

Memorandum



CITY OF DALLAS

DATE August 29, 2008

TO Housing Committee Members: Steve Salazar, Chair, Carolyn R. Davis, Vice-Chair, Tennell Atkins, Dr. Elba Garcia, Vonciel Jones Hill, Angela Hunt, Linda Koop, Pauline Medrano

SUBJECT Federal Housing Legislation and Dallas Foreclosure Update

On Tuesday, September 2, 2008, you will be briefed on Federal Housing Legislation and Dallas Foreclosure Update. A copy of the briefing is attached.

Please let me know if you have any questions.

A handwritten signature in black ink, appearing to be 'A.C. Gonzalez', written over a circular stamp or mark.

A.C. Gonzalez, Assistant City Manager

c: The Honorable Mayor and Members of the City Council
Mary K. Suhm, City Manager
Deborah Watkins, City Secretary
Tom P. Perkins, Jr., City Attorney
Craig Kinton, City Auditor
Judge C. Victor Lander, Judiciary
Ryan S. Evans, First Assistant City Manager
David O. Brown, Interim Assistant City Manager
Ramon Miguez, P.E., Assistant City Manager
Jill A. Jordan, P.E., Assistant City Manager
Dave Cook, Chief Financial Officer
Jerry Killingsworth, Housing Director
Jeanne Chipperfield, Budget Director, Office of Financial Services
Helena Stevens-Thompson, Assistant to the City Manager

Federal Housing Legislation and Dallas Foreclosure Update

A Briefing
To The Housing Committee
September 2, 2008





Purpose

To provide:

- ❑ An update on the status of foreclosures in the City of Dallas and the County of Dallas
- ❑ City of Dallas Strategy and Activity
- ❑ Recommendations for 2009/10



Foreclosures in the City of Dallas

- According to George Roddy of Foreclosure Listing Services, the city of Dallas files between 550 to 625 foreclosure filings per month and normally between 50% and 55% of these filings result in foreclosures – on the average 275 – 315 foreclosures in the City of Dallas per month
 - 3,784 foreclosures in 2007 in the City of Dallas
 - 2,292 foreclosures in the City of Dallas during the first six months of 2008

