



Memorandum

TO: NEIGHBORHOOD SERVICES AND
EDUCATION COMMITTEE

FROM: Leslye Krutko

**SUBJECT: STATUS REPORT ON
FORECLOSURES**

DATE: August 24, 2009

Approved

Date

9-1-09

COUNCIL DISTRICT: Citywide

RECOMMENDATION

It is recommended that the Neighborhood Services and Education Committee accept the status report regarding foreclosure prevention efforts in San José. Housing Department staff will make a brief presentation at the meeting and be available for questions.

FORECLOSURE IMPACT

The foreclosure crisis has continued to be a major problem for San José residents. Foreclosure rates have remained steady and foreclosure activity remains concentrated in neighborhoods in Central San José, East San José, and the southern stretch of Monterey Highway. Most homeowners in danger of foreclosure were once concerned with their adjustable rate mortgages resetting, resulting in higher payments. However, lately, homeowners with both fixed and adjustable rate mortgages are losing their jobs and facing foreclosure because they have fallen behind on paying their mortgage.

Housing Department staff has provided periodic updates to the City Council since 2007 when the foreclosure crisis started to impact San Jose residents. Between June 2006 and June 2007, San Jose experienced a 105% increase in foreclosure filings. By August 2008, the San José metro area ranked 24th out of 100 in terms of foreclosure rate in the nation.

By April 2009, when the City Council held a study session on foreclosures, San José experienced a 140% increase in foreclosure over a two-year period.

CITY RESPONSE

In response to the foreclosure crisis, the Housing Department has taken a number of steps, which are detailed below:

- **Foreclosure Task Force** - The City has partnered with Don't Borrow Trouble Silicon Valley (DBTSV), a consortium of fair housing and legal services groups and real estate and mortgage representatives that was established to provide education, outreach, and referral services on predatory lending issues. The ensuing partnership resulted in the creation of the Foreclosure Prevention Task Force to discuss ways in which foreclosure prevention services can be assisted or expanded to families and communities. In addition to the current DBTSV member organizations, participation on the Task Force has been expanded to include representatives from local community advocacy groups, the faith community, family counseling services, and education.

The Task Force has identified existing services throughout the City and County and is creating easy-access repositories of multi-lingual information and services for homeowners in foreclosure or at risk of foreclosure. Recognizing that foreclosures impact everyone, the City has implemented a two-track program to address the foreclosure crisis in the City of San Jose: ForeclosureHELP and Neighborhood Stabilization:

- **ForeclosureHELP:** Because of the limited resources available and the broad service areas of nonprofit foreclosure counseling agencies, the Foreclosure Prevention Task Force created the County-wide effort ForeclosureHELP program to provide wrap-around services with the goal of preventing foreclosure and maintaining family and neighborhood stability. Over the past six months, the Foreclosure Prevention Task Force has met monthly to develop and implement the ForeclosureHELP program's comprehensive approach for the delivery of foreclosure mitigation services to homeowners.
- **Neighborhood Stabilization** - Neighborhood stabilization is a collaborative effort between the impacted communities, including faith based organizations, schools, and neighborhood associations, as well as RDA's Strong Neighborhoods Initiative and Code Enforcement.

RECENT SUCCESSES

- **NSP 1 – Recovery Act Program Implementation** - In February 2009, the City was awarded \$5.6 million in Housing and Economic Recovery Act 2008-Neighborhood Stabilization Program (NSP1) funds for the acquisition, rehabilitation and re-occupancy of foreclosed or abandoned homes. The Housing Department has set aside \$3.7 million for the acquisition of foreclosed multi-family residential property and \$1.2 million for single-family residences. These funds are being invested in the four zip codes (95111, 95116, 95122, 95127) hardest hit by foreclosures.

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- **NSP 2 – Federal Stimulus Funding Application** - To augment this effort, in July 2009, the City co-authored and submitted a \$25 million application for NSP2 funds under the American Recovery and Reinvestment Act of 2009. The application is a collaboration between The Housing Trust of Santa Clara County, Neighborhood Housing Services Silicon Valley, and the City of San Jose Housing Department. If awarded, these funds will be available as down payment assistance and for the acquisition, rehabilitation and re-occupancy of foreclosed homes and residential property.
- **Opening of ForeclosureHELP Assistance Center** – On May 13, 2009, the Center opened in the Parkmoor Work2Future offices to advise and refer clients to agencies that can provide direct services and to help clients package their documents in preparation for meetings with banks or foreclosure counseling. In Santa Clara County, there are only 12 HUD-certified foreclosure counselors. These counselors are trained to assess each client's unique situation, provide them with options to respond, and assist them in obtaining a loan modification with their lender. The volunteers at the Center listen to the client, assess their current situation, and ensure that the necessary documents are properly assembled for the foreclosure counselor. The foreclosure counseling agencies have further recognized the Center as a resource and now send their clients directly to the Center first to get their documents collected before making an appointment with the counselors. As of August 20, 2009, the Center has assisted 270 customers. Of this number, 70% were referred to nonprofit organizations for legal, counseling, and housing services and 88 homeowners have completed an intake package at the Center and been referred to a HUD-approved agency for foreclosure intervention counseling and loan modification request. Six families seeking assistance have been referred to Georgia Travis Center for rental assistance and, to date seven customers have received loan modifications.
- **Hiring of ForeclosureHelp Center Manager** – Marlene Santiago was hired as the ForeclosureHelp Assistance Center manager and is working with the Housing Department to coordinate foreclosure efforts. Ms. Santiago provides a valuable combination of experience as she has worked as a foreclosure prevention counselor with a local nonprofit, as well as in the real estate and mortgage fields. Ms. Santiago is responsible for everyday operations at the Center and recruiting and training volunteers.
- **Recruitment of Volunteers for ForeclosureHelp Center** – To date, the Center has 45 volunteers. These volunteers are vital to the operation of the Center as funds are not available for a fully paid staff. Since the Center opened in May, Housing Department staff have been provisionally handling client intake while a permanent team of volunteers could be recruited and trained. The volunteers are trained to listen to the client, assess their current situation, and ensure that the necessary documents are properly assembled for the foreclosure counselor. The volunteers were recruited through the Santa Clara County Association of Realtors and California Association of Mortgage Brokers Silicon Valley. Each volunteer is asked to provide at least four hours a month for six months. Some volunteers are providing more than the required hours.

