The Coordinated Plan to Address Foreclosures

Strategies to address foreclosures and help families and communities succeed in the Twin Cities and the State of Minnesota

A review of **Successes to Date** and **Calls to Action** as summarized by the Minnesota Foreclosure Partners Council

Problem The number of mortgage foreclosures in Minnesota and throughout the country is dramatically increasing. In 2005 there were 6,466 foreclosures in Minnesota. Minnesota experienced more than 20,000 foreclosures in 2007, a 200% plus increase from 2005. This trend is expected to continue for the next two to three years. This dramatic increase is overwhelming existing resources, displacing families, and leaving many affordable homes vacant and boarded.

Solutions *The Coordinated Plan to Address Foreclosures* highlights the successes to date and presents next steps and calls to action in the areas of data collection, homebuyer and tenant counseling, targeted outreach, product development, neighborhood and community recovery, and legislative and legal strategies.

1

Data Collection

Successes to Date

- Collected and analyzed statewide foreclosure data through the work of HousingLink, the Greater Minnesota Housing Fund, the Minnesota Home Ownership Center, and the Federal Reserve Bank of Minneapolis and expanded data sharing between cities and counties, including the expanded use of early warning systems.

Call to Action

- Develop and implement statewide data collection platform to expand and improve predictive and analytical data collection efforts.

2

Homeowner and Tenant Counseling

Successes to Date

- Developed a statewide foreclosure prevention capacity building initiative that will double the number of foreclosure prevention counselors and serve 27,000 at-risk homeowners and 2,700 tenants residing in foreclosure properties. Funding partners include Minnesota Housing ($1 million) and Family Housing Fund/Greater Minnesota Housing Fund ($300,000). Hennepin County provided $370,000 for services in the county.
- Mortgage servicers created dedicated call lines for use by foreclosure prevention counselors and distressed homeowners.

Calls to Action

- Enhance counseling capacity and service delivery for at-risk homeowners and renters.
- Improve capacity and willingness among investors, lenders, and servicers to practice flexible and timely loss mitigation procedures including loan modifications and refinancing.
- Increase overall support and expand requirements for counseling services prior to origination and assistance for renters.

3

Targeted Outreach

Successes to Date

- Developed and distributed outreach and educational materials through community channels.
- Developed predictive and analytical data collection techniques to assist outreach efforts and policy makers.
- Provided workshops for distressed borrowers with foreclosure information and servicer and counselor meetings.
- State provided $500,000 to Minnesota Home Ownership Center and Urban League for targeted outreach to Minnesota's vulnerable homeowners.

Calls to Action

- Enhance outreach initiatives to at-risk homeowners and renters by expanding partnerships and building referral networks.
- Expand outreach to minority and non-English speaking communities.




4

Product Development

Calls to Action

- Develop toolkit of public-private products to assist distressed homeowners as well as those already in foreclosure.
- Support special loan programs that provide lower-income borrowers with sound lending products.

5

Neighborhood and Community Recovery


Successes to Date

- City of Saint Paul approved $15 million for strategic acquisition and rehabilitation of properties in Invest Saint Paul areas.
- Developed models to test innovative methods to secure vacant properties.
- The Family Housing Fund launched the Home Prosperity Fund with $16 million of initial investment loans from Wells Fargo, US Bank, TCF Bank, Thrivent Financial, and Minnesota Housing for strategic acquisition and rehabilitation and programs to assist affordable sustainable homeownership.
- Minnesota Housing provided $1 million to the Greater Metropolitan Housing Corporation and $.5 million to the City of Saint Paul for affordability gap funds to support their foreclosure remediation initiatives.
- Ramsey County developed a $250,000 remediation pilot project for foreclosed properties in suburban communities.

Calls to Action

- Employ aggressive and innovative code enforcement to eliminate blight and restore public safety.
- Increase readiness among realtors, servicers, and property management companies to respond to code enforcement requirements and purchase requests.
- Increase willingness among investors and servicers to utilize bulk sales and donation programs to community development corporations and local governments.
- Develop rehabilitation and resale models that demonstrate how to restore homes for long term sustainable affordable homeownership.

