PHED COMMITTEE #2
September 18, 2008

Update and Discussion

MEMORANDUM

September 16, 2008

TO: Planning, Housing, and Economic Development Committee

FROM: Linda McMillan, Senior Legislative Analyst
Roger Glendenning, Council Advisor Roger Glendenning

SUBJECT: **Update and Discussion: Foreclosures**

At this session, the Committee will receive an update from Richard Nelson, Director of the Department of Housing and Community Affairs (DHCA), on the number of foreclosures in Montgomery County, their impact on county properties, and DHCA's efforts to prevent foreclosures and assist those in the foreclosure process.

The Committee will then be briefed by Roger Glendenning, Council Advisor on loan to the Council staff as part of the Senior Executive Service Development Program at the United State Department of Agriculture (USDA), on best practices in helping those in foreclosure, responses in other jurisdictions, and recommendations for increasing Montgomery County's efforts to address the foreclosure problem.

Update from DHCA

A memo from DHCA Director Nelson is attached at ©1-3. The memo references the Second Quarter 2008 report from the State's Department of Housing and Community Development.

- The data indicates that all events associated with foreclosures dropped from 1,644 in the first quarter of 2008 to 1,314 in the second quarter. It is unclear how much of this decline is from the legislative changes that became effective in April lengthening the foreclosure period from two weeks to 135 days.

- DHCA has facilitated 10 community meetings that provided counseling and information to 250 to 300 people.

- HomeFree USA and the Latino Economic Development Corporation (LEDC) have counseled over 390 families and reported 264 positive outcomes so far.

- There is a need for additional trained counselors and there will be a training session with NeighborWorks America on October 27-28th.

- DHCA has inspected 541 vacant properties. A summary of the types of violations found is included at ©3. 127 of the properties had no violations. The majority of violations were for grass, weeds, and solid waste. There were 2 vacancies with unauthorized occupants and 4 properties required emergency board-ups.

Memorandum Report from Roger Glendenning

Attached at ©4-31 is a memorandum report which outlines the most recent data on foreclosures in Montgomery County and the State of Maryland, a summary of the Housing and Economic Recovery Act of 2008, summary information on actions being taken in the State of Maryland, Montgomery County, Fairfax County, Westchester County (NY), and the states of Massachusetts, Delaware, and Pennsylvania, information on tenant protections, a summary of "best practices," and a series of recommendations for ways Montgomery County might further abate the impacts of foreclosures. A more detailed summary of the Housing and Economic Recovery Act of 2008 prepared by the National Council of State Housing Agencies is attached at ©32-45.

As noted in Director Nelson's memo, overall foreclosure actions in Montgomery County decreased from the 1st quarter to the 2nd quarter of 2008. Thirty-two percent of all foreclosure actions in the State were in Prince George's County with Montgomery County accounting for 14.7% of foreclosure actions. As shown on ©8, there are three Montgomery County zip codes that had more than 100 notices of default during the second quarter of 2008: 20874 (Germantown), 20886 (Montgomery Village), and 20906 (Silver Spring). Circles 10-11 show that there are nine Montgomery County zip codes that are considered to "hot spots": 20874 (Germantown), 20876 (Germantown), 20877 (Gaithersburg), 20878 (Gaithersburg), 20879 (Gaithersburg), 20886 (Montgomery Village), 20902 (Silver Spring), 20904 (Silver Spring), and 20906 (Silver Spring).

The memorandum report provides information on responses from other jurisdictions. The Committee members may want to discuss whether any of these responses are things that should be explored for Montgomery County. For example, Fairfax County's "Silver Lining Initiative" (©15-16) not only assists first-time homebuyers to buy foreclosed properties but also provides a deferred loan for repairs if they are needed. Massachusetts' "Transition Resources" (©17-18) has participating lenders providing moving expenses and a first and last month's rent to those with sub-prime loans that have lost their home to foreclosure provided they work with a housing counselor, vacate the property in 30 days, and leave it in good condition. DHCA has previously noted that some foreclosed properties need $10,000 to $15,000 in renovations because they are left in poor condition.

Circles 18-19 highlight the need for tenant protections. Many times foreclosure properties are rental properties, leaving those renting to find new housing in a very short timeframe. The District of Columbia allows tenants to stay in homes and pay rent to the lender until the home is sold. The new homeowner is required to go through the eviction process if they want the tenant to leave.

Circles 20-23 provide a series of recommendations that Mr. Glendenning will review with the Committee. The major focus is finding additional ways to prevent foreclosures through the use of trained counselors. The recommendations indicate that DHCA would benefit from having one or two additional skilled staff people to focus on the foreclosure crisis. The recommendations also note that non-profit counseling organizations are in need of additional counselors. The Committee may want to discuss with DHCA if there are any opportunities to work with the State to see if the County might be able to forward-fund these types of costs with agreement that the County would be reimbursed as the new Federal monies become available to the State.

The Committee may also want to discuss with DHCA under what circumstances the County might purchase foreclosed properties, whether the newly approved affordable housing acquisition and preservation monies might be used for this purpose, and whether, as in Westchester County, there are any opportunities to look at the use of a land-trust to reduce the cost of the property to the non-profit or individual who would eventually own the home.

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DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Isiah Leggett
County Executive

Richard Y. Nelson, Jr.
Director

MEMORANDUM

September 15, 2008

TO: Michael J. Knapp, Chair
Planning, Housing and Economic Development Committee

FROM: Richard Y. Nelson, Jr., Director
Department of Housing and Community Affairs

SUBJECT: Foreclosure Update

This memo is intended to update you on foreclosure activity in Montgomery County and efforts undertaken and planned to combat this enormous problem. County Executive Leggett sent the full Council a briefing memorandum, dated July 23, 2008, and all members of the Council were sent copies of the Second Quarter 2008 Property Foreclosure report for Montgomery County prepared by the Maryland Department of Housing and Community Development (MDDHCD.) I will not attempt, here, to repeat all of that information.

Mortgage Loan Foreclosure Events in Montgomery County

Period	Notices of Default	Notices of Sales	Lender Purchases	All Events
July 2008	161	5	16	182
2008 Q2	1,162	76	76	1,314
2008 Q1				1,644
2007 Q2				603

Strict comparisons of numbers are difficult because they have been affected by the State legislation which became effective April 4, 2008. This legislation extended the foreclosure period from two weeks to 135 days to give homeowners a greater opportunity to cure their defaults, restructure their mortgages, or refinance. More notices of default are sent but the numbers for notices of sales and purchases are down.

A large number of adjustable rate mortgage (ARM) resets are occurring. However, the rate increases appear not to be the two to three percent originally anticipated. This development might have the effect of tempering the number of new cases.

As previously reported, most of our efforts to date have been on foreclosure prevention. We have been working closely with MDDHCD and have matched funding with the State to address this problem. In the beginning of April we executed three Memorandums of

Understanding with MDDHCD. One MOU commits both the county and state to set aside $2.5 million, each, in a fund to guarantee against the top loss by local banks offering refinance assistance to homeowners. Hopefully, losses will be minimal and we won't have to draw down much of this fund. The county and the state have also each contributed $100,000 to a fund to provide bridge loans up to $15,000 to eligible homeowners. Lastly, we each contributed $100,000 to fund foreclosure counseling in the county. This is ongoing.

Our outreach to Montgomery County residents has been multi-faceted. DHCA and OCP have facilitated and or participated in more than ten community meetings. At theses meetings between 250-300 persons have received help, including one-on-one foreclosure prevention counseling. More foreclosure prevention educational meetings are scheduled during the balance of the year, including a brown bag lunch for County employees.

The eighth Annual Montgomery County Housing Fair and Financial Fitness day on September 27, 2008, will focus on foreclosure prevention. This event usually attracts more than a thousand residents. Seven foreclosure prevention counselors and two credit counselors will attend the fair and meet, one on one, with fairgoers.

Our two nonprofit partners currently providing foreclosure prevention counseling in Montgomery County – HomeFree USA and LEDC – have counseled over 390 families, with 264 positive outcomes so far and more positive outcomes expected.

Because the demand is so great and LEDC and HomeFree USA cannot alone meet the need for foreclosure prevention counseling, we are currently in discussions with the State and with two nonprofits to contract for more counselors for Montgomery County. In addition, to further address the problem of too few counselors in the County, we are funding a counselor training session to be conducted by NeighborWorks America in Montgomery County on October 27-28, 2008.

On our web site and in printed materials we are encouraging families to call the Maryland HOPE Hotline. The HOPE line has received 1,386 calls from Montgomery County residents. Callers receive "triage assessment" of their foreclosure situation and are referred to a counselor or organization that can best address their problem. Encouraging families to call the HOPE Hotline (1-877-462-7555), as a part of our partnership with the State, has proven to be a very beneficial tool in our efforts to address the foreclosure issues facing our residents. We also have a foreclosure prevention town hall meeting, in Montgomery County, being planned with the State and Radio One – DC, for November 1, 2008.

In our continuing effort to reach out to residents affected by the foreclosure crisis, we have participated in a half a dozen different TV shows. Some of these shows have been aired multiple times and some have been aired in Spanish. These efforts are continuing. We have also distributed foreclosure prevention information at different conferences and events such as the County Fair, Latino Health Festival, Affordable Housing Conference, and a mailing to over 600 faith-based organizations.

In an effort to combat the negative impact of vacant and neglected properties on neighborhoods, we have instituted a program to encourage residents to notify DHCA of vacant properties. Our code inspectors go out to each property and inspect to ensure the property is secured and the grounds are not littered with solid waste or overgrown vegetation. As appropriate, notices of violations are issued and in cases where there is no compliance, contractors are employed to do emergency board ups and/or cut grass. The property is then liened for the cost of the work. From March 2008 to date, 541 properties have been inspected and notices issued with the following results:

• Grass and weed violation notices issued	265
• Solid waste violation notices issued	137
• No violations notices issued/required	127
• Vacancies open to casual entry	10
• Vacancies with unauthorized occupants	2
Total	**541**
• Voluntary compliance (approximately)	450
• Clean and Liens	87
• Emergency Board ups	4

These are the actions taken to date, but more needs to be done. Next steps will include more concentrated data collection, better mapping of foreclosure events and more in depth analysis. This information gathering stage will help us to focus on future directions of our efforts and areas to explore for action. One particular result of this phase might possibly lead to the identification of specific areas for a focus in terms of any foreclosure acquisitions we embark upon.

Having accomplished a lot and set the course for prevention strategies, we are now able to begin to focus on potential acquisition and/or some other program efforts to link up purchasers with vacant and foreclosed properties. We have been working with Habitat for Humanity on the development of a program whereby they can purchase some foreclosed properties, rehab those properties and dispose of them to low-income families as a part of their program. This collaborative effort is a work in progress but has considerable potential, particularly when and if, we receive funds from the federal government as a result of the recently passed legislation.

The County Executive has been closely monitoring the impact of foreclosures on Montgomery County and has ensured that multiple departments and agencies focus attention on addressing the problems caused by this crisis in our County. Continuing attention is given to what is being done and what additional can be done to help those impacted by foreclosures.

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cc: PHED Committee Members

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AGENDA ITEM # 2
September 18, 2008
Discussion

MEMORANDUM

September 16, 2008

TO: Planning, Housing & Economic Development Committee

FROM: Roger Glendenning, Council Adviser

SUBJECT: Minimizing Impacts in Montgomery County from Home Foreclosures – Opportunities and Best Practices

The PHED Committee is reviewing opportunities for minimizing the impact from home foreclosures in Montgomery County. This memorandum outlines current conditions and forecasts for foreclosures in the Montgomery County, and provides information on steps being taken to curtail the impact of foreclosures in the region and nationally. It also provides a summary of the Housing and Economic Recovery Act of 2008, and how Montgomery County may benefit from this federal legislation. Finally, several foreclosure impact abatement best practices and recommendations are offered for consideration.

The impacts from foreclosures, especially to the degree now being experienced, are widespread. Families lose their homes, and are uprooted, and their credit histories are destroyed. Counties and municipalities experience a loss of property tax revenue, and increased expenditures for property inspections and monitoring. Homeowners watch as their property values decline due to increased homes for sale inventory and tightened credit markets. Crime, vandalism, and unsafe conditions can increase, especially in communities with high concentrations of foreclosures. Realtors, bankers, title companies and others associated with the real estate industry have their livelihood threatened. Renters are thrown out of homes when landlords are foreclosed upon.

