



FORECLOSURE RECOVERY PROGRESS AND PARTNERS



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FEDERAL RESERVE BANK OF SAN FRANCISCO

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Community Affairs Function

- Established at each regulatory agency to facilitate compliance with the Community Reinvestment Act
- Support the economic growth objectives of the Federal Reserve Act by promoting community and economic development, and fair and equal access to credit



Causes of Foreclosure Crisis

- Speculative housing bubble followed by dramatic declines in value
- Accomodative interest rate environment
- Lax lending standards
- Ineffective mortgage regulation
- Unchecked growth of loan securitization



As a Result....

- Disproportionately erased wealth gains among low-income populations and communities of color
 - ▣ African-Americans lost \$193 billion in depreciation; Latinos saw \$177 billion (2009 – 2012)*
- Blew the cover off of the unequal regulatory environment
 - ▣ *Restoring American Financial Stability Act of 2010*
 - ▣ *Consumer Financial Protection Bureau (CFPB)*
 - ▣ <http://fedweb.frb.gov/reform/>

* *Foreclosures by Race and Ethnicity: The Demographics of a Crisis*; Center for Responsible Lending Research Report. Debbie Gruenstein Bocian, Wei Li, and Keith S. Ernst June 18, 2010



Goals for Today

- Hear about effectiveness of efforts to prevent foreclosure
- Discuss impacts of foreclosure and elements of foreclosure recovery
 - Is there any way to reach and help households that have already gone through foreclosure
- Identify partners and resources necessary for foreclosure recovery



Why Foreclosure Recovery

- ▣ Continued focus on issue
 - Answer to foreclosure fatigue
 - Productive outlet to channel our anger about the foreclosure crisis

- ▣ Paradigm shift
 - From external fix to personal control

- ▣ Address needs beyond foreclosure prevention
 - Not everyone will keep their home; many already gone through foreclosure
 - Empower individuals to think proactively about preparing for next steps and putting their lives back together



What is Foreclosure Recovery

- Two parts:
 - ▣ Individuals/families (households), Communities
- Three components:
 - ▣ Housing, Personal, Financial
- Five steps:
 - ▣ Managing foreclosure and options for a graceful exit
 - ▣ Relocation: housing and shelter
 - ▣ Restoration: restoring normalcy
 - ▣ Rebuilding: credit and finances
 - ▣ Renewal: finding stability and looking ahead



Managing Foreclosure and Steps to a Graceful Exit

Retention Options:

- ▣ *HAMP: affordable to 31% of household income*
- ▣ *HARP: refinance using FHA w/principal forgiveness*
- ▣ *Keep Your Home: CalHFA program*
 - *Unemployment Mortgage Assistance*
 - *Mortgage Reinstatement Assistance Program*
 - *Principal Reduction Program*
- ▣ *Private modifications*

Non Retention Options

- ▣ *HAFA: short sales w/ incentives for investor and homeowner*
- ▣ *Deed for Lease: Fannie Mae*
- ▣ *Keep Your Home: CalHFA program*
 - *Transition Assistance Program*



Resources for Recovery

Resource Guide for Foreclosure Recovery

- A publication of the Federal Reserve Banks of Atlanta and San Francisco (http://www.frbsf.org/community/issues/toolkit/toolkit_3.html)
- Local Resources at your Fingertips
 - Housing counseling /relocation
 - Social services (i.e. food banks, income support)
 - Public utility assistance
 - Job training or entrepreneurship assistance
 - Credit counseling and repair
 - Tax and deficiency consequences
 - Mental health services and counseling
 - Legal Services (e.g. bankruptcy, scam reporting)
 - Regulatory and enforcement agencies