6

Legislative and Legal Strategies

Success to Date

- Landmark, model state legislation was passed to address predatory lending practices.

Calls to Action

- Enhance legal protections for at-risk homeowners and renters.
- Increase enforcement of new legislation and existing regulations.
- Monitor federal legislation.

Continued on back

Partners Required for Success

Minnesota Foreclosure Partners Council

Chairs

Cecile Bedor, City of Saint Paul
Warren Hanson, Greater Minnesota Housing Fund

Members

- City of Brooklyn Park
- City of Minneapolis
- City of Saint Paul
- Duluth Local Initiatives Support Corporation
- Emerging Markets Homeownership Initiative
- Family Housing Fund
- Greater Metropolitan Housing Corporation
- Greater Minnesota Housing Fund
- Hennepin County
- HousingLink
- Metropolitan Consortium of Community Developers
- Minnesota Home Ownership Center
- Minnesota Housing
- Ramsey County
- Saint Cloud Housing and Redevelopment Authority
- Three Rivers Community Action
- Twin Cities Local Initiatives Support Corporation

Other Key Partners

- Banks
- Community and neighborhood organizations
- Community development corporations
- Elected and public officials
- Federal and local housing agencies
- Federal Reserve Bank of Minneapolis
- Foundations and private donors
- Housing advocates and tenants organizations
- Legal assistance providers
- Local governments
- Mortgage brokers
- Mortgage lenders and servicers
- Realtors
- State of Minnesota
- Trustees of mortgage backed securities
- University of Minnesota

For the most current version of the Coordinated Plan to Address Foreclosures *and partners list, please visit* **www.fhfund.org**.

Contact Information

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Greater Minnesota: Greater Minnesota Housing Fund, **651.221.1997** or toll-free at **1.800.277.2258**.

March 2008

LEGAL TOOLS TO REVITALIZE NEIGHBORHOODS THAT HAVE BEEN MOST AFFECTED BY THE FORECLOSURE CRISIS

Mark Ireland, Esq.
Ann Norton, Esq.[1]

In addition to the personal and financial toll that foreclosures are having on individual homeowners, the foreclosure crisis is also presenting significant challenges to Minnesota cities and counties. There is an increased demand for social services, counseling, and other programs. Cities and counties have also had to secure and maintain a record number of vacant properties.

The growing number of vacant properties is a significant risk to the long-term health and vitality of neighborhoods, because they have a downward, spiraling effect. The longer houses are left vacant, the more likely these houses will develop into problem properties and magnets for crime. This will lower the value of surrounding homes, push stable owner-occupied and rental property owners out of the neighborhood, and, in turn, create even more vacant and abandoned property.

This downward spiral will also reduce the city and county's tax base. A recent study conducted by the Center for Responsible Lending found that the decrease in Minnesota's property tax base will be at least $1.27 billion due to the foreclosure crisis ($258 million in Ramsey County and $663 million in Hennepin County).[2] This calculation is conservative, and only quantified the loss in property value for houses that were located near foreclosed property. It does not include the reduction in value of the actual foreclosed property, nor does it account for the devaluation of properties that are allowed to deteriorate.

The first section of this memo will provide basic information about the foreclosure crisis. It is intended to provide a context for the legal remedies or actions available, as well as the need to take immediate action. The second section identifies two specific legal tools provided by existing law that can be used to ameliorate the effects of the foreclosure crisis, particularly vacant houses.