This memorandum has five sections:

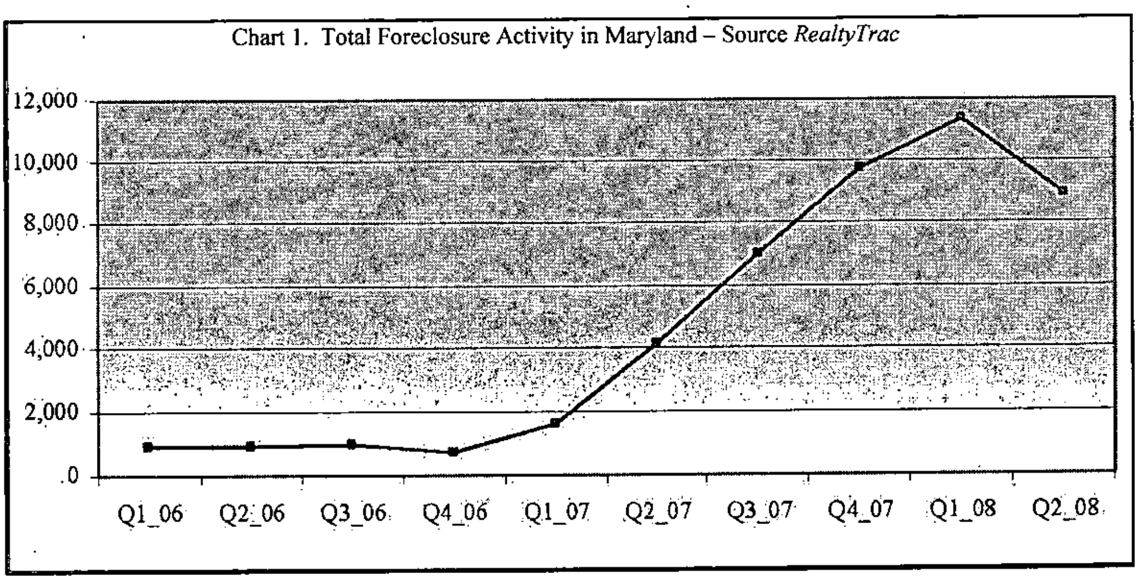
I. Current Conditions in Maryland and Montgomery County
II. Foreclosure and Loss Mitigation Abatement Strategies
III. Tenant Protection
IV. Identified Best Practices for Minimizing the Impacts of Foreclosure
V. Potential Opportunities for Montgomery County to Further Abate the Impacts of Foreclosure

I. CURRENT CONDITIONS IN MARYLAND AND MONTGOMERY COUNTY

The current foreclosure crisis, impacting the economy nationwide, is driven by several factors, including low interest rates, new mortgage products designed to serve first-time homebuyers, and easy access to home mortgage credit made available by subprime lending products offered to borrowers who could not qualify for conventional loans to purchase homes. Of these factors, the subprime lending component is seen as the most relevant component. Subprime loans often required no money in the form of a down payment by the homebuyer, and had characteristics like low or no documentation for income or credit. Interest rates charged were often well above conventional market rates and were "adjustable", meaning a starter rate reset to a higher rate after an initial period (usually 24 or 36 months), resulting in payment shock to the homeowner.

Lenders and homebuyers involved with loans in the subprime market were initially protected because home values were rising rapidly and there appeared to be no end in sight to the appreciation. In fact, many homeowners used their buildup in equity to refinance their mortgages and take cash out for other purposes. Demand for homes continued to grow, and with it median home prices in the DC Metro area increased by over 100 percent between 2001 and 2005. At the end of 2005, Montgomery County had a median home price of $435,000. The rapid escalation in home prices was unprecedented in the history of modern home mortgage lending, and occurred throughout the country.

The foreclosure crisis continues to be a major drain on the housing market in Maryland and Montgomery County. The Washington DC region has one of the fastest growing foreclosure rates in the nation, and the effects are widespread. Property tax revenues are impacted, counties and cites experience increased costs associated with foreclosures, and neighborhoods are impacted by vacant homes. Maryland began to see a spike in foreclosure activity in mid-2007 (see Chart 1), and was relatively unscathed by the nationwide foreclosure crisis until then.



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Foreclosure events[1] have declined in the 2nd quarter 2008 compared to the 1st quarter due to recently enacted (April 2008) Maryland laws that increased the foreclosure period from an average of two weeks to 135 days. The law specifies that the lender wait 90 days after default before filing a foreclosure action and that the foreclosure sale may not occur until 45 days after the filing. Defaulted borrowers may also cure by paying what is past due up to one day before the scheduled foreclosure sale.

Data from RealtyTrac shows that the new law is having the intended effect in Maryland and Montgomery County. Maryland's national foreclosure rate ranking fell from 12th in the nation during the 1st quarter to 16th in the nation in the 2nd quarter in 2008. Foreclosure events in Maryland fell from 11,380 in the 1st quarter to 8,929 in the 2nd quarter. However, foreclosure events were still up from second quarter from 2007 by about 120 percent. In Montgomery County, foreclosure events declined in the 2nd quarter 2008 to a level of 1,314, representing about a 20 percent decline from the first quarter, but still 117 percent above 2nd quarter 2007 levels. **Prince George's County accounted for 32 percent of all of Maryland's foreclosure events in the 2nd quarter, followed by Montgomery County's 14.7 percent** and Baltimore City's 11.1 percent.

Tables 1 – 2 and Maps 1- 2 (immediately below), illustrate foreclosure activity in Maryland and Montgomery County during the 2nd quarter of 2008. Appendix A offers a national perspective of foreclosure activity in the 2nd quarter.

Table 1. Property Foreclosure Events in Maryland Jurisdictions
2008 Q2

Jurisdiction	Notices of Default	Notices of Sales	Lender Purchases (REO)	Total			
				Number	County Share	% Change from	
						2008Q1	2007 Q2
Allegany	37	9	2	48	0.5%	-28.4%	108.7%
Anne Arundel	648	35	112	795	8.9%	9.2%	165.9%
Baltimore	679	73	29	781	8.7%	-16.0%	34.7%
Baltimore City	832	112	47	991	11.1%	-40.1%	145.3%
Calvert	82	13	9	104	1.2%	-40.2%	46.5%
Caroline	10	1	0	11	0.1%	-85.1%	-15.4%
Carroll	106	10	5	121	1.4%	-31.3%	108.6%
Cecil	21	6	6	33	0.4%	-76.9%	153.8%
Charles	300	46	11	357	4.0%	-10.8%	121.7%
Dorchester	2	1	4	7	0.1%	-88.7%	-30.0%
Frederick	266	51	28	345	3.9%	-32.1%	180.5%
Garrett	10	2	0	12	0.1%	-67.6%	500.0%
Harford	244	9	8	261	2.9%	-18.7%	36.6%
Howard	190	55	11	256	2.9%	-23.1%	161.2%
Kent	11	2	1	14	0.2%	-53.3%	366.7%
Montgomery	1,162	76	76	1,314	14.7%	-20.2%	117.2%

[1] Foreclosure events include *notices of intent to foreclose* sent to borrowers, notices of foreclosure sales, and lender purchases of foreclosed properties.

Prince George's	2,411	292	150	2,853	32.0%	-13.8%	139.3%
Queen Anne's	56	2	1	59	0.7%	-19.2%	637.5%
Somerset	15	0	0	15	0.2%	-53.1%	n/a
St. Mary's	121	8	5	134	1.5%	-6.3%	252.6%
Talbot	29	0	1	30	0.3%	-31.8%	76.5%
Washington	173	7	16	196	2.2%	-24.6%	56.8%
Wicomico	71	4	9	84	0.9%	-36.8%	104.9%
	99	3	6	108	1.2%	5.9%	535.3%
Maryland	*7,575*	*817*	*537*	*8,929*	*100.0%*	*-21.5%*	*118.2%*

Source: RealtyTrac

Map 1- Maryland Foreclosure Events – 2008 Q2

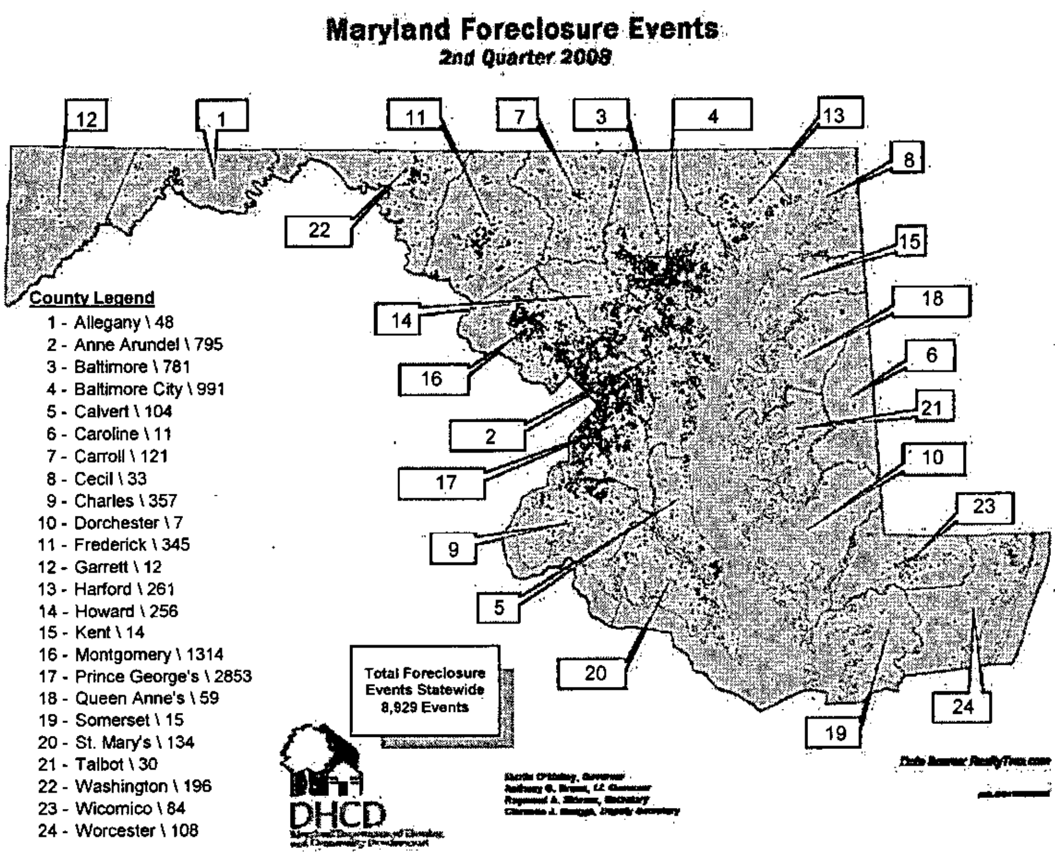

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Table 2. RealtyTrac Property Foreclosure Events in Montgomery County Communities, 2008 Q2

Zip Code	Post Office Name	Notices of Default	Notices of Sales	Lender Purchases	All Events					
					Number	County Share	Number		08Q1% Change from	
							2008Q1	2007Q2	08Q1	07Q2
20861	Ashton	1	0	0	1	0.1%	1	1	0.0%	0.0%
20814	Bethesda	9	0	0	9	0.7%	12	9	-25.0%	0.0%
20816	Bethesda	6	0	0	6	0.5%	7	2	-14.3%	200.0%
20817	Bethesda	8	0	0	8	0.6%	9	9	-11.1%	-11.1%
20841	Boyds	10	1	1	12	0.9%	13	2	-7.7%	500.0%
20833	Brookeville	5	1	0	6	0.5%	3	2	100.0%	200.0%
20866	Burtonsville	19	5	3	27	2.1%	37	13	-27.0%	107.7%
20815	Chevy Chase	3	0	0	3	0.2%	6	7	-50.0%	-57.1%
20871	Clarksburg	25	2	2	29	2.2%	35	16	-17.1%	81.3%
20872	Damascus	13	1	3	17	1.3%	17	11	0.0%	54.5%
20855	Derwood	18	0	1	19	1.4%	22	6	-13.6%	216.7%
20877	Gaithersburg	78	6	3	87	6.6%	102	37	-14.7%	135.1%
20878	Gaithersburg	65	4	5	74	5.6%	84	40	-11.9%	85.0%
20879	Gaithersburg	63	2	7	72	5.5%	88	20	-18.2%	260.0%
20882	Gaithersburg	16	0	1	17	1.3%	27	13	-37.0%	30.8%
20874	Germantown	138	9	10	157	11.9%	204	60	-23.0%	161.7%
20876	Germantown	58	5	2	65	4.9%	78	23	-16.7%	182.6%
20895	Kensington	10	0	0	10	0.8%	17	4	-41.2%	150.0%
20707	Laurel	2	0	0	2	0.2%	1	0	100.0%	0.0%
20886	Montg. Village	103	5	7	115	8.8%	143	51	-19.6%	125.5%
20832	Olney	26	0	3	29	2.2%	34	12	-14.7%	141.7%
20837	Poolesville	3	1	0	4	0.3%	6	2	-33.3%	100.0%
20854	Potomac	14	0	1	15	1.1%	28	15	-46.4%	0.0%
20850	Rockville	24	2	3	29	2.2%	41	12	-29.3%	141.7%
20851	Rockville	19	2	2	23	1.8%	24	5	-4.2%	360.0%
20852	Rockville	23	1	2	26	2.0%	39	15	-33.3%	73.3%
20853	Rockville	44	3	2	49	3.7%	53	16	-7.5%	206.3%
20860	Sandy Spring	2	0	0	2	0.2%	4	0	-50.0%	0.0%
20901	Silver Spring	27	3	1	31	2.4%	49	24	-36.7%	29.2%
20902	Silver Spring	70	4	1	75	5.7%	88	41	-14.8%	82.9%
20903	Silver Spring	20	1	0	21	1.6%	22	7	-4.5%	200.0%
20904	Silver Spring	60	4	7	71	5.4%	92	28	-22.8%	153.6%
20905	Silver Spring	34	2	1	37	2.8%	41	10	-9.8%	270.0%
20906	Silver Spring	112	8	6	126	9.6%	161	55	-21.7%	129.1%
20910	Silver Spring	17	1	1	19	1.4%	27	23	-29.6%	-17.4%
20868	Spencerville	1	0	0	1	0.1%	2	2	-50.0%	-50.0%
20912	Takoma Park	16	3	1	20	1.5%	27	10	-25.9%	100.0%
County Total		**1,162**	**76**	**76**	**1,314**	**100.0%**	**1,644**	**603**	**-20.1%**	**117.9%**