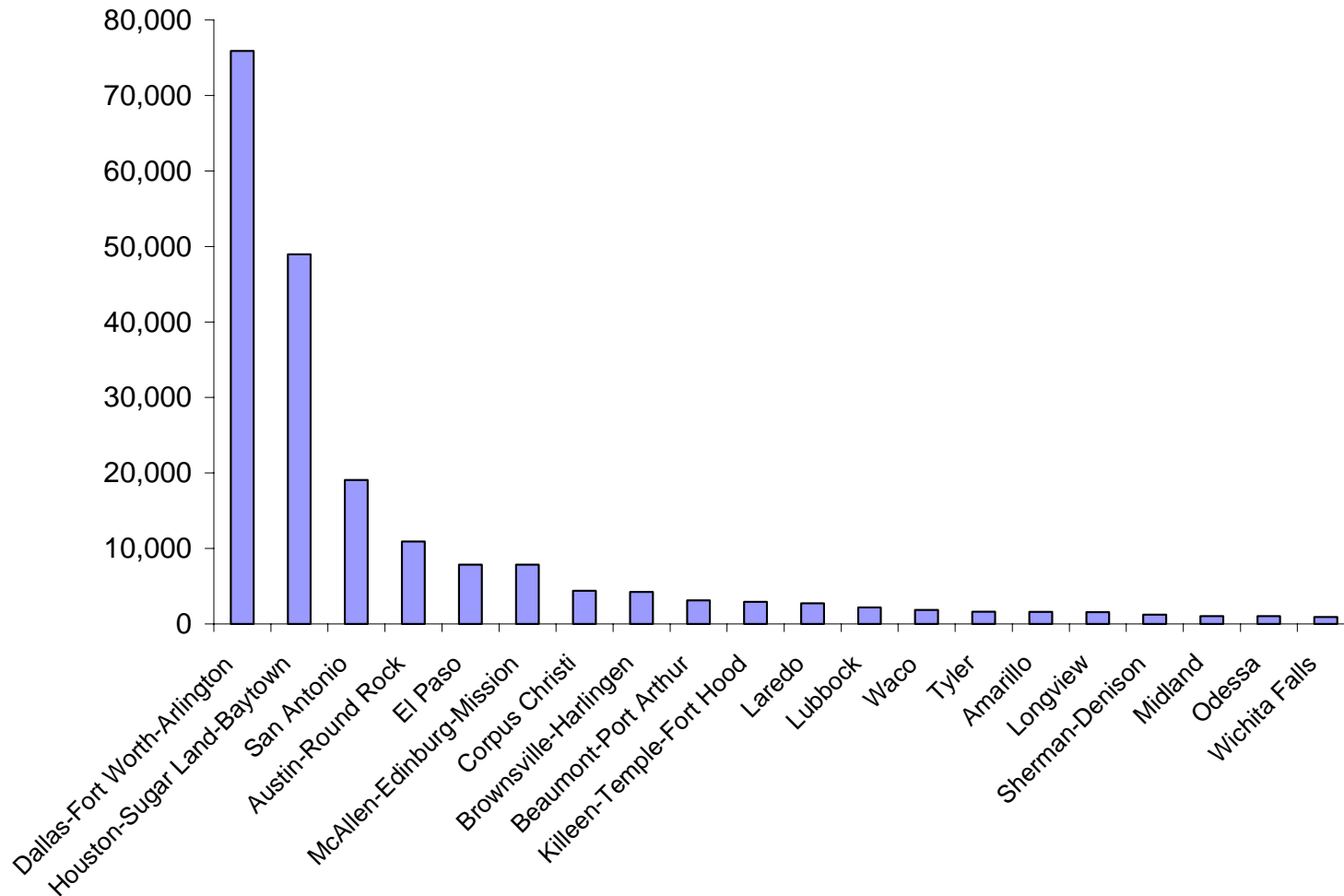


Foreclosures in the City of Dallas (Cont'd)

- ❑ Within the last few months, in the City of Dallas, of the actual properties foreclosed, approximately 96% remain with lenders and 4% are purchased by investors at the auction
 - ❑ In 2007 and the first seven months of 2008, the number of the foreclosures in the City of Dallas represented approximately 2% of the total homeowners
 - ❑ 6,172 foreclosures of an estimated 375,000 homeowners in Dallas
 - ❑ Source: Foreclosure Listing Service

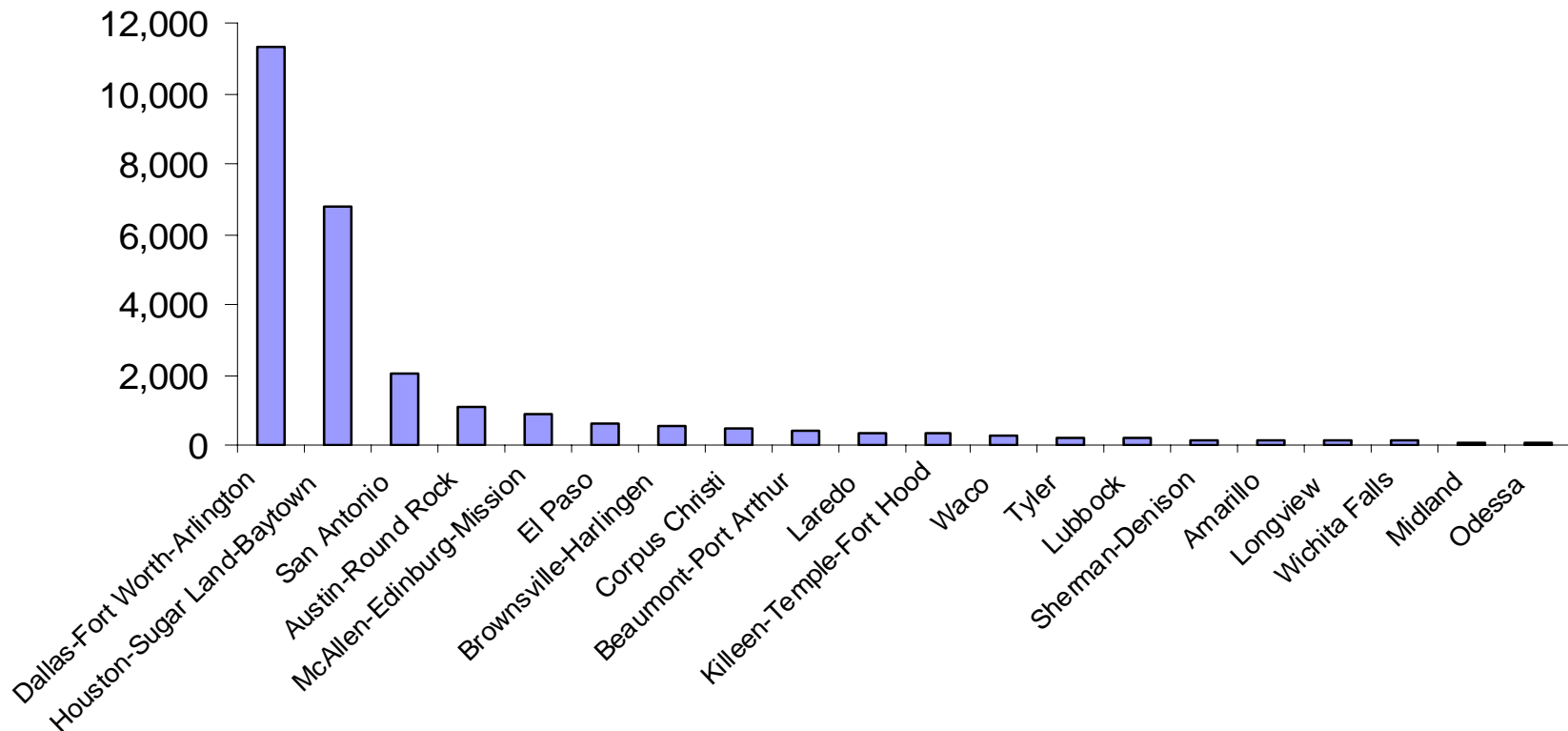
Owner-Occupied Subprime Loans of 20 Texas Metros

