

# The Coordinated Plan to Address Foreclosures in Minnesota

An overview of the **Goals, Strategies, and Successes** of  
the Minnesota Foreclosure Partners Council

September 2010





## The Crisis

The number of mortgage foreclosures in Minnesota and throughout the country has been dramatically increasing for the past several years. In 2005, Minnesotans experienced 6,472 foreclosures. Since 2005, nearly 95,000 foreclosures have occurred throughout Minnesota. Nearly one in every 20 Minnesota households has experienced a foreclosure. Although the subprime mortgage crisis is behind us, the foreclosure rates for 2010 are actually at the highest rates since 2005. Experts predict additional waves of foreclosures in 2011 and 2012 as prime mortgage products reset. Although the causes of foreclosures may have changed since the crisis began, the impacts of these foreclosures remain unchanged: existing public and private resources are overwhelmed; thousands of families and children are displaced; and vacant and boarded structures devastate and depress surrounding property values.

## The Response: Minnesota Foreclosure Partners Council

Since its inception in 2007, the Minnesota Foreclosure Partners Council has been facilitating a rapid, coordinated response to this statewide crisis. In collaboration with many key public and private partners, the Council has made great strides to prevent future foreclosures, stabilize neighborhoods, and help Minnesota families succeed. Yet much work remains to be done. This Coordinated Plan outlines the Council's overall goals and strategies and highlights several key successes.



## Goals

The three goals described in this Coordinated Plan were developed by consensus among the members of the Minnesota Foreclosure Partners Council. The goals are statewide and should not be interpreted as a reflection of any individual member's goals. Numeric goals are updated annually to reflect changes in available funding, capacity, and products.

# Goal 1

## Prevent Foreclosures

*Numeric Goal: 27,500 foreclosures prevented by 2012.*

The average cost to counsel a homeowner is approximately \$400. By comparison, mortgage servicers, local governments, and others incur tens of thousands of dollars in expenses and costs to foreclose upon a home. Preventing a foreclosure from ever occurring is by far and away the most cost effective approach and has the added benefit of preserving a family's home. Therefore, prevention has been and remains a primary goal of the Minnesota Foreclosure Partners Council.

### Strategies

- Sustain the Minnesota Home Ownership Center's statewide counseling network.
- Support the organizations providing statewide renter assistance.
- Continue and expand counseling capacity, outreach, and educational initiatives for non-English speaking homeowners and renters, and for veterans through partnerships and referral networks.
- Collaborate with lenders and servicers to promote timely and effective loss mitigation practices.
- Support full utilization of federal refinancing and loss mitigation programs.
- Develop and implement programs to assist home owners unable to borrow for basic, necessary home maintenance due to insufficient home equity. The ability to maintain one's home provides an incentive for the home owner to remain current on the mortgage, helps preserve the value of the home, and contributes to the stability of the neighborhood.

### Highlighted Successes

- Designed, implemented, and maintained statewide counseling network and a comprehensive outreach and education campaign for renters, homeowners, professionals, and referral agencies with funding from National Foreclosure Mitigation Counseling, Minnesota Housing, Family Housing Fund, Greater Minnesota Housing Fund, and other private and public funders.
- City of Saint Paul posted foreclosure prevention hotline information on more than 400 public works vehicles and trained staff to recognize distress and distribute materials to those households.
- City of Minneapolis designed an early warning system to target households at risk of foreclosure with resources including easy access to foreclosure counseling and assistance programs using Minneapolis 311.
- Diverse sectors came together to pass numerous new laws aimed at protecting and informing renters and homeowners about rights, responsibilities, and the availability of counseling to prevent foreclosure.



## Goal 2 Deliver and Expand Access to New Mortgages

*Numeric Goal: 2,850 new mortgages accessed by 2012.*

As economic conditions worsened, the credit markets dried up. In response to this credit crunch, government agencies have created and funded several programs including those for first time home buyers, home buyers undertaking significant home improvements, public employees and veterans, and those willing to purchase a home in an area heavily impacted by foreclosure. Local nonprofits are also reinventing lending with a short term contract for deed (aka installment contract). These programs serve as demonstrations for the private market. The private market could also consider providing supplemental or improvement loans to participants in these government and nonprofit programs.

### Strategies

- Support and encourage the development of private loan products that provide refinancing options for distressed home owners and purchase money mortgages for home buyers.
- Address challenges of potential home buyers who are unable to purchase a home due to damaged credit from a recent foreclosure.
- Partner with originators, local governments and nonprofits, realtors, and others to provide new home owners and landlords with the tools and information necessary for successful property ownership.
- Support the development and use of disclosure statements and financial instruments that are more easily understood by the consumer.
- Push for enhanced financial literacy and education for the next generation of home owners.

### Highlighted Successes

- *Live MSP*, an informational and marketing initiative focused on attracting new and retaining existing residents in all Minneapolis and Saint Paul neighborhoods, was established with seed money from the Family Housing Fund and organizational support from the Cities of Minneapolis and Saint Paul. Launched during the sub-prime mortgage crisis, *Live MSP* is a component of both cities' foreclosure recovery plans to market and reposition rebounding neighborhoods.
- Minnesota Housing developed *HOME HELP*, a down payment and closing cost assistance program for first-time homebuyers that encourages targeted marketing to foreclosed properties and emerging markets.
- City of Saint Paul developed *Make it Possible*, administered through Dayton's Bluff NHS, to stabilize heavily impacted *Invest Saint Paul* neighborhoods by providing current homeowners with the option to refinance out of adjustable rate mortgages and an incentive for people to purchase vacant or foreclosed properties.
- City of Minneapolis developed *Minneapolis Advantage*, a down payment and closing cost assistance program to rebuild the housing market in neighborhoods that have experienced numerous foreclosures.
- Duluth Neighborhood Housing Services prioritized use of *Employer Assisted Housing* downpayment funds from Saint Mary's Duluth Clinic and Saint Luke's Hospital to help stimulate home sales and stabilize heavily impacted neighborhoods.
- Greater Metropolitan Housing Corporation developed the *Bridge to Success Contract for Deed* program, administered through GMHC and Dayton's Bluff Neighborhood Housing Services, to assist potential homeowners and stabilize neighborhoods.
- City of Brooklyn Park used reallocated resources to provide down payment assistance for those purchasing foreclosed homes. The City also holds fairs to provide "one stop" shopping that matches potential home buyers with lenders and appropriate mortgage products.
- Minnesota Home Ownership Center provides *Home Stretch* classes that prepare first-time home buyers for the important choices related to home ownership.