Source RealtyTrac

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Map 2 – Montgomery County Foreclosure Events Q2 2008

Montgomery County Foreclosure Events

2nd Quarter 2008

Total Foreclosure Events Countywide
1,314 Loans

DHCD
Maryland Department of Housing and Community Development

Martin O'Malley, *Governor*
Anthony G. Brown, *Lt. Governor*
Raymond A. Skinner, *Secretary*
Clarence J. Snuggs, *Deputy Secretary*

Data Source: RealtyTrac.com

pub. date: 08/05/2008

(9)

Foreclosure "Hot Spots"

Montgomery County has several foreclosure "Hot Spots", as indicated in Table 3. These are defined as communities with more than 49 foreclosure events in the 2nd quarter that had fewer than 225 homeowner households in the community per foreclosure event. The Table also includes a foreclosure index calculated for each hot spot community. The index indicates how much each community's foreclosure rate deviates from the "Hot Spots" group average. Prince George's County has several "Hot Spot" that are more than double the group average.

Table 3. Foreclosure Hot Spots in Maryland Communities
Second Quarter 2008

Jurisdiction	Zip Code	Post Office Name	Number of Foreclosures	Homeowner Households per Foreclosure	Foreclosure Index
Anne Arundel	21060	Glen Burnie	57	139	75.9
Anne Arundel	21061	Glen Burnie	84	139	75.8
Anne Arundel	21122	Pasadena	110	170	62.0
Anne Arundel	21144	Severn	83	96	109.2
Baltimore	21117	Owings Mills	65	196	53.8
Baltimore	21133	Randallstown	78	97	108.7
Baltimore	21207	Gwynn Oak	62	188	55.9
Baltimore	21222	Dundalk	76	207	51.0
Baltimore	21244	Windsor Mill	52	133	79.4
Baltimore City	21206	Raspeburg	76	163	64.8
Baltimore City	21213	Clifton	81	96	110.2
Baltimore City	21215	Arlington	95	131	80.4
Baltimore City	21216	Walbrook	54	136	77.4
Baltimore City	21217	Druid	69	69	152.4
Baltimore City	21218	Waverly	74	122	86.4
Baltimore City	21223	Franklin	74	60	176.6
Baltimore City	21224	Highlandtown	94	136	77.5
Baltimore City	21229	Carroll	66	168	62.5
Baltimore City	21230	Baltimore	67	124	85.0
Calvert	20657	Lusby	54	111	94.7
Charles	20601	Waldorf	70	96	109.6
Charles	20602	Waldorf	75	77	136.4
Charles	20603	Waldorf	83	79	133.9
Frederick	21701	Frederick	61	163	64.6
Frederick	21702	Frederick	83	113	93.3
Frederick	21703	Frederick	82	100	105.0
Harford	21040	Edgewood	54	116	90.5
Howard	21045	Columbia	54	201	52.4
Montgomery	**20874**	**Germantown**	**157**	**96**	**109.3**
Montgomery	**20876**	**Germantown**	**65**	**91**	**115.3**
Montgomery	**20877**	**Gaithersburg**	**87**	**66**	**160.0**

(10)

Table 3. Foreclosure Hot Spots in Maryland Communities
Second Quarter 2008

Jurisdiction	Zip Code	Post Office Name	Number of Foreclosures	Homeowner Households per Foreclosure	Foreclosure Index
Montgomery	**20878**	**Gaithersburg**	**74**	**217**	**48.6**
Montgomery	**20879**	**Gaithersburg**	**72**	**100**	**105.8**
Montgomery	**20886**	**Montgomery Village**	**115**	**71**	**149.3**
Montgomery	**20902**	**Silver Spring**	**75**	**142**	**74.3**
Montgomery	**20904**	**Silver Spring**	**71**	**161**	**65.2**
Montgomery	**20906**	**Silver Spring**	**126**	**135**	**77.9**
Prince George's	20607	Accokeek	59	48	220.4
Prince George's	20705	Beltsville	89	56	188.7
Prince George's	20706	Lanham	139	67	157.5
Prince George's	20707	Laurel	103	70	149.5
Prince George's	20715	Bowie	52	160	66.0
Prince George's	20716	Bowie	84	72	146.4
Prince George's	20720	Bowie	105	59	178.3
Prince George's	20721	Bowie	106	78	135.7
Prince George's	20735	Clinton	152	72	146.6
Prince George's	20737	Riverdale	69	46	231.1
Prince George's	20740	College Park	52	98	108.0
Prince George's	20743	Capitol Heights	222	43	246.5
Prince George's	20744	Fort Washington	201	76	139.2
Prince George's	20745	Oxon Hill	64	76	138.3
Prince George's	20746	Suitland	62	77	136.5
Prince George's	20747	District Heights	116	68	154.0
Prince George's	20748	Temple Hills	133	67	156.9
Prince George's	20772	Upper Marlboro	167	79	133.5
Prince George's	20774	Upper Marlboro	219	56	189.1
Prince George's	20782	Hyattsville	55	86	122.0
Prince George's	20783	Hyattsville	148	47	223.1
Prince George's	20784	Hyattsville	128	43	244.0
Prince George's	20785	Hyattsville	97	72	145.5
Washington	21740	Hagerstown	101	136	77.7
Worcester	21842	Ocean City	55	75	141.1
All Communities			***5,653***	***105***	***100.0***

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II. FORECLOSURE AND LOSS MITIGATION ABATEMENT STRATEGIES

The enormous consequences of the foreclosure crisis have prompted numerous recent pieces of federal, state, and local legislation and preventive measures to help curtail the impacts.

Federal Response

- *The Housing and Economic Recovery Act of 2008* (H.R. 3221, 7/30/08) provides:

Through the Federal Housing Administration (FHA), an estimated 400,000 borrowers in danger of losing their homes will be able to refinance into more affordable government-insured mortgages. The program offers government insurance to lenders who voluntarily reduce mortgages for at-risk homeowners to at least 90 percent of the property's current value.

The law provides $3.9 billion in Community Development Block Grants to states and localities to buy foreclosed homes standing empty, rehabilitate foreclosed properties, and stabilize the housing market. A Federal Notice is expected to be published by September 30, 2008 with the guidelines for this program, including how municipalities may access funds.

The law provides $180 million for pre-foreclosure counseling, to be distributed in grants by the Neighborworks Reinvestment Corporation – with 15 percent targeted to low-income and minority homeowners and neighborhoods, and $30 million in grants for legal counseling to assist homeowners in foreclosure.

The law establishes a nationwide loan originator licensing and registration standards will be established for all lenders and brokers. New mortgage disclosure standards have been mandated.

The law provides for a $7,500 tax credit for first-time homebuyers that works like an interest free loan (to be paid back over 15 years).

The law grants states $11 billion in additional tax-exempt bond authority in 2008 that they can use to refinance subprime loans, make loans to first-time homebuyers, and finance the building of affordable rental housing.

- *FHASecure Program*

Many homeowners with adjustable rate mortgages find themselves in financial trouble because of current interest rate increases. The FHASecure refinancing plan allows homeowners who have missed up to three mortgage payments in the last 12 months under certain circumstances to avoid foreclosure.

State of Maryland Response

Governor O'Malley established a Homeowner Preservation Task Force in June 2007 in response to rising foreclosure rates in the State. The Task Force was charged with developing an action plan to address rising foreclosure rates and preserve homeownership for Marylanders. A

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final report was issued to the Governor in November 2007, and it contained the following recommendations:

- Create a "Homeownership Crisis Intervention Fund" to provide case-by-case interventions to prevent foreclosures and potential homelessness.
- Expand options for homeowners to refinance or restructure mortgages to prevent foreclosure and address affordability.
- Help communities in distress or at-risk due to concentrations of foreclosure activity in certain neighborhoods or jurisdictions.
- Promote sustainable homeownership resources through statewide outreach and marketing campaigns that will reach homeowners throughout Maryland.
- Strengthen and expand nonprofit financial and housing counseling statewide.
- Coordinate all public and private resources available in Maryland to sustain homeownership.
- Increase the Commissioner of Financial Regulation's legal and regulatory oversight and enforcement of the mortgage lending industry to strengthen protections for homeowners and ensure the integrity of the industry.
- Strengthen the laws and enforcement against fraud in mortgage transactions.
- Improve Maryland's foreclosure process.

Several of the above recommendations have been implemented in whole or in part by the state:

1. **Three new programs are sponsored through Maryland Department of Housing and Community Development (DHCD)** for homeowners who are at risk of losing their homes through foreclosure, including two that provide for refinancing with new loans, and a third that provides a zero-interest bride loan to a loan servicer to bring a defaulted loan current.

DHCD's Lifeline Refinance Program is aimed at homeowners who are not behind on their payments but who are facing an interest rate increase.

DHCD's Homesaver Refinance is a program for homeowners who have missed a few payments but who can afford to sustain a reasonable mortgage payment.

DHCD's Bridge to HOPE Program is an emergency 0% loan assistance to help homeowners catch up on payments while they work out a solution with their counselor and lender to stay in their home.

2. **A Memorandum of Understanding was signed in July 2008 between DHCD and Prince George's County**, which provided for DHCD assigning to \$2.5 million in reserve funds to cover potential loan losses for refinancing loans made under DHCD's Homeowners Preserving Equity (HOPE) Program. Prince George's County is to provide up to \$1.5 million in funds for reserves. The combined level of reserves will provide for coverage for approximately 266 families to refinance their loans rather than be subject to foreclosure. **Montgomery County has a similar arrangement in place with DHCD, but is covering \$2.5 million in reserves.**

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3. Effective April 2008, Maryland **foreclosure timeframes were lengthened considerably**, effectively giving homeowners more time and opportunity to cure defaults.

4. **Foreclosure counseling and outreach services have been emphasized and received increased funding**.. DHCD supports a network of 31 nonprofit agencies to provide foreclosure prevention assistance Statewide. Department grants allow these counseling agencies to increase service levels and retrain staff in response to the housing crisis. These organizations have been critical in assisting individuals facing foreclosures, acting as a resource to negotiate reasonable terms with mortgage servicers, and advising citizens on the best actions to take to save their homes. It is anticipated that 6,000 consumers will receive assistance in the coming year from these nonprofits.

5. **DHCD has established a hotline** (1-877-462-7555) for families in financial trouble and in danger of losing their homes. About 1,400 calls have been received from Montgomery County residents to date. Call takers assess the severity and nature of the problem, and refer customers to the proper resources for further assistance.

6. DHCD **compiles and issues monthly and quarterly foreclosure activity reports** for Maryland and each county in the state

7. The Department of Labor, Licensing and Regulation is notified by loan servicers when a notice of intent to foreclose is sent to a delinquent borrower. **The Department follows up with the homeowner by letter to notify them of services available to assist (see Appendix B).** About 29,000 letters have been sent to date. The Department is also sending letters to borrowers who face interest rate resets on their subprime mortgages.