I. AN OVERVIEW OF THE FORECLOSURE CRISIS AND ITS EFFECT ON LOCAL COUNTIES AND MUNICIPALITIES

Beginning in the 1990s, a conscious decision was made by policymakers and economists to de-regulate the financial services industry. The most prominent example of this new policy was the passage of the Gramm-Leach-Bliley, Financial Services Modernization Act of 1999 ("GLB"). GLB eliminated the depression-era regulations set forth in the Glass-Steagall Act, which prevented traditional banks, insurance companies,

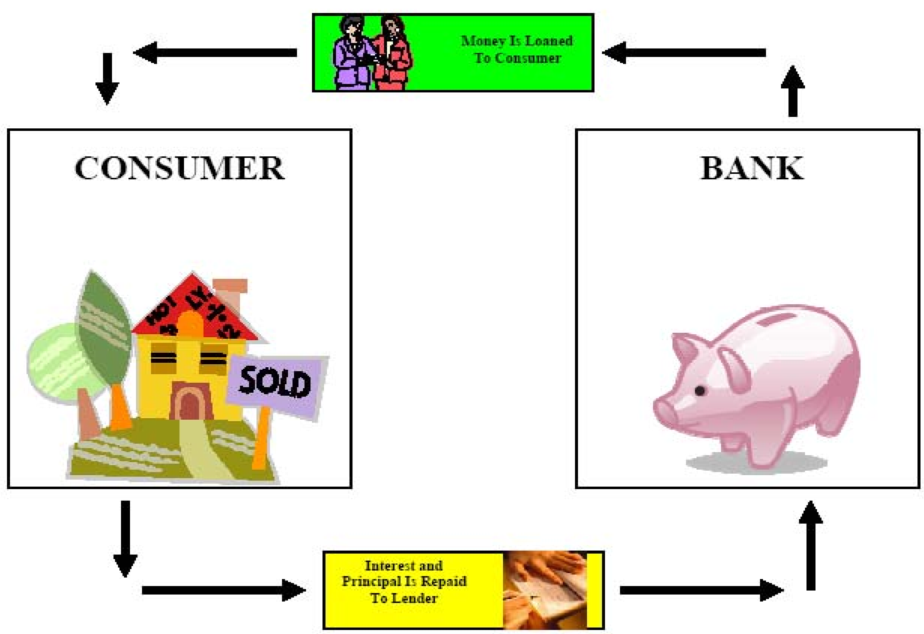
[1] Mark Ireland and Ann Norton are attorneys for the Foreclosure Relief Law Project, an initiative of the Housing Preservation Project in Saint Paul, Minnesota.
[2] Center for Responsible Lending, *Subprime Spillover: Foreclosures Cost Neighbors $202 Billion; 40.6 Million Homes Lose $5,000 on Average* (January 28, 2008).

brokers, real estate settlement companies, and commercial/investment banks from consolidating.