(Source: Federal Reserve Board April 2008 estimates based on data from First American Loan Performance)



*Serious Delinquencies and REOs of Subprime Loans in Texas Metros

(Source: Federal Reserve Board April 2008 estimates based on data from First American Loan Performance)



* 90 days and over past due



Data Conclusions

- DFW & Houston have more subprime loans than the rest of the state combined
 - Dallas-Fort Worth-Arlington metropolitan area had almost 76,000 compared to Houston-Sugar Land-Baytown metropolitan area had almost 49,000
 - These two metropolitan areas also had more problematic loans than all metro areas in Texas combined



Data Conclusions (Cont'd)

- ❑ DFW had approximately 12,000 seriously delinquent loans compared to Houston's 7,000
- ❑ The percentage of total owner-occupied subprime mortgages that were seriously delinquent was 16 percent in Dallas-Fort Worth-Arlington metropolitan area and 15 percent in Houston-Sugar Land-Baytown metropolitan area, slightly higher than the state level (14 percent)
- ❑ Variable-rate loans as the share of all owner-occupied subprime mortgages in Dallas-Fort Worth-Arlington was slightly higher than that in the state of Texas (52 percent versus 47 percent).
- ❑ Based upon this data the DFW-Arlington area can expect to have a much higher number of foreclosures than the rest of the state both in numbers and percentages



Three Stages of Foreclosure

- Borrower Becomes Delinquent (City of Dallas is involved)
- Loan is Reworked or Foreclosure Occurs
- Property Foreclosed and Resold (City of Dallas is involved)



Dallas Strategy & Activity

- ❑ Assist borrowers through North Texas Housing Coalition (NTHC) and other Agencies
- ❑ City not participating in negotiations between lender and borrower
- ❑ Increased code inspection of foreclosed property



North Texas Housing Coalition

- ❑ In 2004, the Housing Department donated \$25,000 to the Dallas HOPE Partnership, through the North Texas Housing Coalition (NTHC) to be dedicated to foreclosure prevention efforts through their Homeownership Center
- ❑ The Housing Department has donated \$7,600 in 2004, \$125,000 in 2005, \$125,000 in 2006 and \$50,000 in 2008 to the NTHC for homeownership and foreclosure prevention
- ❑ The NTHC/Dallas HOPE Partnership, created by the city, mortgage lenders and non-profits, is affiliated with the Homeownership Preservation Foundation & HOPENOW national sponsors
 - ❑ Dallas HOPE held six Foreclosure Prevention Workshop events locally in 2007-08
 - ❑ An estimated 150-180 homeowners served
- ❑ The NTHC/Dallas Hope Partnership has received 746 contacts since September 2005, inquiring about assistance with foreclosure



North Texas Housing Coalition (Cont'd)