8. **Attorneys are being recruited to provide pro bono services to homeowners facing foreclosure**. Officials from the State have reported that 700 lawyers have volunteered for this program, but the referral process is still being worked out and the program is not yet fully implemented.

Montgomery County Response

Montgomery County's Department of Housing and Community Affairs (DHCA) has been engaged for a number of months with foreclosure avoidance activities that supplement those provided by the State, including:

· Organized public meetings throughout the County and provided web-site references to reach at-risk homeowners with information on what they can do to save their homes.

· Partnered with the state to fund the foreclosure counseling necessary to problem-solve with homeowners. Nonprofits funded under this program have with about 400 families. Montgomery County is seeking to add more federally certified counselors and will be providing training in the County this fall to increase the available pool of foreclosure counselors.

· Matched $2.5 million in state funding with $2.5 million from the county's Housing Initiative Fund to underwrite some potential losses of lending institutions in refinancing homeowners at risk.

· Enlisted the County's churches, synagogues, mosques and other congregations to help spread the word about public meetings, counseling and the toll-free 1-877-462-7555 HOPE hotline to find help.

· Convened meetings with area banks and real estate agents to put their resources and skills to work in attacking the foreclosure issue.

· Increased efforts to identify vacant foreclosed properties and to enforce housing codes to preserve the quality of life in neighborhoods where foreclosed properties might become an eyesore.

According to the County Executive, in the past several months 525 vacant properties have been inspected and issued violation notices for overgrown vegetation or solid waste.

Public purchase of foreclosed properties has been explored as an option, but there are reservations about it as a cost-effective solution. While some properties are being sold for less than the full mortgage amount, this does not reflect a reduction from current property value. Many of the mortgages are for amounts in excess of the assessed real property value. In addition, rehabilitating foreclosed properties costs $15,000 on average. The County feels a better route may be to continue to work with real estate agents to determine the inventory of foreclosed homes and alternatives for disposition of those properties.

Fairfax County, VA

Assistance to Homeowners in Distress: Foreclosure specialists from the Fairfax County Department of Housing and Community Development (HCD) and other county agencies and nonprofits will coordinate efforts with the Virginia Housing Development Authority (VHDA) to counsel households and renters at risk from foreclosure in Fairfax County. In addition, VHDA is training volunteers as certified foreclosure counselors to assist with the counseling of at-risk households. The focus of the counseling is to connect homeowners with their lenders or other resources, with the ultimate goal of a loan workout. HCD also will perform community outreach to include attorneys who could provide pro bono services to at-risk households.

Silver Lining Initiative: HCD will assist first-time homebuyers to purchase a foreclosed home. The purchase price of the foreclosed home can not exceed $385,000, and homes are limited to townhouses and single-family homes. Low-cost first mortgages through the VHDA program will be used for qualifying households. It is anticipated that up to 100 homes will be purchased through this initiative by first-time homebuyers. If a foreclosed home requires repairs or improvements, the Home Improvement Loan Program (HILP), offered by HCD, can be used to make needed repairs. Upon the sale or transfer of the property, the county will be repaid and share in the appreciation.

Neighborhood Preservation Efforts: To assist in maintaining home values in communities with foreclosed properties, the county will use several tools:

- Direct Strategic Purchase: The Fairfax County Redevelopment and Housing Authority (FCRHA) will purchase up to 10 foreclosed homes identified as abandoned, deteriorated or a destabilizing force on the neighborhood. The home will be rehabilitated and resold to first-time homebuyers or a nonprofit organization. Funding of up to $2.95 million for the purchase and rehabilitation of these 10 units will come from the FCRHA's taxable line of credit and will be repaid once the property has been sold to a first-time homebuyer.

- Neighborhood Appearance and Safety: By using the existing HILP program for low-cost loans to current homeowners, the county will assist homeowners in maintaining and preserving the appearance and safety of their neighborhoods.
- Community Housing Development Organizations (CHDO) Set-Aside: Approximately $400,000 in federal funds will be earmarked in Fiscal Year 2009 as set-aside funds for nonprofit organizations that are certified to buy foreclosed homes and rehabilitate them when necessary. These homes will then either be sold to qualified first-time homebuyers or the nonprofits will use the homes for rental purposes for qualified tenants.

Prince George's County, MD

Due to the increased number of foreclosures, Prince George's County is faced with a major housing crisis. In September 2007, the Coalition for Homeownership Preservation in Prince George's County was formed. The Coalition is a group of local government agencies including DHCD, nonprofit housing counseling agencies, elected officials and other community leaders whose goal is to reduce the number of foreclosures and to provide supportive homeownership. The Coalition offers foreclosure prevention workshops at various locations throughout the County. The Coalition has teamed with NeighborWorks America to offer free telephone foreclosure counseling services.

A Memorandum of Understanding was signed in July 2008 between DHCD and Prince George's County, which provided for DHCD assigning to $2.5 million in reserve funds to cover potential loan losses for refinancing loans made under DHCD's Homeowners Preserving Equity (HOPE) Program. Prince George's County is to provide up to $1.5 million in funds for reserves. The combined level of reserves will provide for coverage for approximately 266 families to refinance their loans rather than be subject to foreclosure.

District of Columbia

In July 2008, the DC Department of Insurance, Securities and Banking (DISB) released a Foreclosure Mitigation Kit, targeted to District residents who may be having trouble keeping up with mortgage payments, or who may be facing foreclosure of their homes.

The Foreclosure Mitigation Kit is a step-by-step guide for consumers on what to do if they are facing foreclosure. It describes what happens during the pre-foreclosure and foreclosure phases, loan refinancing, how to prevent foreclosure, and what to do after the home has been saved. The kit also includes several pieces of information from federal government agencies such as the Department of Housing and Urban Development and the Federal Reserve Board.

To assist consumers, the DC Department of Insurance, Securities and Banking (DISB) has hosted a series of public forums on subprime lending and preventing mortgage defaults around the District of Columbia. DISB will also have mortgage experts to answer attendees' difficult questions.

Westchester County, NY

Foreclosure prevention/loss mitigation counseling services: Federal Emergency Shelter Grants are offered an eviction services program. This was expanded last year with $185,000 of Westchester County funds, and again this year, with $300,000 available as cash assistance, $100,000 for legal assistance, and $150,000 for counseling and cash assistance. Westchester Residential Opportunities (WRO) is the primary provider of foreclosure prevention services, including counseling services, though at least 7 other non-profit housing agencies also provide housing counseling and eviction prevention services.

Tenant protections: The County does not provide any direct assistance, except that this is part of what is expected to be covered with the $100,000 legal assistance grant mentioned above. Legal Services of the Hudson Valley is the provider for that grant.

Purchase of foreclosed properties: The County is exploring the use of their Land Trust - the Westchester Housing Land Trust - to potentially purchase properties, and then have them sell the improvements (house only, not the land) and offer a ground lease, taking the cost of the land out of the affordability equation.

State of Massachusetts

Neighborhood Stabilization Pilot Programs: Neighborhood stabilization pilot programs will be launched in Lawrence, Boston, Brockton, New Bedford, Springfield and Worcester. The Department of Housing and Community Development (DHCD), working with lenders and non-profits, will seek to reclaim foreclosed properties and make them available to qualified first-time homebuyers with the goal of restoring neighborhoods to fully occupied status as quickly as possible.

Outreach and Education: NeighborWorks Center for Foreclosure Solutions has a free hotline that is available 24/7 to provide foreclosure prevention information to Massachusetts homeowners and referrals to non-profit agencies for additional housing counseling. For consumers facing imminent foreclosure, the Division of Banks and its mortgage hotline and can intervene and work with lenders to secure a 30 to 60 day delay in the foreclosure process.

MassHousing Loan Refinancing Program: MassHousing's $250 million foreclosure prevention program provides fixed-interest rate refinancing loans and counseling services to struggling sub-prime borrowers. The program is privately financed through a $190 million commitment from Fannie Mae and a $60 million contribution from MassHousing. Eligible borrowers can be up to 60 days delinquent on their mortgage and have credit scores as low as 560.

Transition Resources: Participating lenders will provide moving expenses and first and last month's rent to eligible homeowners who have lost their homes to foreclosure. Eligible homeowners are those with a sub-prime adjustable rate first mortgage on an owner-occupied 1-4 family home that was originated between January 1, 2004 and December 31, 2006 who have been foreclosed on within 4 years after the loan closed. Homeowners must also work with an approved housing counselor, fully vacate the property within 30 days of foreclosure and leave it in habitable condition.

State of Delaware

1. Target outreach efforts to homeowners in zip codes with 400-plus sub-prime mortgages or with seriously delinquent rates exceeding 9 percent.
2. Fund the Delaware Mortgage Assistance Program (DEMAP).
3. Increase mortgage default and foreclosure counseling efforts by funding seven new counselors for the state's housing counseling agencies.
4. Fund and implement a marketing program to ensure that homeowners who fall behind on their payments know what resources are available to them.
5. Implement the federal foreclosure relief program proposals, including FHA Secure, to the fullest extent possible.
6. Monitor monthly foreclosure filings to benchmark performance and revise task force activities as appropriate.

State Of Pennsylvania

The Pennsylvania Housing Finance Agency (PHFA) has established the Foreclosure Mitigation Counseling Initiative to help interested homeowners to save their homes. Twentyeight counseling agencies in the PHFA Comprehensive Housing Counseling network are participating in this program.

Mortgage foreclosure mitigation assistance will be made available to homeowners of owner–occupied homes with mortgages in default or in danger of default. These mortgages may be subject to a foreclosure action. Homeowners will be provided with such assistance that will consist of activities that are likely to prevent foreclosures and result in the "long-term affordability" of the mortgage or other positive outcomes for the homeowner.

The counseling sessions associated with this initiative are free services to the homeowner and will involve a reasonable analysis of the borrower's financial situation, an evaluation of the current value of the property that is subject to the mortgage, and/or counseling regarding the possible purchase of the mortgage in question. Counseling and advice of all likely restructuring and refinancing strategies or the approval of a workout strategy by all interested parties is required.

III. TENANT PROTECTION

Frequently when a foreclosure takes place, renters are forced to vacate homes because their lease agreements are terminated. Renters in Maryland have very few protections when the home they live in is being foreclosed upon, and can be forced to leave the premises very quickly, probably losing their security deposit at the same time.

The District of Columbia has some strong ordinances that protect tenant rights. DC tenants can stay in homes after a foreclosure notice, and pay rent to the lender until the home is sold. If the new owner wants to occupy the dwelling, it is up to them to evict the tenant.

Baltimore City enacted a new requirement effective in August 2008 that requires tenants of foreclosed upon homes get at least 14 days notice by certified mail before eviction.

The State of Massachusetts requires at least 30 days written notice if a lender wants a tenant to vacate their apartment. Also, if a tenant receives state or federal rental subsidy, the terms of their rental agreement will not be affected by a foreclosure sale. Tenants, who do not want to leave their apartments, after a lender gives proper notice, do not have to leave immediately. They have a right to a hearing in court. At the hearing, the court will determine how much time they will be allowed to vacate their apartment. Lenders may not force tenants to vacate an apartment against their wishes without court approval.

IV. IDENTFIED "BEST PRACTICES" FOR MINIMIZING THE IMPACTS OF FORECLOSURE

There are several foreclosure avoidance and abatement best practices that represent recurring or unique themes for federal, state, and local responses, so far, to the foreclosure crisis.

- Comprehensive Emphasis on Foreclosure Prevention Counseling Services (see Table 4)- The overarching best practice that is a constant nearly everywhere is an attempt to link homeowners facing foreclosure with non-profit foreclosure prevention counseling services. The degree to which a jurisdiction can help ensure that impacted borrowers are aware of the counseling services and that the services are staffed by a sufficient number of knowledgeable counselors who know well the myriad of options available for the best possible foreclosure avoidance solution will dictate the degree of success from this approach.

Table 4. **Elements in Foreclosure Prevention Counseling**

1. Counseling
    - Detecting delinquency early
    - Ensuring that households respond to notices
    - Assessing reasons for delinquency
    - Managing the crisis
    - Managing finances
2. Budgeting
    - Providing financial training
    - Prioritizing spending
3. Advocacy
    - Participating in and supporting client's negotiations with lender/servicer
4. Financial Assistance
    - Providing financial assistance to make mortgage payments or meet financial emergencies
5. Referral Network
    - Providing referrals to other organizations

From: Federal Reserve Bank of Philadelphia. *Home Ownership Education and Counseling (2001)*

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- Strong Marketing and Outreach on the Availability of Counseling Services – Homeowners affected by foreclosure must know where to turn for help. Communication vehicles include, web, print, and radio advertising. Targeting notifications of counseling resources to foreclosure "hot spots" can add to efficiency.

