandoned and/or blighted properties in Oakland. Through facilitation from the SF Federal Reserve, the national trade alliance HOPE NOW has helped the City connect with the right officials at servicing agencies where staff did not have a prior relationship.

Addressing Critical Gaps—National Fair Housing Alliance Partnership Funds

In the 7 to 12 months of foreclosure prevention and mitigation services, the service providers served over 700 households and provided an effective outcome for 36% of those served. In a sampling study of 179 HERA clients, about 20% could keep their home if the loan amount was reduced to market value, the majority, unfortunately, have insufficient income or other barriers. To address these and other gaps, staff has developed the following proposal for the use of \$1,278,947.00 from National Fair Housing Alliance's settlement with Wells Fargo Bank:

1. **Homeownership Preservation** \$798,947 dedicated to provide grants up to \$50,000 per household for families who need gap funds as part of a home preservation strategy such as the ROOT loan fund program. Criteria would be flexible but include
 - Hardship such as loss of income, health problems, disability, etc
 - A forgivable loan for Oakland households who continue to reside in their Oakland home for up to 5 years. If they sell or refinance their home in less than 5 years, then payment at 0% interest would be required. A case by case hardship exemption regarding the repayment would be available.

- Funds can be used for any type of foreclosure prevention assistance needed, such as payment of HOA fees, back taxes, rehabilitation loan, or through qualifying for the ROOT program
 - Households must have gone through or are currently in a HUD certified housing counseling program
 - Families who are at or below 120% Area Median Income
 - Referrals will come from Oakland's Housing Assistance Center, homeowner counseling agencies and legal services
 - Priority to be given to Oakland families who have resided in their homes for at least 5 years, live in neighborhood stabilization priority areas especially in the International Boulevard Area,¹² and have members who are elderly, disabled, or school-aged children
 - Anticipated families served 15-40
- 2 Tenant Anti-Displacement—***The Pay It Forward Fund***: \$250,000 dedicated to provide rental housing assistance grants of up to \$5,000 per household for tenant families being pushed out of their rental housing given rapidly rising rental housing prices and market force displacement activities¹³ This fund could be administered by Catholic Charities Criteria to include
- Families residing in properties with foreclosure history or displaced by foreclosure-related reasons, including investor activity
 - Families who are at or below 80% of Area Median Income
 - Priority to be given to Oakland families who have resided in Oakland for at least 5 years, live in neighborhood stabilization priority areas especially in the International Boulevard Area, and have members who are elderly, disabled, or school-aged children
 - Referrals will come from Oakland's Housing Assistance Center (a new one-stop housing center), tenant legal services and counseling agencies
 - Expectation of community service once housing and lives are stabilized, including volunteering at the Oakland Housing Assistance Center

¹² These are both the NSP areas as well as the neighborhoods rapidly changing given investor activities in Oakland. For example, the Maxwell Park neighborhood which is slightly outside the NSP threshold, used to be an area with high rates of African American homeownership but rapidly changing given foreclosures and investor activities

¹³ Oakland's housing market is considered one of the top 5 hottest markets in the nation. In the last quarter, Oakland was the 2nd city in the nation for the highest level of rising rents—about 6.9%, on top of a 11.5% rent increase from 2011 to 2012

- Proposal of Catholic Charities to administer the fund with a 10% administrative fee and provide quarterly reports to NFHA and the City of Oakland on the number of applicants and recipients of the funds, including demographic data
 - Anticipated families served 45-70
- 3 **Development of New Innovative Strategies Requiring System Changes for Banks or City of Oakland: Group Foreclosure Prevention, Group Purchase of Foreclosed Properties, Green & Healthy Housing Rehab Standards:** \$80,000 towards City of Oakland staff time working on new innovative strategies that address systems changes for banks and City of Oakland operations Given budget constraints, this grant would assist the City to have dedicated staffing needed to develop and implement its new efforts, including the following
- Development of a pilot program for banks, starting possibly with Wells Fargo, to sell distressed mortgage notes or servicing agreements in the City of Oakland to a current servicing entity, as a way to achieve principal reduction
 - Development of a group purchase program of foreclosed properties rather than individual properties going through the First Look programs This new system will transfer properties upstream and prevent the re-occurring impact of blighted properties on low-income neighborhoods
 - Inclusion of green and healthy housing rehabilitation standards for properties going through the City's new Community Buying program and integrated access to City rehabilitation funds for eligible households This will help address the significant asthma and other health problems in the foreclosure hotspot neighborhoods
- 4 **Property Access for First-Time or Re-Entering Homebuyers** \$50,000 towards the development of a pipeline for ready to go first-time or re-entering homebuyers to access foreclosed or abandoned properties as part of the City's new Community Buying Program
- The grant would go to Hello Housing, a nonprofit housing organization, selected as the Administrator of the City of Oakland's new Community Buying program
 - Homebuyers would be at or below 120% AMI and have gone through a homeownership counseling program sponsored by the City of Oakland or a housing counseling partner
 - Anticipated families served 50
- 5 **Outreach to Families on New Resources:** \$100,000 towards outreach for Oakland households in foreclosure as well as others in target foreclosure hotspot neighborhoods to let families know about new foreclosure prevention, anti-displacement, and new ownership