Community Recovery

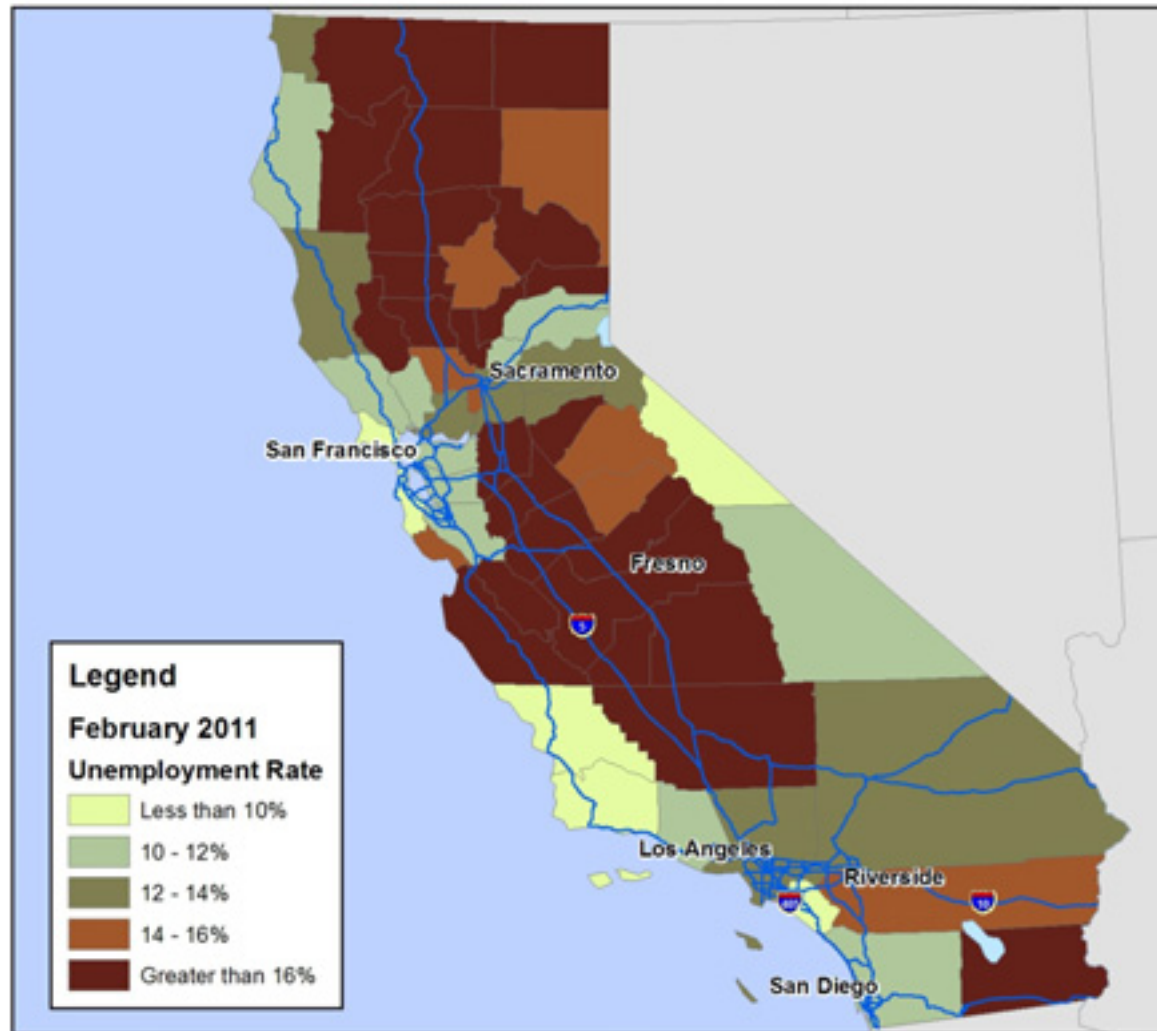
- Neighborhood Stabilization
 - ▣ Minimize negative spillover effects of vacant properties on surrounding neighborhood
 - Ensure servicer maintenance of REOs
 - Work with lenders/servicers to acquire and rehab foreclosures for affordable housing
- Economic Development Strategies
 - ▣ Address higher unemployment
 - Workforce development
 - Small business credit
 - Entrepreneurship