- Strong and frequent communication among local bodies and any state housing authority so that activities can be coordinated and leveraged, and to avoid duplication of efforts.

- Clear articulation of tenant rights and responsibilities, and availability of transition housing resources (including emergency shelter grants) to best protect renters living in foreclosed upon homes.

- Frequent evaluation of data on foreclosure activity so as to know where to focus resources. Targeting of hot spots for code enforcement and marketing of foreclosure counseling services.

- Since abandoned properties in a community are likely to be the result of foreclosure activity, enforcement of safety and code violations should be aggressively, either through the mortgagee or the mortgagor.

- Providing for state or county sponsored loan programs to refinance subprime of defaulted loans when warranted, and providing default insurance for these loans if necessary.

- Selected purchase of abandoned or foreclosed upon homes can help restore neighborhoods and provide opportunities for affordable housing.

V. POTENTIAL OPPORTUNITES FOR MONTGOMERY COUNTY TO FURTHER ABATE THE IMPACTS OF FORECLOSURE

In a crisis of this magnitude, the County's approach for mitigation of foreclosure impacts should continue to be multifaceted. Building of the State of Maryland's platform, the County and DHCA have made good progress in several areas, including foreclosure prevention seminars, marketing the availability of services, and abandoned property inspections. Other programs like County purchase of foreclosed homes are being contemplated and could add strength to the existing tool box.

Below are several opportunities the Council may choose to consider further in its ongoing efforts to stay in front of the foreclosure crisis in the County. It is believed that points 1-10 below could be implemented fairly quickly and in some instances are already ongoing to some degree. Points 11-13 would require further study and a lengthier implementation period if enacted.

1. Consider committing one or two people skilled in loss mitigation and property management, who would augment the existing resources at DHCA to help monitor and proactively address the evolving foreclosure crisis in the County. This staff could assist with coordination of County outreach to Maryland's DHCD, prepare grant request

proposals, and work with non-profit counseling agencies, homeowners, communities, lenders, and loan servicers for the next few years. Potentially, any staff could be brought in temporarily or reassigned from other areas. The social benefits from preventing or minimizing foreclosure impacts are enormous, especially in the current climate. An additional staff person or two dedicated and specializing in this area could add valuable capacity to existing efforts.

2. Enhance marketing and targeting of the availability counseling resources. Target and market to at risk neighborhoods and foreclosure hot-spots using GIS and other data. Target borrowers who may not be in trouble just yet, but may be headed in that direction (those in high-risk neighborhoods or those due for interest rate resets).

    1. Door knob hangers with counseling information on them
    2. Flyers for children to carry home from school
    3. Posters in grocery stores and bus stops
    4. Targeted radio advertisements
    5. Booth presence at malls
    6. Combine message with ongoing Public Health Outreach through HHS
    7. Church flyers
    8. Public Transportation billboards
    9. Libraries

    The targeting and marketing has to be intense and ongoing until such time as the foreclosure levels fall back to historic norms!

3. To the extent possible, continue to fund foreclosure counseling activities throughout the County, and track success rates.

4. Assess the capacity of Montgomery County's approved foreclosure counseling agencies to determine if they have the needed geographic presence and sufficient and skilled staff to provide necessary services. Due to the ramp up in foreclosures nationwide, counseling agencies have had to shift from an emphasis on pre-purchase counseling to pre-foreclosure counseling. Resources are likely stretched thin and it will be important for the County to understand the existing capacity of counseling services. Skilled counselors who know the options inside and out and who can respond timely will obviously have the greatest impact on foreclosure avoidance in Montgomery County.

5. Consider a strategic partnership with Neighborworks America to leverage marketing of foreclosure counseling resources.

6. Consider a strategic partnership with the Greater Capital Area Association of Realtors to aggressively market bank-owned foreclosure properties.

7. Proactively work with loan servicers that have purchased collateral properties at foreclosure sale and now are attempting to resell the dwellings. Loan servicers have a responsibility to maintain the dwelling and ensure it is being repaired and marketed in a

timely way and for a fair price. Realtors are usually enlisted to sell the properties, and the sales listing database can be used for contact information. Sometimes a "nudge" is needed to get a loan servicer to sell a bank-owned property in a timely way.

8. Cleary post phone numbers for County residents to call to report abandoned properties.

9. Continue aggressive code enforcement for abandoned properties.

10. Take advantage of federal funds available through the recently enacted Housing Bill to abate the impacts of foreclosure. This included the provisions for new refinance loan programs, foreclosure counseling fund grants, and funds to purchase and rehabilitate abandoned or foreclosed upon homes/properties.

11. Consider financing the purchase and rehabilitation of selected properties to non-profits, who could repair the homes and then resell or rent them to repay any loan made by the County. These homes could be designated as "affordable units", and made available to low and moderate income families through means testing criteria. A line of credit or revolving loan fund could be employed as a source of funds. Federal funds may also soon be available for this purpose. Due to the costs involved and the efforts needed to administer any home purchase process established, it is likely this tool could be used only on a limited basis. Like Westchester County, NY, a land trust could be a potential method for purchasing properties. The land trust would then sell the improvements (house only, not the land) and offer a ground lease, taking the cost of the land out of the affordability equation.

12. In situations where other home retention workout solutions are not possible, Montgomery County could consider a short-term program that allows for County payment of property taxes for borrowers that are having serious trouble paying their mortgages.[2] In essence, this would result in an advance by the County for the anticipated property taxes due in the ensuing year for an eligible homeowner. Absent the County advance, this amount would typically be collected by the loan servicer through the homeowner's monthly "escrow" payments. A County advance for the full year property tax escrow could result in a net cash flow of hundreds of dollars a month to households for use to help make mortgage payments. Tax payment advances could remain as lien on the property to be paid when the home is sold or refinanced. Undoubtedly this concept would have an impact on County revenues in the short-term, but the County may want to analyze the positive impact such a program could have on keeping some families in their homes and stabilizing communities. Possible parameters could be to limit advances to one tax year and only to low and moderate income families. Counseling agencies could coordinate determining which delinquent homeowners were in need and could qualify for the program.

13. Explore the concept of a county funded "soft second", whereby a delinquent loan could be modified by the loan servicer for less that the unpaid balance, with the county holding

[2] State law prohibits the deferment of property taxes for such a purpose, so Montgomery County would need to advance the tax payment if such a program were to be adopted.

an unsecured note for the balance to be paid back in a specified period of time or when the property is sold.

APPENDIX A

Report Methodology

The RealtyTrac Monthly U.S. Foreclosure Market Report provides a count of the total number of properties with at least one foreclosure filing reported during the quarter broken out by type of filing at the state and national level. Data is also available at the individual county level. RealtyTrac's report incorporates documents filed in all three phases of foreclosure: <u>Default</u> — Notice of Default (NOD) and Lis Pendens (LIS); <u>Auction</u> — Notice of Trustee Sale and Notice of Foreclosure Sale (NTS and NFS); and <u>Real Estate Owned</u>, or REO properties (that have been foreclosed on and repurchased by a bank). If more than one foreclosure document is filed against a property during the quarter, only the most recent filing is counted in the report. The report also checks if the same type of document was filed against a property in a previous quarter. If so, and if that previous filing occurred within the estimated foreclosure timeframe for the state the property is in, the report does not count the property in the current month.

U.S. Foreclosure Market Data by State – Q2 2008
Properties with Foreclosure Filings

Rate Rank	State Name	NOD	LIS	NTS	NFS	REO	Total	1/every X HH (rate)	%Change from Q1 08	%Change from Q2 07
--	United States	**161,162**	**157,094**	**139,955**	**59,112**	**222,391**	**739,714**	**171**	**13.82**	**121.36**
43	Alabama	3	0	680	0	1,146	1,829	1,154	7.59	-0.76
32	Alaska	1	0	445	0	60	506	547	5.20	75.69
3	Arizona	18	0	25,431	0	11,781	37,230	70	35.86	272.26
25	Arkansas	168	0	2,488	0	818	3,474	367	-7.41	226.50
2	California	119,836	0	19,968	0	62,795	202,599	65	19.29	197.78
5	Colorado	22	0	10,331	0	5,881	16,234	129	-14.54	50.69
19	Connecticut	0	3,872	2	845	226	4,945	290	-35.21	7.95
36	Delaware	0	0	0	308	297	605	633	12.66	178.80*
	District of Columbia	226	0	728	0	221	1,175	241	7.90	3,163.89*
4	Florida	0	74,968	28	18,379	16,058	109,433	78	24.51	181.83
8	Georgia	107	0	17,522	0	10,124	27,753	140	-2.63	85.12
41	Hawaii	61	0	385	0	50	496	1,008	33.69	82.35
20	Idaho	1,142	0	693	0	251	2,086	295	15.25	148.63
10	Illinois	0	18,302	30	1,912	6,646	26,890	193	15.83	57.99
11	Indiana	0	4,048	29	5,021	4,792	13,890	198	-0.33	59.40
39	Iowa	1	0	751	0	630	1,382	955	-11.75	33.14
34	Kansas	0	273	5	735	948	1,961	616	40.47	131.25
42	Kentucky	0	415	8	814	597	1,834	1,030	15.93	0.60
40	Louisiana	0	3	2	1,432	455	1,892	967	-2.37	73.10
38	Maine	369	0	389	0	67	825	838	40.55	2,257.14
16	Maryland	0	6,881	17	1,357	1,197	9,452	243	-17.04	130.20
9	Mass.	0	6,734	22	4,345	5,072	16,173	168	-1.18	285.71*
7	Michigan	5,114	0	12,526	0	15,228	32,868	137	11.25	73.18
27	Minnesota	80	0	2,777	0	2,816	5,673	403	34.08*	119.71*
46	Mississippi	0	0	366	0	313	679	1,828	48.25*	81.55*
18	Missouri	3,289	0	1,932	0	4,455	9,676	271	9.42	85.36
44	Montana	7	0	299	0	30	336	1,286	-20.19	13.90
33	Nebraska	0	68	6	973	227	1,274	608	71.70	86.80
1	Nevada	13,831	0	2,110	0	8,716	24,657	43	25.83	146.77

22	New Hampshire	0	0	952	0	786	1,738	339	-2.80	1,748.94*
12	New Jersey	0	11,725	8	3,694	1,862	17,289	201	31.94	140.33
37	New Mexico	0	877	0	73	200	1,150	739	-2.71	59.94
30	New York	0	11,101	7	2,292	2,625	16,025	493	11.46	61.66
26	North Carolina	6,521	0	444	0	3,546	10,511	383	2.22	57.97
49	North Dakota	0	0	0	1	50	51	6,035	2.00	-25.00
6	Ohio	0	11,716	78	10,131	15,764	37,689	134	20.60	26.93
29	Oklahoma	1,182	0	1,434	0	1,270	3,886	414	19.98	72.10
23	Oregon	2,504	0	1,645	0	460	4,609	344	9.69	118.44
31	Pennsylvania	0	3,199	7	4,653	2,548	10,407	524	76.36*	62.76*
17	Rhode Island	0	0	1,150	0	510	1,660	271	5.00	444.26*
35	South Carolina	0	305	11	397	2,466	3,179	621	63.95*	211.97*
47	South Dakota	0	0	1	80	12	93	3,794	45.31	1,450.00*
13	Tennessee	2,935	0	4,189	0	4,884	12,008	223	-3.08	105.19
21	Texas	308	0	14,781	0	14,020	29,109	317	-13.61	40.47
14	Utah	516	0	2,744	0	721	3,981	226	21.04	113.23
50	Vermont	0	0	7	0	30	37	8,366	1,133.33*	236.36*
15	Virginia	2,882	0	6,483	0	4,811	14,176	228	7.79	278.43
24	Washington	39	0	5,805	0	1,876	7,720	350	16.30	87.11
48	West Virginia	0	0	136	0	59	195	4,501	36.36	22.64
28	Wisconsin	0	2,607	17	1,670	1,921	6,215	408	9.57	157.88
45	Wyoming	0	0	86	0	73	159	1,504	-3.05	87.06*

*Actual increase may not be as high due to data collection changes or improvements