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- **Foreclosure Prevention & Resource Fair** – On April 23, 2009, the City and Task Force organized a foreclosure prevention and resource fair that included four nonprofit foreclosure counseling agencies, three non-profit legal agencies, as well as property tax, employer, and social service resources. Over 550 people attended the event at the Santa Clara County Fairgrounds and were assisted through an intake process which referred them to a number of related services onsite such as foreclosure prevention counseling, legal assistance, credit counseling, as well as property tax, employer, and health and human service resources. Surveys conducted at the event indicated that 97% of participants left with an increased awareness of available options and resources and felt that the event was very helpful. Another resource fair will be held in October 2009.
- **Proactive Code Enforcement** - The increasing number of foreclosures has also impacted the quality of many of San Jose's neighborhoods. Since March 2009, Code Enforcement has conducted proactive "street by street sweeps" in the Strong Neighborhoods Area to identify and address the nuisances associated with neglected vacant properties. During this period, Code Enforcement has abated 16 properties. These abatements include the boarding of unsecured structures, the cutting of overgrown/dead vegetation and the removal of refuse and debris. In addition, Code Enforcement continues to maintain a "no tolerance" stance towards banks/lenders that fail to maintain foreclosed properties. This effort, which has resulted in the issuance of 233 administrative citations, has significantly reduced the number of resident complaints.

In addition to these efforts, the Housing Department continues to track data and trends regarding the foreclosure crisis nationwide and in San Jose. ForeclosureHelp volunteers, and nonprofit and real estate partners have recognized that those homeowners at risk are no longer only those with adjustable rate mortgages. Our partners agree that job loss and cuts in pay and work hours are now the main reasons for missed payments and eventual foreclosure situations. This trend will likely continue to keep foreclosures at a steady rate until the job and real estate markets rebound. Because more families are seeing job losses, draining their resources, and heading toward foreclosure, these families are now more at-risk of homelessness. Therefore, the ForeclosureHelp Assistance Center is also providing these families with referrals to housing and homeless services.

At the same time, homeowners with adjustable rate mortgages have the potential for a second wave of foreclosures. Adjustable rate mortgages given by lenders immediately before the foreclosure crisis usually were accompanied by terms of 2, 3 or 5 year periods of low payments before the rate adjusts. Within the next few years, these loans will adjust to a higher rate in which middle or moderate income families will be unable to afford monthly payments.

PUBLIC OUTREACH

One of the most crucial efforts in this campaign has been adequately and effectively marketing the ForeclosureHELP Assistance Center. Marketing activities are coordinated by City staff to outreach to the public through various media outlets.

- (1) **Website** – At the time of the ForeclosureHelp Assistance Center launching, the ForeclosureHelp website was also launched. The interactive website at <http://www.foreclosurehelpsc.org> features information on foreclosure scams, legislation updates, as well as referral programs and services.
- (2) **Flyers and Resource Guide** – Staff has developed flyers and reference guides in English, Spanish, and Vietnamese. The flyers advertise the ForeclosureHelp hotline and website, while the resource guide contains contact information for a number of foreclosure counseling and social service agencies. These flyers and reference guides will be distributed to libraries, community centers, local offices, and other outreach events.
- (3) **Public Service Announcements** – Staff is currently developing public service announcements to educate the public about the ForeclosureHelp hotline and foreclosure scams.
- (4) **Community Surveys** – A Survey has been developed to reach out to faith-based members in impacted areas to gather input on the impact of foreclosure. Staff is working with nonprofit partners, the Strong Neighborhood Initiative, and faith-based partners to distribute and collect the surveys.
- (5) **Upcoming Public Outreach Events:**
 - a. Staff will be attending Work2Future's job resource fair "Celebracion del Campo" in Morgan Hill on August 29.
 - b. Staff will also be attending the District 4 Community Resource Fair on August 29.
 - c. Participation has been requested by KTEH for an ongoing segment called "Facing the Mortgage Crisis." The segment will include a live telephone bank to assist those at risk or already in a foreclosure situation. The phone bank will be held on August 30 and television segments will be aired throughout September.
 - d. An additional foreclosure prevention and resource fair in which nonprofit foreclosure counselors, legal assistance, and lenders will be brought to one location is being planned with local partners for later this year.

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CONCLUSION

The combination of adjustable rate mortgages continuing to reset and the increase of job loss is expected to result in a continuation of the foreclosure crisis for the next year or two. The City continues to work with its partners to provide resources to San Jose residents. Staff will also continue to track the rates and location hot spot of foreclosures to ensure that we are addressing and targeting trends in this crisis and report back to the City Council about any significant concerns.


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For questions please contact Leslye Krutko, Director of Housing, at 408-535-3851.