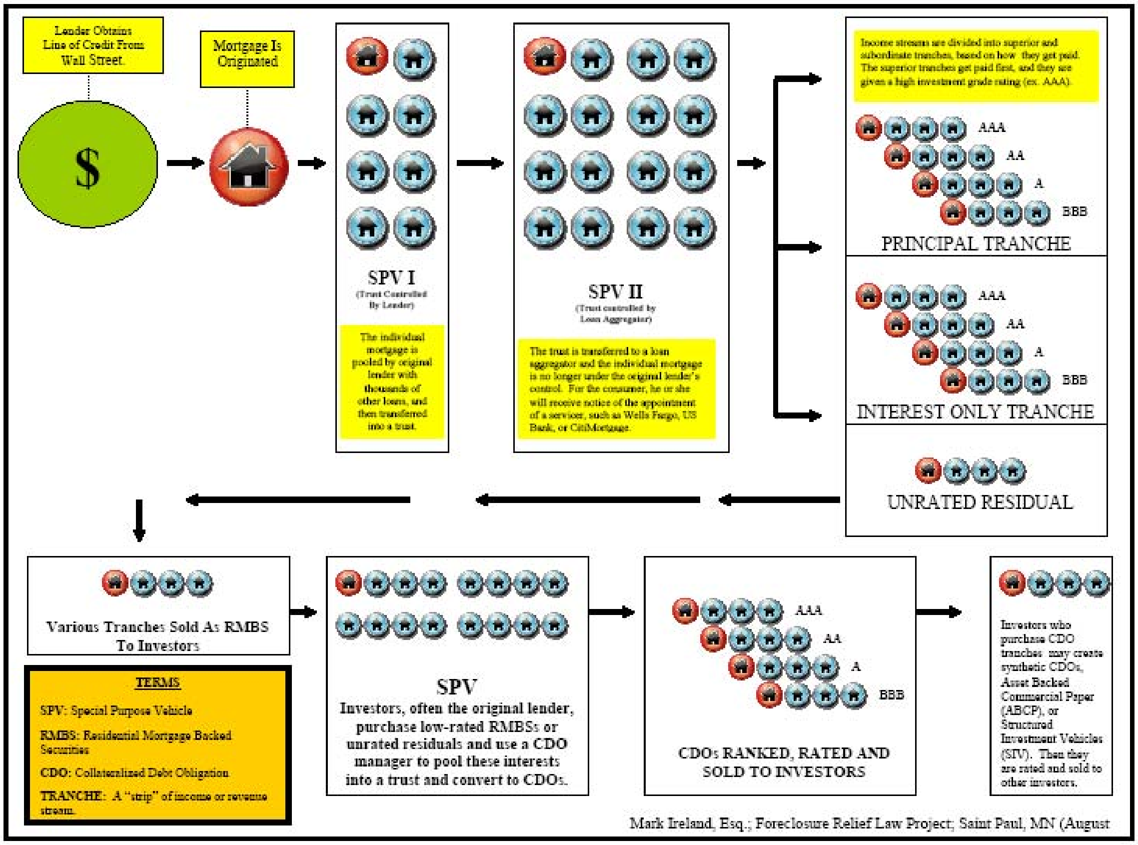
Along with deregulation, there was also a perfect storm of other factors that radically transformed the housing sector in the United States and, ultimately, created the current financial crisis. First, Wall Street investment companies realized that there were billions of dollars of equity that individuals had in their homes. Former Federal Reserve Chairman Alan Greenspan supported the creation of financial products that would "extract" that equity and, in turn, support the rest of the economy after the September 11, 2001 terrorist attacks. Second, individual homeowners were dealing with stagnant wages as well as increased health care costs, student loans, and credit card debt. The financial pressure on individual homeowners created an incentive to borrow against their home equity. Third, the cost of technology dropped and the power of computers increased exponentially. This enabled lenders to create computer models and mathematical equations that were designed to quickly and automatically underwrite loans with minimal information. Fourth, there was the rise of securitization. Securitization is the process of transforming a relatively locked financial product, such as a 30-year mortgage into investment-grade securities or bonds.

As illustrated by the diagrams below, securitization separated the borrower from the original lender through a series of transactions. This separation eliminated many of the traditional incentives a lender had to ensure that individual homeowners had a sustainable mortgage.