Top 100 U.S. Metro Foreclosure Market Data – Q2 2008

Rate Rank	State	Metro Name	Props with Filings	1/every X HH (rate)	%Change from Q1 08	%Change from Q2 07
--		**U.S. Total**	**739,714**	**171**	**13.82**	**121.36**
1	CA	STOCKTON	9,066	25	19.92	170.63
2	CA	RIVERSIDE/SAN BERNARDINO	43,600	32	17.08	193.42
3	NV	LAS VEGAS/PARADISE	21,742	35	25.53	143.66
4	CA	BAKERSFIELD	6,431	41	25.78	294.78
5	CA	SACRAMENTO	15,505	49	11.01	125.46
6	FL	FORT LAUDERDALE	15,558	51	42.39	215.26
7	AZ	PHOENIX/MESA	31,613	51	36.65	306.81
8	CA	OAKLAND	15,904	60	25.56	237.31
9	CA	FRESNO	4,806	62	26.08	178.13
10	FL	MIAMI	15,260	62	30.39	112.86
11	CA	SAN DIEGO	17,343	65	13.24	206.52
12	MI	DETROIT/LIVONIA/DEARBORN	12,826	66	3.42	52.91
13	FL	ORLANDO	11,809	72	12.23	247.94
14	FL	SARASOTA/BRADENTON/VENICE	4,690	82	9.10	163.34
15	CA	ORANGE	12,439	82	29.69	276.71
16	CA	VENTURA	3,177	85	34.62	228.88
17	FL	TAMPA/ST PETERSBURGH/CLEARWATER	14,960	87	26.66	158.51
18	FL	PALM BEACH	7,141	88	50.69	188.29
19	CA	LOS ANGELES/LONG BEACH	36,955	91	14.85	168.24
20	GA	ATLANTA/SANDY SPRINGS/MARIETTA	22,484	91	-0.31	77.05

21	OH	TOLEDO	3,253	92	73.31	121.44
22	OH	AKRON	3,283	93	58.68	24.40
23	CO	DENVER/AURORA	10,829	95	-18.99	44.71
24	CA	SAN JOSE/SUNNYVALE/SANTA CLARA	6,437	97	35.66	343.32
25	TN-MS-AR	MEMPHIS	5,141	105	3.75	95.33
26	OH	CLEVELAND/LORAIN/ELYRIA/MENTOR	8,735	108	-2.61	-3.69
27	DC-MD-VA-WV	WASHINGTON/ARLINGTON/ALEXANDRIA	15,569	109	3.05	250.97*
28	MI	WARREN/FARMINGTON HILLS/TROY	9,312	113	17.22	100.26
29	OH	DAYTON	3,304	115	21.47	18.68
30	IN	INDIANAPOLIS	6,058	122	-4.30	30.87
31	OH	COLUMBUS	6,285	122	17.74	39.11
32	MA	ESSEX	2,418	122	1.77	365.90*
33	FL	JACKSONVILLE	4,540	125	-0.37	73.35
34	IN	GARY	1,980	144	10.61	61.11
35	IL	CHICAGO	21,488	144	22.08	58.30
36	MA	WORCESTER	2,156	146	-14.24	188.62*
37	AZ	TUCSON	2,820	148	51.29	138.18
38	NJ	NEWARK	5,458	154	26.25	170.47
39	IL	LAKE/KENOSHA	1,573	159	5.93	61.66
40	MA	BOSTON/QUINCY	4,719	159	-1.34	333.33*
41	OH-KY-IN	CINCINNATI	5,601	161	15.60	16.49
42	NJ	CAMDEN	1,588	177	40.04	137.37
43	WA	TACOMA	1,732	179	14.40	112.78
44	WI	MILWAUKEE/WAUKESHA/WST ALLIS	3,545	184	16.23	208.80
45	MO-KS	KANSAS CITY	4,643	187	38.10	94.84
46	MO-IL	ST LOUIS	6,357	192	-4.05	76.73
47	MA	SPRINGFIELD	1,449	195	-24.57	198.15*
48	MA	CAMBRIDGE/NEWTON/FRAMINGHAM	2,994	197	9.59	337.08*
49	TX	DALLAS	7,638	202	-8.38	10.11
50	TX	FORT WORTH/ARLINGTON	3,785	203	-17.70	27.44
51	TX	HOUSTON/BAYTOWN/SUGARLAND	9,827	214	-21.18	83.96
52	UT	SALT LAKE CITY	1,768	217	17.16	89.29
53	OK	TULSA	1,772	222	41.65	69.57
54	MD	BETHESDA/FREDERICK/GAITHERSBURG	1,939	229	-9.69	167.45*
55	NC-SC	CHARLOTTE/GASTONIA	2,923	232	-5.65	25.45
56	TN	NASHVILLE/DAVIDSON	2,626	238	0.69	126.18
57	CT	NEWHAVEN/MILFORD	1,452	240	-36.81	-3.33
58	NY	POUGHKEEPSIE/NEWBURGH/MIDDLETOWN	1,015	241	210.40*	423.20*
59	MN-WI	MINNEAPOLIS/ST PAUL/BLOOMINGTON	5,120	256	28.64	106.04
60	CA	SAN FRANCISCO	2,778	263	28.43	203.94
61	NC	RALEIGH/CARY	1,515	270	8.45	64.50
62	AR	LITTLE ROCK/NORTH LITTLE ROCK	1,074	270	-16.42	167.16
63	RI	PROVIDENCE/NEW BEDFORD	1,660	271	5.00	444.26*
64	CT	BRIDGEPORT/STAMFORD/NORWALK	1,283	272	-31.68	43.19
65	NJ	EDISON	3,367	276	25.26	54.10
66	OK	OKLAHOMA CITY	1,826	282	5.86	75.58
67	OR-WA	PORTLAND/VANCOUVER/BEAVERTON	2,961	295	10.57	132.05
68	TX	SAN ANTONIO	2,452	301	-5.66	39.08
69	NY	SUFFOLK/NASSAU	3,298	304	-1.61	82.41
70	NC	GREENSBORO/HIGHPOINT	1,007	304	-4.73	75.44
71	NE-IA	OMAHA/COUNCIL BLUFFS	1,075	322	113.29	97.97
72	PA	PHILADELPHIA	4,977	324	62.43	46.60
73	MD	BALTIMORE/TOWSON	3,389	325	-19.65	105.64*

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74	CT	HARTFORD	1,470	333	-35.67	-0.14
75	TN	KNOXVILLE	856	354	-17.77	108.78
76	NY	ALBANY/SCHENECTADY/TROY	1,062	356	74.67	276.60
77	SC	COLUMBIA	813	373	47.82*	354.19*
78	TX	AUSTIN/ROUND ROCK	1,611	381	-3.19	12.42
79	PA	PITTSBURGH	2,880	383	73.29	87.74
80	NY	ROCHESTER	1,124	392	13.77	10.63
81	LA	NEW ORLEANS	1,127	398	-1.31	83.85
82	NM	ALBUQUERQUE	857	405	-6.13	64.81
83	WA	SEATTLE/BELLEVUE/EVERETT	2,616	411	25.89	69.10
84	NY-NJ	NEW YORK/WAYNE/WHITE PLAINS	10,189	432	16.61	66.19
85	VA	RICHMOND	1,104	456	-6.60	804.92*
86	KS	WICHITA	548	466	56.13	122.76
87	DE-MD-NJ	WILMINGTON	576	483	-9.29	244.91
88	SC	GREENVILLE	536	492	40.68	587.18*
89	KY-IN	LOUISVILLE	1,032	523	3.72	-21.22
90	VA-NC	NORFOLK/VIRGINIA BEACH/NEWPORT NEWS	1,081	551	-1.28	170.25*
91	TX	EL PASO	408	611	65.85	2.77
92	TX	MCALLEN/EDINBURG/PHARR	392	612	-25.62	276.92
93	SC	CHARLESTON	437	627	21.39	67.43*
94	PA	SCRANTON/WILKES/BARRE/HAZLETON	360	715	115.57	56.52
95	NY	BUFFALO/CHEEKTOWAGA/TONAWANDA**	680	765	0.44	77.55
96	LA	BATON ROUGE	400	780	13.96	132.56
97	AL	BIRMINGHAM/HOOVER	574	798	48.70	-43.39
98	NY	SYRACUSE	331	860	5.75	154.62
99	PA	ALLENTOWN/BETHLEHEM/EASTON	317	972	1168.00	10.84
100	HI	HONOLULU	250	1,331	61.29	63.40

**Actual increase may not be as high due to data collection changes or improvements*

***Actual Total and Rate may be higher because of limited data coverage*

Appendix B

DLLR
STATE OF MARYLAND
DEPARTMENT OF LABOR, LICENSING AND REGULATION

MARTIN O'MALLEY, Governor
ANTHONY G. BROWN, Lt. Governor
THOMAS E. PEREZ, Secretary

Office of the Commissioner of Financial Regulation
Sarah Bloom Raskin, Commissioner

www.dllr.state.md.us/finance
E-mail • finreg@dllr.state.md.us

6/6/08

«First_Name» «Last_Name»
«Street_Address» «Street_Address2»
«City», «State» «Zip»

Dear Maryland Homeowner:

You have recently received a **Notice of Intent to Foreclose** from your lender or servicer notifying you that it intends to sell your home at a foreclosure sale. This may be because you have missed one or more mortgage or home-equity payments, or some other type of default. A copy of the Notice was sent to the Commissioner of Financial Regulation as required by Maryland law.

This letter is to make you aware of options you may have in addressing your possible foreclosure. Taking **immediate action will help you find the best available option for your situation.**

- **Call your lender or servicer's loss mitigation department at the toll-free telephone number listed on the Notice as soon as possible. Don't delay!** Ask what options may be available to you. These options <u>may</u> include:

  Forbearance- an agreement to postpone some or all loan payments for a specified period.

  Modification- an arrangement that permanently changes a loan term in a way that helps you to meet your obligation; such as lowering the interest rate, extending the term of the loan or reducing the loan amount.

  Reinstatement- an arrangement that stops the foreclosure process to allow you to pay the total past due amount and any penalties and fees in full by a set date.

  Repayment plan- a program that has you pay your current monthly payment plus a portion of what is past due for a certain period in order to bring your mortgage loan current.

- **If your financial circumstances are such that you can no longer afford your home, here are some options** your lender or servicer may offer that you may want to consider:

  Short sale- the sale of your home for less than the current amount owed on the mortgage, where the lender or servicer forgives any shortage.

(Continued on reverse side)

Office of the Commissioner of Financial Regulation
500 North Calvert Street • Suite 402
Baltimore, Maryland 21202-3651

410-230-6100
(Toll Free) 1-888-784-0136
(Fax) 410-333-3866 / 410-333-0475

Keeping Maryland Working and Safe

Appendix B (Con't)

Deed-in-lieu of foreclosure- the transfer of your home to the lender in exchange for the lender canceling the amount of the mortgage balance you owe.

- **Call the Maryland Department of Housing and Community Development. A brochure detailing** financial assistance programs available through DHCD is enclosed, along with contact information for a network of housing counselors. **Please call DHCD at 877-462-7555 or visit the website at www.mdhope.org.**

- **Beware of persons who may contact you about "saving" your home.** You should be careful about any such promises and be on guard against foreclosure rescue scams which are illegal and may result in the loss of the equity in your home. **If you think you may have been the victim of a scam, call the Commissioner's Enforcement Unit at 1-888-784-0136**

Very truly yours,

Sarah Bloom Raskin

Sarah Bloom Raskin
Commissioner of Financial Regulation

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List of Resources

A Housing Land Trust – April 1, 2007
New York Times

Fairfax County, VA Foreclosed of Vacant Properties
Fairfax County, VA Web-site
http://www.fairfaxcounty.gov/foreclosures/

Foreclosure Activity Up 14 Percent In Second Quarter
RealtyTrac Press Release, July 25, 2008

Foreclosure Crisis Catching Renters Off Guard
The Washington Post, August 8, 2008

Foreclosures – How to Avoid
Westchester County, NY
http://www.westchestergov.com/consumer_howtoavoidforeclosure.htm

Foreclosures in the Washington DC Region – Evaluating the Scope of the Crisis
Prepared for the Metropolitan Washington Council of Government by John McClain and Lisa Fowler, George Mason University, 2008.