Taking on Foreclosure Recovery

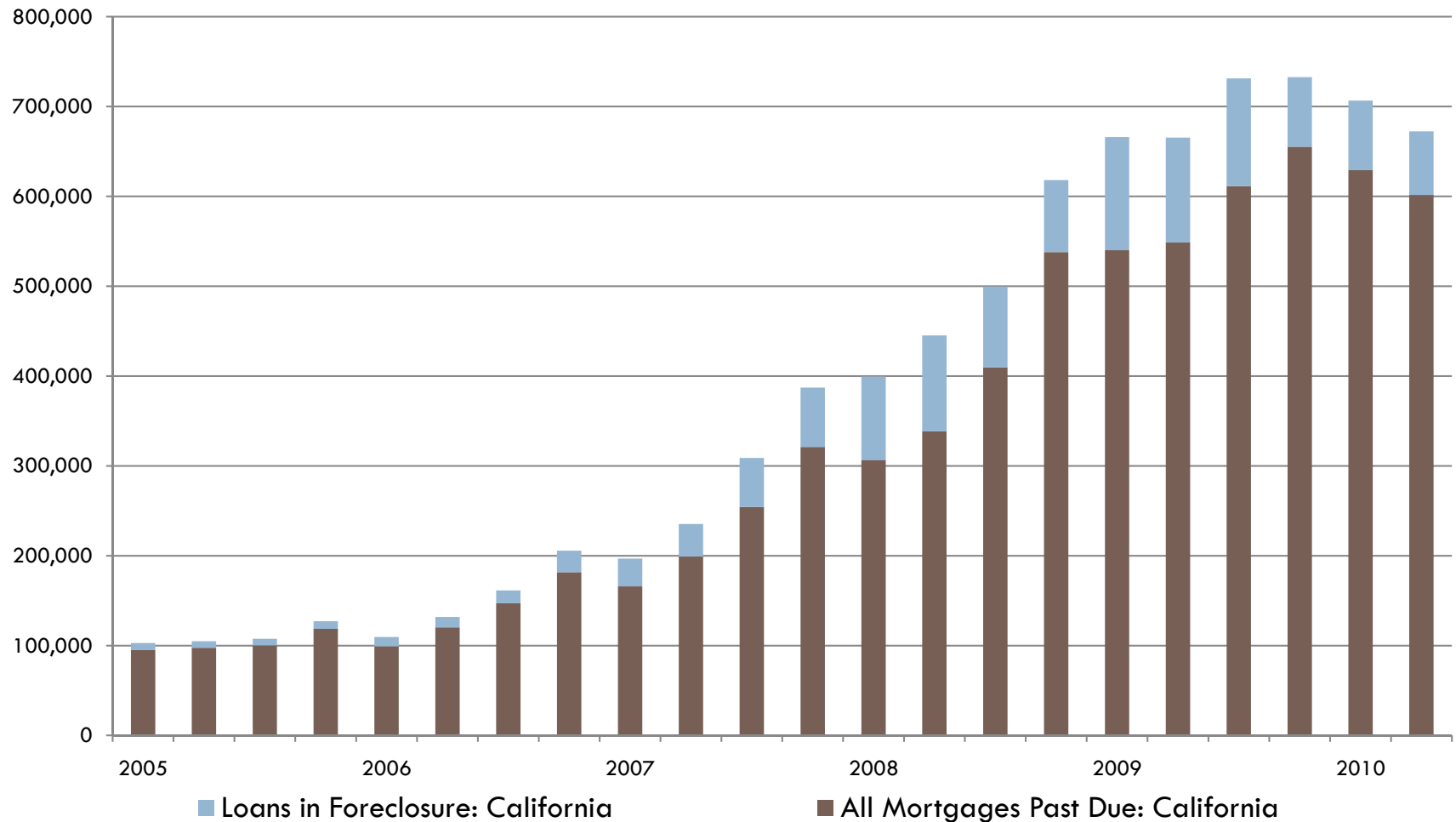
... America does not need a range of new services to address the impacts of the foreclosure crisis on families but, rather, an expansion . . . of the types of services that already exist . . .