assistance programs The City of Oakland last year provided \$100,000 to these outreach groups from blight penalty funds towards foreclosure prevention and counseling outreach

- The grant would go to established Oakland outreach groups—Martin Luther King Jr Freedom Center (\$50,000) and the Oakland Citizens Committee for Urban Renewal (OCCUR) (\$50,000)
- Anticipated families served 3,000

III. FORECLOSED PROPERTIES PROGRAM STATUS

The following is a quarterly and year-to-date summary of performance outcomes from the City's Foreclosed and Defaulted Properties Registration, Inspection, and Maintenance Programs Specific information, including performance by major lenders is provided in *Attachment A*.

Time Period	Registrations	Properties Inspected	Charges Collected
Q 10/1/2013— 12/30/13	409	132	\$408,718 total <ul style="list-style-type: none">• \$44,848 reg fees¹⁴• \$363,869 penalties
YTD 7/1/2013— 12/30/13	655	234	\$765,552 total <ul style="list-style-type: none">• \$82,667 reg fees¹⁵• \$682,885 penalties

Proactive inspections of 116 foreclosed and defaulted properties this quarter found 7 properties with blight, mostly minor—6% of the inspected properties The lender/servicer is being pursued for abatement in 5 of those cases, 3 being bank owned and 2 being possibly abandoned by the owner The remaining 2 are being addressed by the current owner in default In addition, 11 properties were inspected to follow up with new complaints regarding blighted defaulted or foreclosed properties Eight of these complaints were verified and abated timely, 2 are in the abatement period, and one remains an active open case due to complications with potentially unauthorized occupants Information in Attachment A provides violation break-downs by specific lenders/servicers

Staff continues to deal with increasing numbers of unauthorized occupants in abandoned and/or defaulted or foreclosed properties who are creating blight and/or engaged in nuisance activities Seven such cases were successfully abated this quarter through lender action coordinated by Building Services and the Oakland Police Department Those properties remain clean and secure Three active cases remain and new strategies are being developed through coordination between Building Services and the Oakland Police Department to address unsanitary and hazardous conditions that have resulted

¹⁴ An additional \$7,372 in Rec/Tech restricted fees were collected

¹⁵ An additional \$12,189 in Rec/Tech restricted fees were collected

IV. STATUS OF INVESTOR OWNED FORECLOSED AND DEFAULTED PROPERTIES PROGRAM

In November, 2012, the City Council passed an ordinance requiring the registration, inspection, and maintenance of formerly foreclosed or defaulted properties purchased by investors. The new program, including a new online registration portal, launched in early August 2013. Registration notices were issued to 70 properties between August and November with the following outcomes:

- 35 properties have been registered
- 15 properties were determined to be exempt
- 14 penalties have been issued for failure to register
- Registration is required for the remainder by early January

Of the 15 inspections conducted so far, 11 properties were issued a Notice of Violation and given 30 to 60 days to abate the conditions. Twenty inspections are pending.

V. STATUS OF COMMUNITY BUYING PROGRAM—TRANSFORMING ABANDONED PROPERTIES INTO AFFORDABLE HOUSING

As provided in the last report, the City issued a Solicitation for Partners to select a Nonprofit Administrator of the Community Buying (CB) Program and qualified nonprofit and for-profit developers committed to working with the City to achieve its community development and neighborhood stabilization goals. Hello Housing, a nonprofit housing development organization with experience in administering similar programs for Alameda and Contra Costa Counties, was selected as the Program Administrator. Nine development partners were also selected: Allen Temple Economic Development Agency, Asian Inc, Community Housing Development Corporation, East Bay Asian Local Development Corp, Habitat for Humanity, Hello Housing, Nehemiah Corporation of America, Self Help, and Turner Group Construction.