Foreclosure Prevention Assistance
State of Maryland
http://www.mdhope.org/

Foreclosure Prevention
Montgomery County Department of Housing and Community Affairs Web-site
http://www.montgomerycountymd.gov/dhctmpl.asp?url=/content/DHCA/housing/foreclosure/index.asp

Foreclosure and Mitigation Counseling Initiative
Pennsylvania Housing Finance Agency

Governor O'Malley Announces Initiative to Protect Homeownership
State of Maryland Press Release, January 14, 2008

Housing and Economic Recovery Act of 2008 (H.R. 3221), July 30, 2008
One Hundred Tenth Congress of the United States of America

Lt. Governor Carney, Task Force Members Release Recommendations of Foreclosure- September 8, 2008
State of Delaware Web-Site
http://ltgov.delaware.gov/News/2007/20071220-ForeclosureInterimReport.shtml

Maryland Homeownership Preservation Task Force Report
Maryland Homeownership Preservation Task Force, November 29, 2007

Neighborworks America Foreclosure Resources
http://www.nw.org/network/home.asp

State of Massachusetts Web-Site
http://www.lawlib.state.ma.us/2007/10/foreclosure-and-eviction.html

Staving Off The Next Wave of Foreclosures
Isiah Leggett – The Washington Post. August 17, 2008

Total Property Foreclosure Events in Maryland – Second Quarter 2008
Maryland Department of Housing and Community Development (DHCD) Office of Research 2008

Your Rights and Protections Under Maryland's New Foreclosure Laws
State of Maryland

Housing and Economic Recovery Act of 2008, H.R. 3221

NCSHA Summary – National Council of State Housing Agencies

Housing Assistance Tax Act of 2008
(Housing Bond and Credit Cap Increase and Modernization Provisions)

Housing Credit Modifications

- Provides a 20-cent per capita Housing Credit cap increase for 2008-2009 and increases the small state minimum by 10 percent for those same years.
- Repeals permanently the Alternative Minimum Tax on Housing Credits for buildings placed in service after December 31, 2007.
- Sets the 70 percent present value ("9 percent") Credit applicable percentage at the greater of current law and 9 percent, with a sunset date of December 31, 2013, effective for buildings placed in service after date of enactment.
- Eliminates below-market federal loans from the definition of federally subsidized properties, allowing the 9 percent Credit on all federally subsidized properties, except for tax-exempt bond financed properties, effective for buildings placed in service after date of enactment.
- Clarifies that the eligible basis of a building shall not include any costs financed with the proceeds of a federally funded grant, effective for buildings placed in service after date of enactment.
- Eliminates the prohibition on the 30 percent basis boost for HOME-assisted properties in qualified census tracts (QCT) or difficult development areas (DDA), effective for buildings placed in service after date of enactment.
- Authorizes allocating agencies to award a 30 percent "basis boost" to buildings that states determine need the boost to be economically feasible, effective for buildings placed in service after date of enactment.
- Clarifies the general public use test to explicitly allow Credit developments that establish tenancy restrictions for persons with special needs, tenants who are involved in artistic or literary activities, and persons who are members of a specified group under a Federal or state program or policy that supports housing for such a specified group, effective for buildings placed in service before, during, and after date of enactment.
- Repeals the Housing Credit ten-year (anti-churning) rule for acquisition of Housing Credits for projects currently subsidized pursuant to certain specified HUD and USDA housing programs and similar state assisted programs, effective for buildings placed in service after date of enactment.
    - Programs included are HUD Section 8, Section 221(d)(3), Section 221(d)(4), Section 236, and USDA Section 515 and any other housing program administered by HUD or the Rural Housing Service of the Department of Agriculture.
- Modifies HUD's income limit methodology for calendar years after 2008 to require HUD to increase applicable area median incomes by the amount area median incomes rise, even if the HUD-determined area median incomes would be frozen under HUD's 2007 and 2008 income limit methodology.

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- Adds energy efficiency and historic character to items that must be factored into state QAPs, effective for allocations made after December 31, 2008.
- Modifies the Housing Credit student rule to make children who received foster care assistance eligible for Housing Credit apartments, effective for determinations after date of enactment.
- Defines area median income in rural areas as the greater of the area median income and the national non-metropolitan median income, effective for income determinations made after date of enactment, applicable only to 9 percent Credit developments.
- Increases the minimum rehabilitation threshold for acquisition and rehabilitation Credits to the greater of 20 percent of eligible basis and $6,000 per unit, effective for Housing Credit allocations made after date of enactment for non-bond-financed developments and effective for bonds allocated after date of enactment for bond-financed developments. Adjusts per unit limit for inflation in future years.
- Expands the allowable basis for community service facilities, effective for buildings placed in service after date of enactment.
- Relaxes the Housing Credit related party rule restricting investment in properties owned by related parties, effective for buildings placed in service after date of enactment. Expands allowable related party interest to 50 percent from 10 percent.
- Allows Housing Credits on properties financed with HUD's Section 8 Moderate Rehabilitation program, effective for buildings placed in service after date of enactment.
- Extends the time developers have to meet the 10 percent carryover allocation test to one year from allocation, effective for buildings placed in service after date of enactment.
- Eliminates the annual income recertification requirement for 100 percent qualified unit developments, applicable for years ending after the date of enactment.
- Repeals the Housing Credit recapture bond rule, effective for future dispositions and past dispositions if: a) it is reasonably expected the building will continue to be operated as a qualified low-income building; and b) the taxpayer elects to be subject to the new longer statute of limitations.
- Excludes military employees' basic allowance for housing from the definition of income if they are housed in a building located in a county with a military base that had its population grow by 20 percent or more between December 31, 2005 and June 1, 2008, or any county adjacent to such a county. Applies to new and existing 9 percent Credit buildings for determinations made after date of enactment and before January 1, 2012.

GAO Study

- Directs the GAO to complete a report analyzing the implementation of the bill's Housing Credit changes and the distribution of Housing Credit allocations before and after the effective date of such modifications by December 31, 2012.

Housing Bond Provisions

- Provides $11 billion in new tax-exempt Housing Bond authority in 2008 for single-family and multifamily housing activities. Authority is available through 2010.
- Clarifies that unused authority in 2008 and 2009 can be carried forward, but amounts carried forward must be used for housing issues.

- Makes refinancing an eligible MRB activity for 2008-2010 for adjustable rate single-family mortgages made after December 31, 2001, and before January 1, 2008, that the bond issuer determines would be reasonably likely to cause financial hardship to the borrower if not refinanced.
- Exempts permanently Housing Bonds from the Alternative Minimum Tax, effective for bonds issued after date of enactment.
- Allows HFAs to use Housing Bonds for single-room occupancy units, effective for bonds issued after date of enactment.
- Modifies the tax-exempt bond next available unit and student rules to make them consistent with the Credit rules, effective for bonds issued after date of enactment.
- Extends MRB disaster relief by waiving the first-time homebuyer rule and increasing purchase price and income limits to targeted area requirements in presidentially declared disaster areas established on or after May 1, 2008 and on or before January 1, 2010, effective for bonds issued after May 1, 2008.
- Permits recycling of tax-exempt multifamily bonds—
  - If the second (refunding) bond is issued within six months of loan repayment and not later than four years of original issuance.
  - Second bond (refunding bond) does not generate new Housing Credits.
  - Effective for loan repayments made after date of enactment.

First-Time Homebuyer Credit

- Establishes a first-time homebuyer refundable tax credit equal to 10 percent of the purchase price of a principal residence, not to exceed $7,500.
- Phases out the credit for taxpayers with incomes over $75,000 ($150,000 for joint returns).
- Prevents credit from being allowed to any taxpayer for any taxable year if:
  - The taxpayer receives the District of Columbia first-time homebuyer credit.
  - The residence is financed by the proceeds of a tax-exempt MRB.
  - The taxpayer is a nonresident alien.
  - The taxpayer disposes of such residence before the close of the taxable year.
- Allows the credit for purchases on or after April 9, 2008 and before July 1, 2009.
- Requires taxpayers receiving the credit to repay it over 15 years in equal installments by imposing a surcharge on the taxpayers' annual income tax.

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Emergency Assistance for the Redevelopment of Abandoned and Foreclosed Homes (Neighborhood Stabilization Funding)

Key Provisions for HFAs

- Appropriates \$3.92 billion for grants to states and localities for the redevelopment of abandoned and foreclosed homes and \$180 million for housing counseling.
- Requires HUD to establish a funding allocation formula based on the number and percentage of home foreclosures, subprime mortgages, and homes in default or delinquency in each state or locality.
- Amounts appropriated will be treated as though such funds were community development block grant (CDBG) funds. This implies 70 percent of the funds will be distributed to localities and 30 percent to states, as under the CDBG program.
- Establishes a minimum state allocation of 0.5 percent of the funds (\$19.6 million based on \$3.92 billion amount).
- Requires all funds be used with respect to individuals and families whose income does not exceed 120 percent of area median income (AMI).
- Requires that at least 25 percent of the funds be used for the purchase and redevelopment of homes and properties that will be used to house individuals and families with incomes not greater than 50 percent of AMI.
- Requires states and local governments to give priority emphasis and consideration to areas with the greatest need, including those: with the greatest percentage of home foreclosures, the highest percentage of subprime mortgages, and those at risk of increased foreclosures.
- Directs states and local governments to use their allocation within 18 months of receipt.
- Directs entities approved by HUD or the Neighborhood Reinvestment Corporation (NRC) and state housing finance entities receiving foreclosure mitigation counseling funds to identify and coordinate with nonprofit organizations operating national or statewide toll-free foreclosure prevention hotlines.

Other Significant Provisions

Eligible Uses

- Allows funds to be used for establishing financing mechanisms for purchase and redevelopment of foreclosed homes, purchasing and rehabilitating properties that have been abandoned or foreclosed, establishing land banks for foreclosed homes, demolishing blighted structures, and redeveloping demolished or vacant properties.
- Purchases of foreclosed homes must be at a discount from the current market appraised value of the home or property.
- Sales of these homes and properties to an individual as a primary residence must be in an amount equal or less than the cost to acquire and rehabilitate such home or property.
- Creates a five-year reinvestment period in which revenue from the sale, rental, redevelopment, rehabilitation, or other eligible use in excess of the cost to acquire and rehabilitate the home or property must be used by the state or locality in accordance with the provisions of this Act.
- No matching funds are required.

- Requires the Secretary ensure, to the maximum extent practicable and for the longest feasible term, that the homes and properties remain affordable.

Housing Counseling

- Appropriates $180 million to the NRC to remain available until September 30, 2008 for foreclosure mitigation activities.
- Requires the NRC to use $30 million of the $180 million in counseling funds to make grants to counseling intermediaries or to hire attorneys and assist homeowners with legal issues directly related to the homeowner's foreclosure, delinquency, or short sale.
- Requires that at least 15 percent of counseling funds be provided to counseling organizations that target loss mitigation counseling services to minority and low-income homeowners or provide such services in neighborhoods with high concentrations of minority and low-income homeowners.

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FHA Modernization Act of 2008

Key Provisions for HFAs

- Increases the FHA loan limit from 95 percent to 115 percent of area median home price, up to 150 percent of the GSE conforming loan limit, or $625,000, effective January 1, 2009.
- Requires a down payment of at least 3.5 percent for any FHA loan.
- Places a 12-month moratorium on HUD implementation of risk-based premiums.

Other Significant Provisions

- Prohibits seller-financed down payments.
- Allows down payment assistance from family members.
- Imposes 100 percent combined loan-to-value ratio cap. If down payment assistance repayment is secured by a lien, the lien must be subordinate to the mortgage and the sum of the principal obligation of the mortgage and the lien must not exceed 100 percent of the appraised property value.
- Expands HUD's Home Equity Conversion Mortgage (HECM) program.
- Establishes a pilot program to test alternative automated underwriting systems for borrowers without sufficient credit history.
- Directs HUD to consult with industry, the Neighborhood Reinvestment Corporation (NRC), and other entities involved in foreclosure prevention activities to develop and implement a plan to improve FHA's loss mitigation process.
- Establishes a three-year pre-purchase homeownership counseling demonstration.

Multifamily Insurance Premiums

- Prevents HUD from increasing FHA multifamily premiums until October 1, 2009.

Manufactured Housing

- Restructures FHA's manufactured housing insurance program and increases consumer protections for manufactured home residents.

Federal Housing Finance Regulatory Reform Act of 2008 (Government-Sponsored Enterprises (GSE) Reform)

Key Provisions for HFAs

- Establishes a GSE-financed housing trust fund to provide grants to states for rental and homeownership activities targeted to extremely low-income families.
- Requires Fannie Mae and Freddie Mac to set aside an amount equal to 4.2 basis points for each dollar of the unpaid principal balance of its total new business purchases and to transfer 65 percent of that amount to HUD to fund the new Housing Trust Fund and 35 percent to Treasury to fund the new Capital Magnet Fund.
- Directs all the GSE set-aside funds the first year, half of the funds the second year, and 25 percent of the funds the third year to a special fund to offset the costs of the new FHA refinancing program.
- Increases Fannie Mae and Freddie Mac's high-cost area loan limits to the lesser of 115 percent of the median house price and 150 percent of the conforming loan limit, or $625,000, effective January 1, 2009.
- Strengthens Fannie Mae and Freddie Mac's affordable housing goals by lowering the income limit on qualifying mortgages from 100 percent of area median income (AMI) to 80 percent of AMI; requiring Fannie Mae and Freddie Mac to serve a variety of underserved markets, such as rural areas, manufactured housing, and preservation; and expanding the regulator's enforcement powers.