Unemployment rates particularly high in Central Valley and northern counties





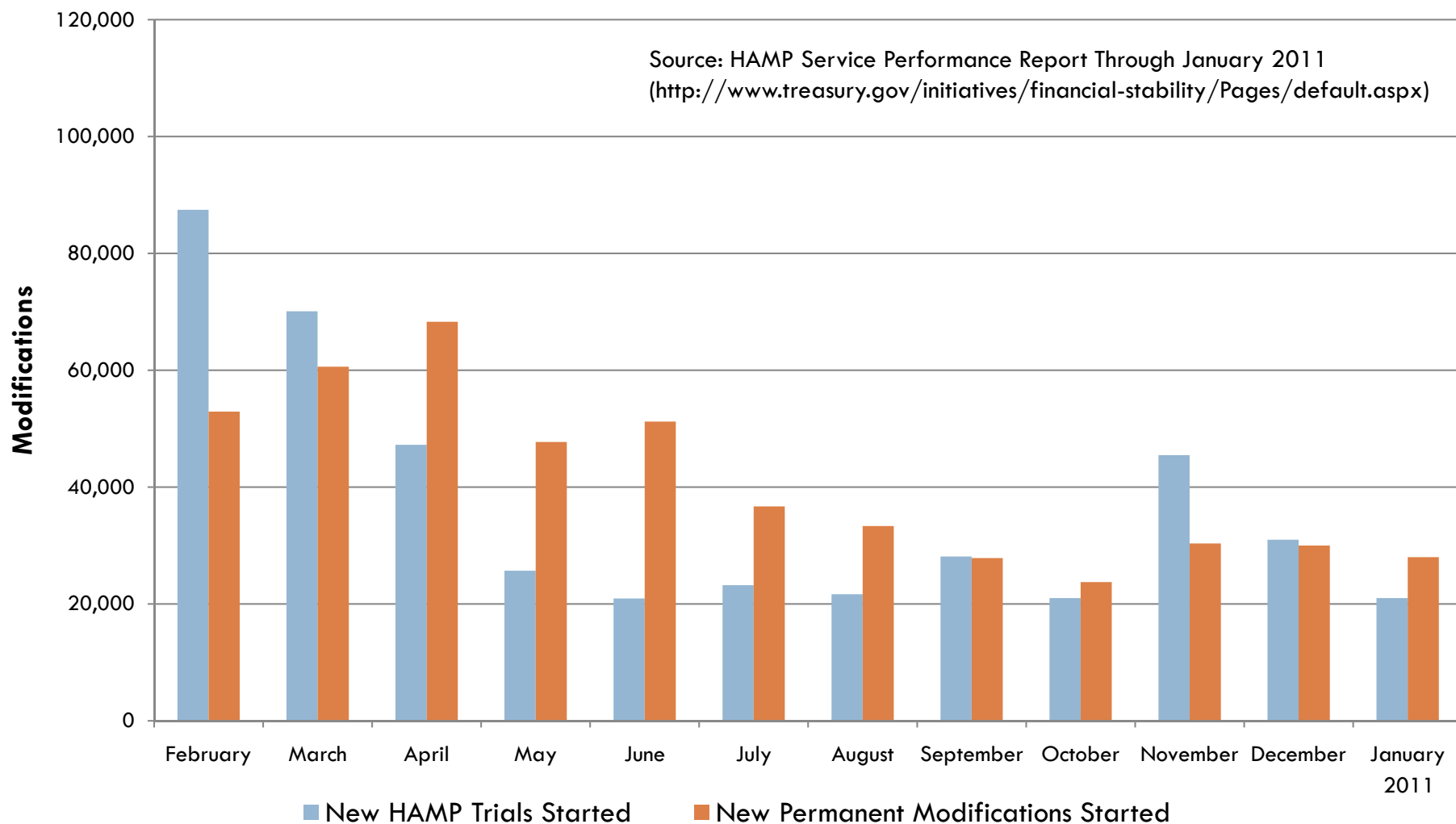
Foreclosures Small Portion of At-Risk Properties