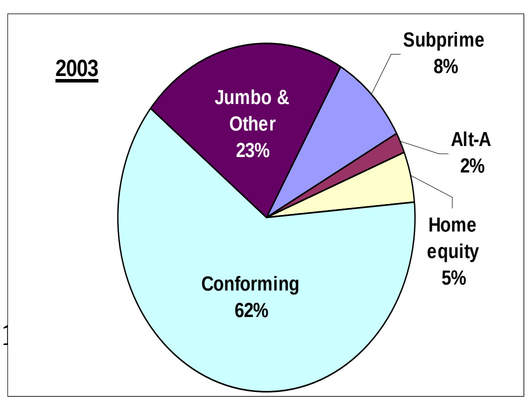
TRADITIONAL BANKING MODEL

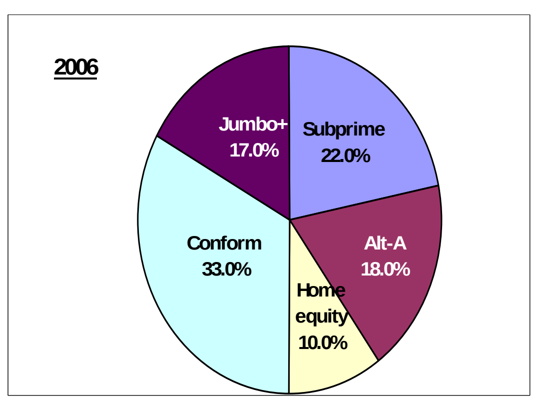


MORTGAGE SECURITIZATION FLOW CHART



From 2000 to 2006, there was a dramatic increase in the number of sub-prime or Alt-A mortgages (Option ARMs, no documented income, or "pick-a-payment" mortgages). In 2000, the percentage of subprime mortgages comprised about 2% of the overall mortgage market. In 2003, the percentage of subprime mortgages increased to about 8%. In 2006, the percentage more than doubled to 22%. In the meantime, the Alt-A market of exotic mortgages was created and soon occupied 18% of the total mortgage marketplace. This growth in sub-prime and Alt-A mortgages means that the overall percentage of risky, toxic mortgages went from less than 5% to 40% of the overall housing market in less than seven years.





Source: *Amer. Banker*, *Inside Mortgage Finance* and *New York Times*

Other characteristics of these loans are as follows:[3]

- 89-93 % of the subprime mortgages come with an exploding adjustable interest rate.
- 43-50% were approved without fully documented income.
- 75% have no escrow for taxes and insurance.
- 70% of subprime adjustable rate mortgages will adjust from 7 to 12%.
- One in five subprime mortgages will end in foreclosure.

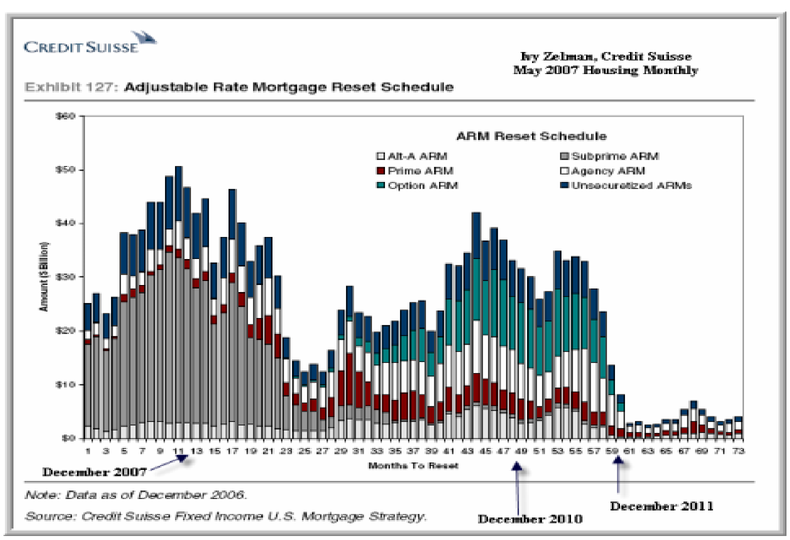
As the amount of equity decreased and underwriting standards tightened, individual homeowners were no longer able refinance their toxic mortgages and were forced to sell or go into foreclosure.

This table provides a summary of Sheriff's Sales for 2005-2007 in Minnesota.

Region	2005 Sheriff's Sales	2006 Sheriff's Sales	Percent Change '05-'06	2007 Sheriff's Sales (Projected) [1]	Percent Change '06-'07(Projected)
7-County Metro	3,759	7,039	87%	12,885	83%
Greater MN	2,707	4,168	54%	7,688	84%
Minnesota	6,466	11,207	73%	20,573	84%

Source: HousingLink, http://www.housinglink.org/Foreclosure.htm.

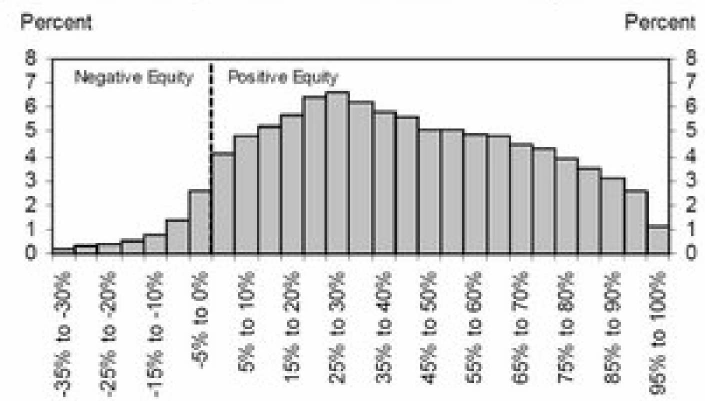
The sheer volume of subprime and Alt-A mortgages that were originated over the past seven years means that it will be at least two years before there will be a significant decline in the number of foreclosures. As illustrated by the "reset" chart published by Credit Suisse, below, $20 to $40 billion worth of mortgages will adjust to unsustainable levels every month until 2011. A high percentage of these mortgages will be foreclosed upon within a year of resetting to the high interest rate.