Other Significant Provisions

New Regulator with Expanded Powers

- Creates a new, independent GSE regulator named the Federal Housing Finance Agency (FHFA).
- Gives the FHFA director banking regulator-type powers over Fannie Mae, Freddie Mac, and the Federal Home Loan Banks (FHLBs).
- Requires the director to establish criteria for the portfolio holdings of the GSEs and to establish risk-based capital requirements for the GSEs and FHLBs.
- Gives the Federal Reserve Board a consultative role in advising the new GSE regulator on capital standards and other regulations.
- Requires each GSE to obtain initial approval from the director before offering any new product.
- Sets the conforming loan limits for Fannie Mae and Freddie Mac at $417,000 for a mortgage on a single-family home. Allows the FHFA to adjust the limit on January 1 of each year to recognize price changes.
- Gives Treasury temporary authority to purchase obligations and securities issued by the GSEs, if the Treasury Secretary determines the action is necessary to provide stability to the financial markets, prevent disruptions in the availability of mortgage finance, and protect the taxpayer.

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Mission Improvement

- Requires the director to give full credit toward the achievement of the multifamily special affordable housing goal to units in multifamily housing that otherwise qualify under the goal and that are financed by tax-exempt or taxable bonds issued by a state or local housing finance agency, if the bonds, in whole or in part, are secured by a guarantee of the enterprise or are purchased by the enterprise (with the exception that less than full credit may be given for purchases of investment grade bonds, to the extent that such purchases do not provide a new market or add liquidity to the existing market).
- Requires new affordable housing goals similar to those that apply to Fannie Mae and Freddie Mac for FHLB mortgage purchase programs and requires the FHLBs to create a public-use database for the programs.
- Allows Treasury-certified Community Development Financial Institutions (CDFIs) to join FHLBs. Allows CDFI FHLB members to use FHLB advances for community development purposes.

Affordable Housing Trust Fund

- Establishes a Housing Trust Fund to provide grants to states for use:
  - To increase and preserve the supply of rental housing for extremely low and very low-income families, including homeless families; and
  - To increase homeownership for extremely low and very low-income families.
- Allows states receiving grants to designate a state housing finance agency, housing and community development entity, tribally designated housing entity, or any other qualified instrumentality of the state to receive the grant funds.
- Requires the HUD Secretary to establish a needs-based formula for distributing funds to the states within 12 months of enactment of the bill.
- Establishes a minimum state allocation of $3 million.
- Requires the state or state-designated entity receiving grant funds to establish an allocation plan.
- Defines eligible activities as production, preservation, and rehabilitation of rental housing and production, preservation, and rehabilitation of housing for homeownership, including down payment assistance, closing cost assistance, and assistance for interest rate buy-downs.
- All assistance must be used to benefit very low- income families (with incomes not greater than 50 percent of area median income (AMI)) and at least 75 percent of assistance received must be used to benefit extremely low-income families (with incomes not greater than 30 percent of AMI).
- Limits state spending on homeownership activities to not more than 10 percent of total assistance provided.
- Requires state grantees to use or commit all funds within two years of when they become available.
- Requires state grantees to submit an annual report to the Secretary describing the activities funded by the grants and compliance with established allocation plans.

Capital Magnet Fund

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- Establishes the Capital Magnet Fund within the Treasury's Community Development Financial Institutions Fund.
- Directs Treasury to carry out a competitive grant program to attract private capital and increase investment for:
  - The development, preservation, rehabilitation, or purchase of affordable housing for primarily extremely low, very low, and low-income families; and
  - Economic development activities or community service facilities which, in conjunction with affordable housing activities, stabilize or revitalize a low-income area or underserved rural area.
- Defines eligible grantees as Treasury-certified community development institutions and nonprofit organizations having as one of their principal purposes the development or management of affordable housing.

Set-Aside Provisions

- Allows the Director to suspend the set-aside requirement if it would contribute to the financial instability of the enterprise, would cause the enterprise to be undercapitalized, or would prevent the enterprise from successfully completing a capital restoration plan.
- Prohibits Fannie Mae and Freddie Mac from passing the cost of the set-asides to lenders.

HOPE for Homeowners Act of 2008
(FHA Foreclosure Prevention Refinancing Program)

Key Provisions for HFAs

- Authorizes the FHA to insure refinance loans for distressed borrowers to prevent foreclosures.
- Authority goes into effect for mortgage commitments on or after October 1, 2008 and expires September 30, 2011.
- Limits the aggregate original principal obligation of all mortgages insured to $300 billion.
- Limits mortgage amounts to not more than 90 percent of the appraised value of the property.
- Requires existing mortgage holders to accept the proceeds of the insured loan as payment in full for all indebtedness.
- Mortgages must bear interest at a single rate that is fixed for the entire term of the mortgage and have a maturity of not less than 30 years.
- The principal obligation amount of each mortgage shall not exceed 132 percent of the 2007 FHA mortgage insurance program limit for the area in which the property is located.

Other Significant Provisions

- Restricts eligibility to mortgages on principal residences.
- Creates a Board, composed of the HUD Secretary, the Secretary of the Treasury, the Chair of the Board of Governors of the Federal Reserve System, and the Chair of the Board of Directors of the Federal Deposit Insurance Corporation, to establish program requirements and standards and to provide necessary guidance.

Requirements for Insured Mortgages

- The mortgagor must lack the capacity to pay the existing mortgage.
- The mortgagor must certify that there was not intentional default on the mortgage or other debt and that no false information was used to obtain any eligible mortgage.
- The mortgagor must have had a mortgage debt-to-income ratio, including all existing mortgages, greater than 31 percent as of March 1, 2008.
- Requires lenders to waive or forgive all penalties for prepayment or refinancing and all fees and penalties related to default or delinquency on the eligible mortgage.
- A mortgagor may not grant a new second lien on the mortgaged property during the first five years of term of the newly insured mortgage, with exceptions for second liens necessary to ensure the maintenance of property standards. Second liens cannot reduce the value of the Government's equity in the borrower's home and, when combined with the mortgagor's existing mortgage indebtedness, cause total indebtedness to exceed 95 percent of the home's appraised value at time of the second lien.
- Establishes a 3 percent upfront mortgage insurance premium and a 1.5 percent annual premium for all mortgages insured under this program.

- Directs the Board to establish reasonable limits on origination fees and procedures to ensure that interest rates are commensurate with market interest rates.
- Establishes an equity-sharing system applicable if a HOPE mortgage property is sold or refinanced within five years, as follows:
  - Within one year, the Secretary is entitled to 100 percent of the equity.
  - After one year but within two, the Secretary is entitled to 90 percent of the equity and the mortgagor is entitled to 10 percent.
  - After two years but within three, the Secretary is entitled to 80 percent of the equity and the mortgagor is entitled to 20 percent.
  - After three years but within four, the Secretary is entitled to 70 percent of the equity and the mortgagor is entitled to 30 percent.
  - After four years but within five, the Secretary is entitled to 60 percent of the equity and the mortgagor is entitled to 40 percent.
  - After five years, the Secretary is entitled to 50 percent of the equity and the mortgagor is entitled to 50 percent.

HOPE Fund

- Establishes within FHA a revolving fund called the Home Ownership Preservation Entity (HOPE) Fund to be used for mortgage insurance obligations.
- Requires the Board to submit monthly reports to Congress identifying progress of the HOPE for Homeowners Program.
- Authorizes Ginnie Mae to guarantee securities based on and backed by a trust or pool composed of HOPE mortgages.
- Authorizes HUD to insure mortgages under this program effective for commitments made on or after October 1, 2008 and on or before September 30, 2011.

Study of Auction or Bulk Refinance Program

- Directs the Board to study the need for an auction or bulk refinancing mechanism to refinance existing mortgages that are at risk of foreclosure.

Mortgage Foreclosure Protections for Servicemembers

- Temporarily increases the maximum loan guarantee for Veterans Affairs-guaranteed loans to 25 percent of the higher of the applicable GSE loan limit and 125 percent of the area median price for a single-family residence (provided the amount does not exceed 175 percent of the conforming loan limit), whichever is higher.
- Directs the Secretary of Defense to develop and implement a program to advise members of the Armed Forces who are returning from service on active duty abroad on actions to take to prevent or forestall foreclosure.
- Extends, effective from date of enactment until December 31, 2010, the period a lender must wait before starting foreclosure proceedings from three months to nine months after a serviceperson returns from service.
- Suspends increases in mortgage interest rates in excess of 6 percent during the service period and for one year after a serviceperson ends his/her service.
    - Interest includes service charges, renewal charges, fees, or any other charges (excepting bona fide insurance) with respect to an obligation or liability.
    - This provision sunsets on January 1, 2011.

Secure and Fair Enforcement for Mortgage Licensing Act of 2008

- Encourages the Conference of State Bank Supervisors and the American Association of Residential Mortgage Regulators to create a Nationwide Mortgage Licensing System and Registry that would establish minimum national standards for all residential mortgage brokers and lenders.
- Requires that the federal banking agencies create a system for registering employees of depository institutions or subsidiaries as registered loan originators with the nationwide system and registry.
- Requires states to establish state licensing and registration systems.
- Prohibits lenders from issuing loans if they have not registered with the national and state systems.
- Grants HUD the authority and enforcement power to back up the national system and registry or create its own nationwide system and registry if the above nationwide system fails or is not established.
- Requires the Secretary to submit, within 12 months of enactment, a report to Congress on the root causes of default and foreclosure of home loans.

Conversion of Project-Based Rental Assistance Contracts

- Allows the Secretary to convert, at the request of an owner of a multifamily housing project that exceeds 5,000 units to which a contract for Section 8 project-based rental assistance and a Rental Assistance Payment contract is subject, such contracts to a Section 8 project-based rental assistance contract.

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Mortgage Disclosure Improvement Act

- Amends the Truth-in-Lending Act (TILA) to expand the types of home loans subject to early disclosures and improve loan disclosures given to individuals and families on original and refinancing home loans.
- Requires that mortgage loan terms be disclosed no later than seven days before closing, and if terms change, not later than three, including the maximum loan payment for adjustable rate mortgages.

Reforms Related to Real Estate Investment Trusts (REITs)

- Modernizes REIT rules to liberalize the regulation of real estate investment trusts.

Revenue Provisions

General Provisions

- Extends and expands certain Gulf Opportunity (GO) Zone incentives to provide assistance to taxpayers located within the GO Zone.
- Expands the use of the bonus depreciation provision enacted as a part of the Economic Stimulus Act of 2008.
- Allows taxpayers to elect to accelerate the recognition of a portion of their historic AMT or research and development (R&D) credits in lieu of the bonus depreciation tax benefit that was included in the Economic Stimulus Act of 2008.

Revenue Offsets

- Contains the following revenue-raising provisions:
  - Establishes information-reporting requirement on payment card and third-party network transactions;
  - Excludes gain on sales of a principal residences not to apply to nonqualified use;
  - Delays implementation of the worldwide interest allocation rules for two years; and
  - Modifies corporate estimated tax payment rules.

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Housing Tax Credit Coordination Act of 2008

Key Provisions for HFAs

- Requires state Housing Credit allocating agencies to report Housing Credit tenant data to HUD annually, including tenant race, ethnicity, family composition, age, income, use of rental assistance or other similar assistance, disability status, and monthly rental payments.
- Streamlines FHA multifamily insurance processing for Housing Credit transactions.
- Allows qualified and willing HFAs to underwrite Section 202 program transactions.

Other Significant Provisions

Section 8 Assistance

- Increases project-based voucher program flexibility
  - Increases the maximum Section 8 voucher contract period to 15 years from 10 year.
  - Allows project-based voucher rents in Housing Credit developments to reach normally allowed voucher maximum rent, even if greater than Housing Credit rent.
  - Eliminates HUD's subsidy layering review for project-based vouchers if a state or locality has completed such review for Housing Credit purposes.
  - Repeals the requirement that PHAs undertake environmental review for housing assistance payments contracts unless otherwise required.
  - Clarifies standards for voucher rent reasonableness for Housing Credit developments.

McKinney-Vento Homeless Assistance

- Extends the time period for completion of Shelter Plus Care projects utilizing Housing Credits.
- Authorizes 15 year terms for renewal of Shelter Plus Care permanent housing assistance contracts.

Section 202

- Requires delegated processing of all new Section 202 elderly housing grants that also use funding sources not associated with HUD.