## Goal 3 Acquire, Hold, or Rehabilitate Foreclosed and Abandoned Properties

*Numeric Goal: Take action on 3,500 foreclosed properties by 2012.*

Foreclosed homes are often not maintained, become vacant, and sometimes are abandoned by all formerly interested parties. In some cases, a neighborhood or house is so distressed that direct government intervention is necessary to stabilize the community. The government can also partner with the private market and with nonprofit community developers to acquire, hold, and rehabilitate these troubled properties and return them to productive use—thereby stabilizing the community.

### Strategies

- Develop and enhance partnerships and communication between realtors, utilities, property management companies, landlords, tenants, mortgage servicers, local governments, and community developers to more effectively and efficiently respond to code enforcement and licensing requirements and to purchase requests.
- Develop and provide technical assistance and capacity building assistance to redevelopment partners.
- Incent and coordinate the rehabilitation and redevelopment efforts of the private market.
- Expand the use of land banks and land trusts.

### Highlighted Successes

- The state and many cities through Minnesota received \$95.3 million in federal Neighborhood Stabilization Program funds for strategic acquisition, rehabilitation, and resale of foreclosed and vacant properties. As of June 2010, partners across the state of Minnesota have deployed these funds to acquire 1,024 foreclosed or vacant properties and have already returned 511 to productive use with numerous additional efforts already underway.
- Greater Minnesota Housing Fund has invested over \$10 million to acquire, rehabilitate, and resell homes in the most highly impacted neighborhoods in Greater Minnesota.
- The Family Housing Fund's *Home Prosperity Fund* has \$35 million in investments from numerous private, public, and philanthropic organizations to provide assistance to local governments and nonprofits for strategic acquisition and rehabilitation and for sustainable home ownership programs throughout the Twin Cities.
- Minnesota Housing developed the *Homeownership Opportunity Program*, which provides short term, temporary financing for the acquisition and rehabilitation of vacant properties in, or in imminent danger of, foreclosure and for properties (vacant or occupied) in a foreclosure impacted area.
- Cities, such as Brooklyn Park, have established real time internal and external communications that monitor foreclosed properties to identify vacancy and prevent property damage and loss.
- Twin Cities Community Land Bank is a nonprofit organization formed by the Family Housing Fund as a strategic tool for government, neighborhood based organizations, community development corporations, and nonprofit and for-profit developers to further community-based economic development and affordable housing goals. In its first year of operation, the Land Bank acquired 168 properties at a net savings of more than \$2 million and is working with 39 developers in 130 cities across the seven-county metropolitan area to recycle foreclosed and abandoned properties.
- The National Community Stabilization Trust's *First Look* and *Targeted Bulk Purchase* programs were piloted for the nation by the cities of Minneapolis and Saint Paul and help Minnesota communities by providing first right of refusal and bulk property purchase programs to acquire foreclosed properties and to promote sustainable homeownership in a competitive housing market.



## The Minnesota Foreclosure Partners Council

The goal of the Minnesota Foreclosure Partners Council in Minnesota is to identify, fund, and implement coordinated statewide policies and programs that effectively address the impact of the recent surge in mortgage foreclosures on families, neighborhoods, and communities. Members and other partners take specific, innovative, and collaborative actions including changes in policies and practices and the provision of resources.

### Partners Required for Success

#### Minnesota Foreclosure Partners Council

##### Chairs

Cecile Bedor, City of Saint Paul

Warren Hanson, Greater Minnesota Housing Fund

##### Members

- Cities of Brooklyn Park, Minneapolis, Moorhead, and Saint Paul
- Counties of Dakota, Hennepin, and Ramsey
- Dayton's Bluff Neighborhood Housing Services
- Family Housing Fund
- Fannie Mae
- Greater Metropolitan Housing Corporation
- Greater Minnesota Housing Fund
- Housing and Redevelopment Authorities of Woodbury, Anoka County, and Saint Cloud
- HousingLink
- League of Minnesota Cities
- Local Initiatives Support Corporation of Duluth and the Twin Cities
- Metropolitan Consortium of Community Developers
- Minnesota Home Ownership Center

- Minnesota Housing
- State of Minnesota Commerce Department and Housing Finance Agency
- Three Rivers Community Action
- University of Minnesota—Center for Urban and Regional Affairs

##### Other Key Partners

- Banks
- Community and neighborhood organizations
- Elected and public officials
- Federal and local housing agencies
- Federal Reserve Bank
- Foundations and private donors
- Housing policy researchers and advocates
- Legal assistance providers
- Local governments
- Mortgage brokers
- Mortgage lenders and servicers
- Realtors
- Trustees of mortgage backed securities

*For the most current version of the Coordinated Plan to Address Foreclosures in Minnesota and partners list, please visit [www.fhfund.org](http://www.fhfund.org) or [www.mnforeclosurerecovery.com](http://www.mnforeclosurerecovery.com).*

#### Contact Information

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