Source: Mortgage Bankers Association, National Delinquency Survey

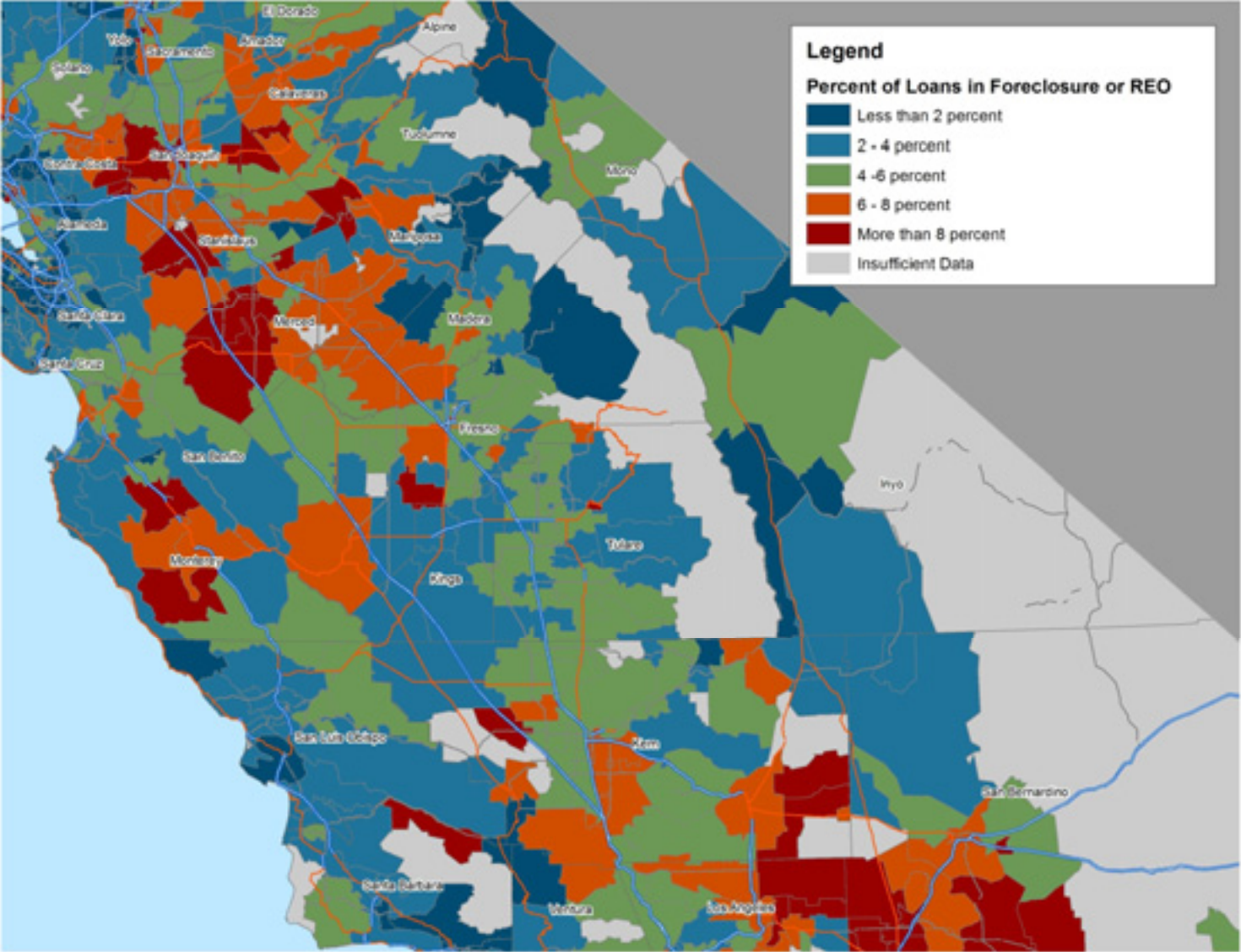