- ❑ As of July 2008, approximately 400 clients have completed loss mitigation for foreclosures as part of foreclosure prevention in conjunction with Dallas Hope Partnership:
 - ❑ 101 clients have saved their homes
 - ❑ 299 homeowners either resolved the mortgage delinquency or were foreclosed on
 - ❑ Approximately 60 clients are currently in the pipeline and have been counseled for foreclosure prevention

- ❑ Housing Department sponsored a Foreclosure Prevention Workshop held at the Convention Center on August 16, 2008, with 410 borrowers attending



Other Agencies

- March 17, 2008, Texas Foreclosure Prevention Task Force (TFPTF) held a press conference at the United Way of Metropolitan Dallas
 - The Texas Department of Housing and Community Affairs' TFPTF and the national nonprofit organization NeighborWorks together with, NTHC, industry and community stakeholders formed TFPTF to help reduce home foreclosures and the impact of foreclosure on Texas families and communities

- June 9, 2008, NeighborWorks and HOPENOW held an event open to the public at the Arlington Convention Center, with City of Dallas participation through the NTHC:
 - One-on-one meetings with their lenders to discuss workout options to avoid foreclosure
 - There were approximately 250 people in attendance



Other Agencies (Cont'd)

- ❑ Foreclosure Prevention Workshop sponsored by Fannie Mae, NTHC and City of Dallas held August 16, 2008 at the Dallas Convention Center:
 - ❑ 13 lenders/servicers were on-site
 - ❑ Fannie Mae volunteered 35 staff for the event
 - ❑ 17 homebuyer counseling agencies attended with 33 counselors
 - ❑ 410 borrowers were in attendance at the workshop
 - ❑ 360 mortgages were analyzed for foreclosure prevention options
 - ❑ To date, there have been 60 post-event calls to NTHC

- ❑ Fannie Mae will continue working with City of Dallas and NTHC to provide Foreclosure Prevention Workshops on a quarterly basis as long as homeowners are attending



Lender/Borrower

- The City of Dallas is not participating directly in Lender/Borrower negotiations



Increased Code Inspection of Foreclosed Property

Code Enforcement Maintenance of Foreclosed Properties

- Foreclosure listing are being provided to City Code Enforcement
- The owner of the foreclosed property must maintain the property up to City Codes
 - Properties will be evaluated on a regular basis lenders put on notice
- Consideration should be given to levying a daily fee for owners that refuse to maintain their properties



Increased Code Inspection of Foreclosed Property (Cont'd)

Assessment of the property will be made and if one or more of these conditions exist, the owner of the property will be cited after 30 days:

- Exterior not up to Code
- Windows and/or doors are boarded if open and vacant
- Structure is a neighborhood blight and may include debris, broken windows
- Structure is neglected by owner
- Paint peeling throughout structure
- Property violates high weeds and vegetation ordinances
- Junk and debris on property
- Pool is neglected by owner
- Code will obtain owners/lenders contact information and maintain communication of code issues.
- Contact information will be obtained using
 - Dallas Central Appraisal District information
 - Efforts from title searches
 - Signage on property (For Sale Sign, Realtor Information, etc..)



Foreclosed Property (Cont'd)

- ❑ On July 26, 2008, H.R. 3221, the "Housing and Economic Recovery Act of 2008" was enacted into law
 - ❑ **Emergency Assistance for the Redevelopment of Abandoned and Foreclosed Homes**
 - ❑ Appropriates \$3.92 Billion for grants to state and local governments for the purchase and rehabilitation of foreclosed and vacant properties
 - ❑ As soon as the City receives notification on its HUD appropriation, program recommendations will be briefed to the Housing Committee



MAP & HFC Mortgages

- Foreclosures are well below the national average for City of Dallas Housing Programs as a result of maintaining a higher standard with our MAP and DHFC Program to keep them at a lower risk
 - The City programs only allowed fixed-rates and no sub-prime loans
- The average foreclosure rate for MAP is 2.4% which is 4.3% below the 6.7% average annual foreclosure rate and is also 3.2% below the Dallas County 5.6% for all Subprime conventional loans during this period



RECOMMENDATIONS

- ❑ Continue to provide support to the North Texas Housing Coalition
- ❑ Maintain current underwriting standards with MAP and DHFC Single Family Bond Programs
- ❑ Continue to provide Foreclosure Prevention Workshops on a quarterly basis
- ❑ Provide foreclosure filings to Code Enforcement to track and monitor the neighborhoods most heavily affected
- ❑ Develop a Program Statement for rehabilitating foreclosed properties for resale to low to moderate income persons using the federal funds pursuant to the “Housing and Economic Recovery Act of 2008”



