



Thirteen Things America Can Do to Stop Foreclosures and Fulfill the American Dream

Access to an affordable home under fair and sustainable terms is crucial to our economic security and central to the American Dream. But misconduct by banks and lenders, inadequate rules and enforcement, and record unemployment rates are robbing millions of Americans of their homes and security while ravaging whole communities and holding back our national recovery.

Clear solutions exist that can prevent foreclosures and restore communities today while repairing the American Dream into the future. We call upon policymakers, the banking and lending industry, and everyday Americans to adopt and demand the following solutions to our housing crisis.

Banks and Mortgage Servicers should:

- 1. *Devote resources to loan modification.*** Banks and servicers should make good faith efforts to prevent foreclosures. This includes identifying and contacting at-risk borrowers as soon as possible, as well as modifying loans to the extent their legal obligations allow. They should systematically conduct Net Present Value (NPV) analyses, which determine whether investors profit more from a loan modification or a foreclosure. Banks and servicers enrolled in the Treasury Department's HAMP (Home Affordable Modification Program) are already required to do this, and should ensure that they have sufficient staff and resources devoted to modifying loans as appropriate.
- 2. *Grant temporary foreclosure stays.*** Banks can put the foreclosure process "on pause" for borrowers in default by offering a voluntary moratorium. By delaying the foreclosure process, the bank can better evaluate whether foreclosure is necessary, and give borrowers time to get their finances in order, seek counseling, and work with the bank to achieve a loan modification.
- 3. *Responsibly maintain properties in foreclosure.*** Properties in foreclosure often fall into disrepair, harming neighborhood property values and public safety. The banks that own those properties after foreclosing on them must maintain them responsibly. Banks should keep the properties in good, safe condition, and should consider selling the properties at a fair price to community organizations and non-profits.

Congress should:

- 4. *Support a Strong Consumer Financial Protection Bureau (CFPB):*** Congress should move quickly to confirm Richard Cordray as the head of the CFPB, a new agency intended to serve as a watchdog for consumer protections. Congress should also supply enough funding for agencies (including CFPB as well as the Departments of Justice and Housing and Urban Development) to undertake strong supervision and enforcement of housing market rules, and should engage in oversight to ensure those agencies are vigorously enforcing the law.
- 5. *Invest in Counseling:*** Counseling programs help potential and current homeowners attain the financial literacy they need to navigate complex mortgage transactions, make their payments, and save for the future. Counseling has been found extremely effective in helping borrowers, but more resources are needed. The Department of Housing and Urban Development's counseling budget was eliminated in 2011, and while some funding was restored for 2012, the amount was less than half that requested by HUD. Congress should fully restore counseling resources, and ensure that housing counseling is better funded in subsequent years.

6. ***Strengthen Community Development Programs:*** Existing community development programs need to be strengthened to effectively stabilize communities. For example, Congress should authorize additional funding for the Neighborhood Stabilization Program (NSP), a program run by the Department of Housing and Urban Development that focuses on the purchase and redevelopment of foreclosed and abandoned homes and residential properties.
7. ***Make the Protecting Tenants at Foreclosure Act Permanent, and Empower Tenants to Enforce It:*** Renters suffer when foreclosures happen, due to resulting evictions and poor building maintenance. Renters in foreclosed properties are protected from eviction by the Protecting Tenants at Foreclosure Act (PTFA), but the Act is due to expire in 2014 and is not uniformly enforced. The PTFA needs to be made permanent and strengthened. This includes enhancing enforcement of its protections, informing tenants about their rights under the law, and providing a private cause of action so tenants can protect themselves in court. Strengthening the PTFA could also involve requiring banks and mortgage servicers to affirmatively show they've complied with the Act before an eviction can proceed.

The Obama Administration should:

8. ***Direct the Treasury Department to Reform and Expand the Making Home Affordable Program:*** Federal efforts to address the foreclosure crisis include the administration's Making Home Affordable Program, an initiative developed by the Treasury Department that includes the Home Affordable Modification Program (HAMP). HAMP is intended to help eligible homeowners modify their mortgages, to make payments more affordable and avoid default. But it needs improvements to work effectively. Treasury should adjust its modification programs to make them work for borrowers, including giving homeowners an appeals process for modification denials; requiring banks and servicers to provide clear data on modification denials; and penalizing servicers proven to have violated HAMP rules, including failure to conduct NPV analyses (which determine whether investors profit more from a loan modification or a foreclosure).
9. ***Direct the Federal Housing Finance Agency to Reform Servicing Guidelines Effectively:*** Mortgage servicers act as the managers of mortgage loans, collecting payments which they forward to the mortgage owner, and conducting the foreclosure process. Despite their important role in the process, servicers still lack comprehensive guidelines and incentives that would move them towards fair, transparent service and avoiding foreclosures where possible. Regulatory agencies including the Federal Housing Finance Agency should develop improved servicing standards that would serve the needs of vulnerable communities, for example by making sure that servicers are compensated for work on loan modifications.
10. ***Enforce Fair Housing and Equal Opportunity Rules:*** Despite the progress made during the 20th century in promoting fair housing, communities of color continue to experience much higher levels of predatory and subprime lending and discrimination in accessing quality, affordable housing near good schools and other opportunities. Yet the Treasury Department has no civil rights regulations and has neglected fair housing enforcement, while the Department of Housing and Urban Development (HUD) has failed to provide needed guidance on affirmatively furthering fair housing. Treasury and HUD must act immediately to issue clear rules and ensure equal opportunity throughout the U.S. housing and lending markets.

States should:

11. ***Improve Access to Legal Assistance and Mediation:*** While large numbers of individuals face foreclosure proceedings, many lack the legal representation they need in order to understand the relevant claims, defenses, and court procedures. This means that borrowers are unfairly disadvantaged in these proceedings, and vulnerable to misconduct by mortgage owners and their lawyers. States should expand access to the courts and mediation for homeowners facing foreclosure by amending their foreclosure laws to require mandatory mediation and recognizing a right to consult with a trained housing counselor and, as necessary, a lawyer before foreclosure proceedings progress.

12. **Support Creation of Land Banks and Community Land Trusts:** Land banks offer a productive means of dealing with widespread foreclosures. Properties placed in a land bank are rehabilitated and eventually transferred to homeowners or developers, who return those properties to productive use. Where there is no private market for the properties, they can be donated to the municipality as green space or community gardens. States can help fund land banks, and can pass land bank enabling legislation that facilitates municipalities' abilities to efficiently form and operate land banks.

Towns and Cities should:

13. **Require Vacant Property Registration:** Vacant property registration requires owners of vacant properties (such as banks that have foreclosed on mortgages) to register those properties, so that they can be held accountable for maintenance. These registration systems have been successful at the local level, and should be expanded into other states and municipalities. Towns and cities can pass ordinances requiring that banks and other financial institutions foreclosing on a home register the vacant property with the local municipality. This would facilitate neighborhood stabilization by enabling municipalities to hold owners responsible for neglecting properties, and to charge a fee for long-term vacancies.

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THE OPPORTUNITY AGENDA IS A PROJECT OF TIDES CENTER.

568 Broadway
Suite 302
New York, NY 10012
Tel: 212.334.5977
Fax: 212.334.2656
contact@opportunityagenda.org