Permanent modifications improving



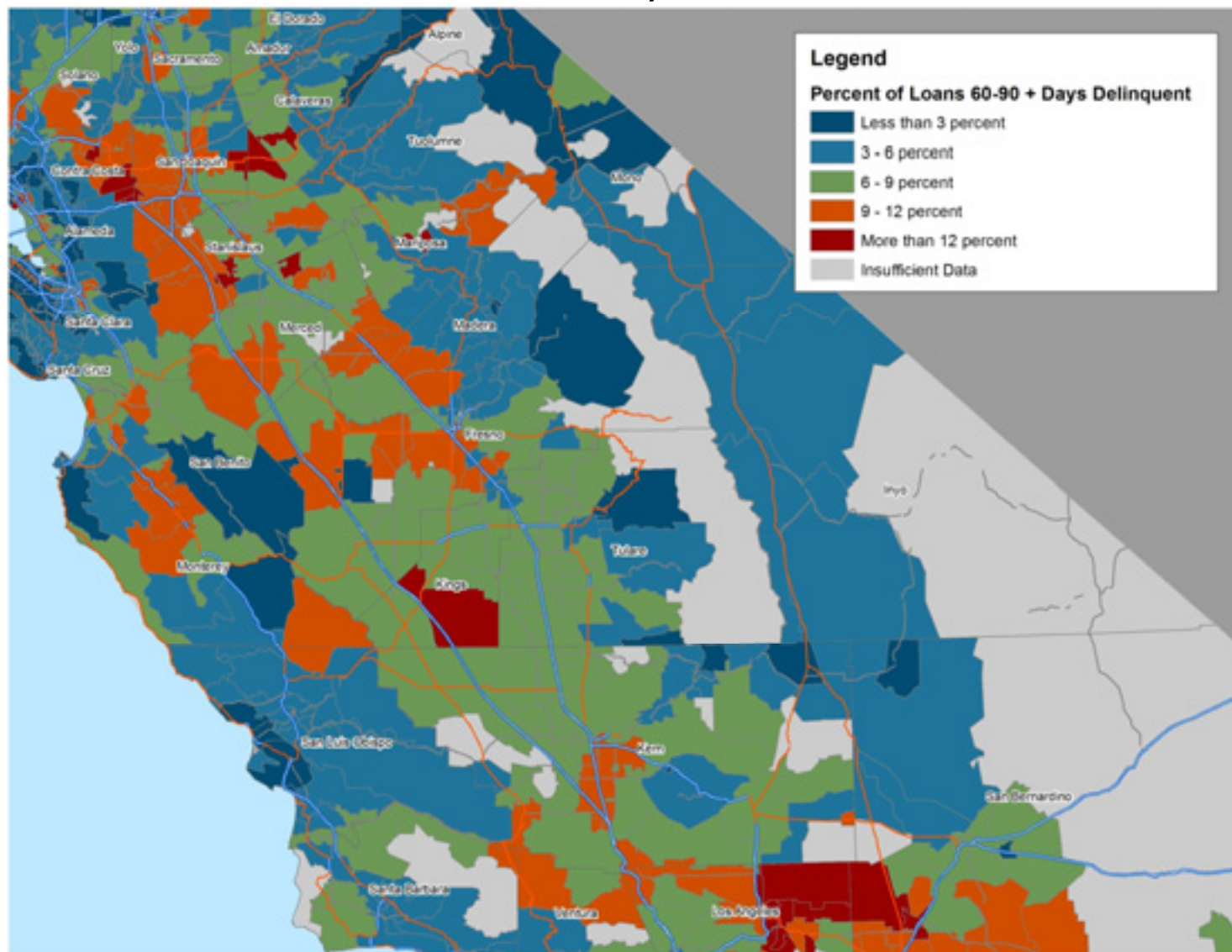
Areas Affected by Concentrated Foreclosures