The immediate priorities for the CB Program are to:

1. Develop systems for efficient, effective, and equitable disposition of available properties among the developer partners
2. Organize developer partners to purchase and develop the 55 abandoned properties that did not sell in the pilot program that the City and County developed to address 76 abandoned properties with City code enforcement and County tax liens that had not sold in prior tax auctions.¹⁶ These properties would be redeveloped into affordable ownership or rental housing. Staff is working with the County Treasurer-Tax Collector, Donald

¹⁶ See Report and Resolution Approving the Potential Removal of Liens on 75 Properties to Facilitate the Sale of These Properties in the Alameda County Auction Program, October 2, 2012 Council meeting

White, and his staff on crafting disposition strategies that promote the affordable housing goals

- 3 **Revise the First Look programs for the National Community Stabilization Trust and Fannie Mae to improve transparency and purchasing opportunities of foreclosed properties** Preliminary changes would be the creation of a City of Oakland Community Buying portal through the NCST that would give Community Buyers the first priority to purchase available properties that are offered through the First Look programs, as well as coordinate access with Fannie Mae's HomePath program Staff has also been in discussion with Wells Fargo and Nationstar about the development of a First Look program prior to foreclosure, possibly at short sale

VI. DEVELOPMENT OF PROACTIVE PROGRAMS AND POLICY RECOMMENDATIONS

As provided in past reports, staff has been working with community partners and national experts to develop new strategies and identify new resources and/or policies to accomplish the following goals

- 1 **Preserve homeownership for qualified residents**
- 2 **Provide meaningful access to foreclosed properties for owner-occupant purchasers**
- 3 **Support the disposition of foreclosed properties into affordable and quality rental housing**

As discussed in recent Council and CED Committee meetings, while foreclosures have significantly declined in Oakland, given the City's united concerns about the current impact on long-time Oakland homeowners, including the elderly and families, and the growing related affordable housing crisis, the City is looking for structural and more expeditious solutions to prevent foreclosures Building upon prior efforts, staff is now working with Self Help, a national Community Development Financial Institution with a regional office in Oakland, on the possible development of a mortgage notes sales program See **Informational Report on Local Principal Reduction Strategies, November 19, 2013 Council meeting.**

In addition, staff is in discussion with state political representatives and advocacy organizations about the development of possible policy solutions

Development of Policy Recommendations for Council Consideration

There may be policy recommendations for Council action, in a separate future staff report, to support the alternative disposition goals of home preservation, new homeownership opportunities, and quality and affordable rental housing Staff will be convening meetings with different stakeholder groups to develop any policy recommendations for Committee consideration, including the following ACCE, Alameda County Public Health Department,

CJJC, East Bay Rental Housing Association, Jobs and Housing Coalition, OCO, Oakland Realtors Association, Urban Strategies Council, and others

SUSTAINABLE OPPORTUNITIES


Economic: Oakland's foreclosure crisis has had devastating economic impact to residents, neighborhoods, economic development efforts, and City revenues. Blighted foreclosed or defaulted properties have resulted in significant expenditures of limited City resources including Code Enforcement, Police, Fire, and City Attorney. The City's proactive strategies will foster Oakland's economic goals.

Environment: Vacant or unmaintained foreclosed or defaulted properties have impacted the City's physical environment, as well as the health of residents. The City's proactive strategies will foster Oakland's environmental goals.

Social Equity: The foreclosure crisis has disproportionately impacted lower income residents who reside in flatland neighborhoods. The crisis has also significantly contributed to the current affordable housing crisis. The City's proactive strategies will foster social equity goals.

For questions regarding this report, please contact Margaretta Lin, Departments of Housing and Community Development and Planning and Building, at 510-238-6314.