Next Steps

- Provide legislative update to Housing Committee once HUD issues regulations and procedures for accessing program funding; and
- Recommend the adoption of programs to address local foreclosure issues



APPENDIX

- Federal Housing Legislation Summary



New Federal Legislation

“Housing and Economic Recovery Act of 2008”

On July 26, 2008, H.R. 3221, the "Housing and Economic Recovery Act of 2008" was and enacted into law

□ Major components of the Act include:

Hope for Homeowners

- \$300 Billion increase in FHA loan guarantee authority to guarantee the refinancing of pre-2008 mortgages on owner-occupied principal residences facing foreclosures

Affordable Housing Fund (AHF) to be administered by HUD

- Establishes an AHF that requires Fannie and Freddie to yearly set aside an amount equal to 4.2 basis points of the unpaid principal balance of its new business purchases to capitalize the AHF (65%) and the Capital Magnet Fund (35%)



Housing and Economic Recovery Act of 2008 (Cont'd)

- ❑ Fund allocated to states by formula based on low and extremely low households, low and extremely low income housing shortfalls, with each state receiving a minimum of \$3 Million each year
- ❑ For the first three years the fund will be used to offset federal expenses related to the Hope for Homeownership Program (Federal Housing Administration refinancing of mortgages facing foreclosure)
- ❑ Eligible activities include:
 - ❑ Production, preservation and rehabilitation of rental housing (75% must benefit extremely low-income families and 25% must benefit very low income families) – at least 90% of these funds must be spent on this purpose
 - ❑ Production, preservation and rehabilitation of housing for homeownership such as down payment assistance, closing cost assistance interest rate buy-down assistance (available for purchase for use as a primary home by extremely low-income and very low-income families).



Housing and Economic Recovery Act of 2008 (Cont'd)

Capital Magnet Fund to be managed by the Treasury Department

will provide competitive grants to attract private capital for:

- Development of affordable housing for extremely low, very low and low-income families
- Economic development activities or community services such as day care centers, workforce development centers, health care facilities, in conjunction with affordable housing activities revitalizing a low-income or underserved area
- Eligible uses include; loan loss reserves, capitalizing a revolving loan fund, economic development fund or affordable housing fund
- Eligible grantees are community development financial institutions and non-profit organizations



Housing and Economic Recovery Act of 2008 (Cont'd)

Emergency Assistance for the Redevelopment of Abandoned and Foreclosed Homes

- ❑ Appropriates \$3.92 Billion for grants to state and local governments for the purchase and rehabilitation of foreclosed and vacant properties.
 - ❑ HUD must develop formula for the funds within 60 days, each state must receive at least .5 percent of the appropriation
 - ❑ HUD must distribute the funds within another 30 days
 - ❑ Grantees would have 18 months to spend the funds

- ❑ Funds targeted to families at or below 120 percent of area median, with a least 25 percent targeted to families at or below 50% of area median income



Housing and Economic Recovery Act of 2008 (Cont'd)

Eligible uses of the funds:

- Establish mechanisms for the purchase and redevelopment of foreclosed homes, including soft-seconds, loan-loss reserves and shared equity for low- and moderate- income homebuyers
- Purchase and rehabilitate foreclosed or abandoned homes for resale or rental
- Establish land banks for foreclosed homes
- Demolish blighted structures
- Redevelop demolished or blighted properties
- Requires that the property being purchased be acquired at a price below market value, taking current condition of the property into account
- Resale must be at or below the cost of acquiring and rehabilitating the property
- Revenue generated by sales to be reused by grantee for five years, after which they revert to federal treasury
- Restricts the use of eminent domain with these funds to “public uses”, which does not include economic development



Housing and Economic Recovery Act of 2008 (Cont'd)

Housing Counseling

- ❑ Appropriates \$180 Million in housing and credit counseling activities
- ❑ Gives priority to the 100 largest metropolitan areas and to organizations that can begin offering counseling services within 90 days
- ❑ \$100 Million to Neighborhood Reinvestment Corporation

Title IX Miscellaneous

- ❑ Authorizes \$30 Million for homeless emergency assistance to help families affected by foreclosure and for grants to school districts to help children made homeless by foreclosure

Source: Barbara McCall and Associates Analysis