February 2011



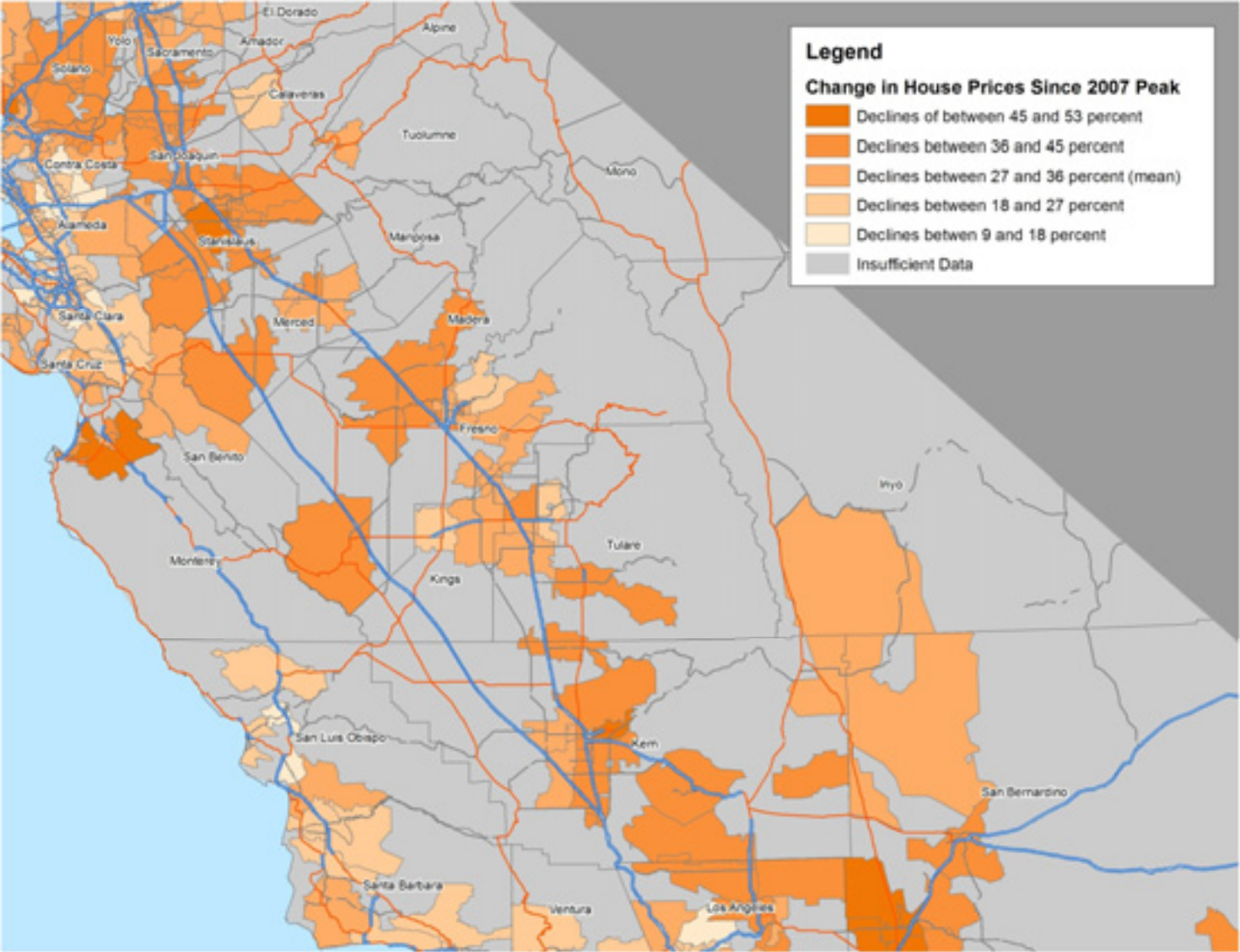
Areas At Risk of Additional Foreclosures

February 2011



Changes in House Prices Since 2007 Peak

February 2011





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