Respectfully submitted,



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Reviewed by
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***Attachment A: Foreclosure Data
& Properties Status***

Prepared by

Margaretta Lin
Strategic Initiatives Manager
Departments of Housing and Community Development
and Planning and Building

Item _____
CED Committee
January 28, 2014

		Foreclosure Events			Registrations						Inspections							
		NOD/REO Filings			Notice of Default			Foreclosed / REO			Inspected Properties				Abatement			
Time Period	Bank*	NOO	Trustee Sale	REO	Total NOD	Occupied	Vacant	Total REO	Occupied	Vacant	Proactive		New Complaints		Total Violations	Pending	Timely	Penalties
											Inspected	Violations	Inspected	Violations**				
Current Qtr Oct - Dec 2013																		
Major Lenders	BofA	10	1	1	28	18	10	4	0	4	11	1	1	1	2	1	1	0
	Chase	23	3	2	3	2	1	1	0	1	9	0	2	2	2	0	2	0
	Fannie Mae	1	0	0	0	0	0	8	4	4	10	2	1	1	3	2	1	0
	Freddie Mac	0	0	0	0	0	0	0	0	0	3	1	0	0	1	1	0	0
	US Bank	12	2	1	4	2	2	0	0	0	3	0	0	0	0	0	0	0
	Wells	39	8	2	206	196	10	11	8	3	40	0	3	3	3	1	2	0
Other Lenders	Ocwen	20	2	1	85	84	1	1	0	1	13	1	0	0	1	1	0	0
	Nationstar	17	4	3	3	3	0	0	0	0	8	0	1	1	1	0	1	0
	Bank of NY	8	1	0	0	0	0	0	0	0	0	0	1	1	1	1	0	0
	Deutsche Bk	10	0	0	1	1	0	1	0	1	1	0	0	0	0	0	0	0
	One West	15	0	0	4	4	0	0	0	0	2	0	0	0	0	0	0	0
	SP Servicing	6	0	0	4	2	2	4	1	3	9	0	0	0	0	0	0	0
	Others***	63	16	8	33	24	9	8	3	5	7	0	2	2	2	1	1	0
	Total	224	37	18	371	336	35	38	16	22	116	5	11	11	16	8	8	0
		Foreclosure Events			Registrations						Inspections							
		NOD/REO Filings			Notice of Default			Foreclosed / REO			Inspected Properties				Abatement			
Time Period	Bank*	NOD	Trustee Sale	REO	Total NOD	Occupied	Vacant	Total REO	Occupied	Vacant	Proactive		New Complaints		Total Violations	Pending	Timely	Penalties
											Inspected	Violations	Inspected	Violations**				
FY to Date July - Dec 2013																		
Major Lenders	BofA	15	4	3	44	31	13	5	1	4	19	1	2	2	3	1	1	1
	Chase	43	14	5	36	22	14	2	0	2	28	2	2	2	4	0	4	0
	Fannie Mae	6	1	1	0	0	0	17	10	7	13	2	4	4	6	2	2	2
	Freddie Mac	0	0	0	1	0	1	0	0	1	3	1	0	0	1	1	0	0
	US Bank	24	9	4	5	3	2	0	0	0	6	0	0	0	0	0	0	0
	Wells	81	19	7	251	240	11	14	8	6	56	2	3	3	5	1	4	0
Other Lenders	Ocwen	34	5	2	121	119	2	3	0	3	31	1	0	0	1	1	0	0
	Nationstar	28	14	11	40	38	2	1	0	1	8	0	2	2	2	0	2	0
	Bank of NY	12	4	2	0	0	0	0	0	0	2	1	2	2	3	2	1	0
	Deutsche Bk	17	1	1	1	1	0	2	0	2	8	1	0	0	1	0	1	0
	One West	30	2	2	4	4	0	0	0	0	4	0	1	1	1	0	0	1
	SP Servicing	9	0	0	25	23	2	4	1	3	15	0	1	1	1	0	0	1
	Others***	140	67	20	64	53	11	15	4	10	21	0	3	5	5	1	4	0
	Total	439	140	58	592	534	58	63	24	39	214	11	20	22	33	9	19	5

Notes on Methodology

*There are often multiple entities involved in the loan for a defaulted or foreclosed property including the lender or investor/note holder and the servicer that manages the loan payments. Properties are assigned to the primary responsible party based on a combination of information pulled from public records and details provided in the registry.

**Proactive inspections this quarter found 3 blighted bank-owned properties and 5 blighted properties in the default stage, with mostly minor violations. Only 1 of the defaulted properties is included in the table above because the lender is being pursued for abatement due to potential abandonment by the owner.

*** In the case of Trustee Sales, this number includes sales to a 3rd party as well as lenders not uniquely identified above.