[3] Center for Responsible Lending, *A Snapshot of the Subprime Market* (November 28, 2007).

As housing prices decline over the next two years, there will also be a growing number of homeowners with negative equity. Negative equity means that the homeowners "owe" more money than the home is actually worth. Negative equity limits the ability to sell a property or refinance. Consequently, homeowners will be more likely to walk away from their property or allow it to go into foreclosure. In 2006, 2.5 million people had zero or negative equity in their homes. By the end of 2007, the number had grown to 5.6 million. If home prices decline an additional 10%, the number will rise to 10.7 million. If they decline 30%, which is not unrealistic, the number will rise to 20 million.[4]

Exhibit 16: Falling Prices Put Homeowners into Negative Equity



Note: All data as of December 2006.
Source: First American CoreLogic, Inc.

II. LEGAL TOOLS TO REVITALIZE NEIGHBORHOODS MOST EFFECTED BY FORECLOSURE CRISIS

In addition to traditional code enforcement, there are two specific tools provided by Minnesota statute that may be used to ameliorate the effects of the foreclosure crisis and eliminate vacant property. These tools also bring decision-makers to the table in order to formulate a specific plan for vacant property. First, local governments and community developers can use Minnesota's Tenant Remedies Act, Minn. Stat. § 504B.395, *et seq*. Second, local governments and neighborhood organizations can utilize Minnesota's private and public nuisance statutes, Minn. Stat. §§ 561.01 and 617, *et seq*.

A. Minnesota's Tenant Remedies Act

Local governments across the country are increasingly using civil receivership tools to address vacant property issues, including preserving assets and maintaining

[4] Calculated Risk, *Homeowners with Negative Equity* (December 4, 2007) (http://calculatedrisk.blogspot.com/2007/12/homeowners-with-negative-equity.html)

properties in decent and habitable condition.[5] Minnesota's Tenant Remedies Act, Minn. Stat. § 504B.395, *et seq.* ("TRA") provides the authority for civil receivership judicial actions in Minnesota. This tool is advantageous in several respects.

- The TRA provides an alternative approach to demolition as an enforcement tactic. Traditional code enforcement often does not work when owners or investors have walked away from a property, or the current owner is a large financial institution or investment trust. In the past, a city typically sees demolition as its only tool. The TRA provides an alternative enforcement strategy that results in improved properties rather than demolitions. It further maintains historic housing stock.

- The TRA mandates an expedited process thereby facilitating city control over the property and abatement of violations much quicker than other statutory tools.

- In other contexts, the mere threat of receivership posed by the filing of a TRA has proven to be a sufficient incentive to secure individual owner compliance. It is reasonable to expect that for owners of multiple foreclosed properties the threat of receivership and resultant owner liability for the costs thereof, will constitute the leverage necessary to engage their attention potentially leading to more effective longer term solutions including transfers of ownership to nonprofits or others with the interest and ability in more responsible stewardship.

- If a receiver is actually appointed through the TRA process, the City or other entity achieves ongoing oversight and maintenance of the property. Specifically, the TRA authorizes the court to maintain jurisdiction over the property for a year after the receivership terminates.

Under the TRA, a civil receivership action may be brought in district court by "a local department or authority charged with the enforcement of codes relating to health, housing or building maintenance."[6] A TRA may also be brought by "a housing-related neighborhood organization that has within its geographical area an unoccupied residential building" in which code violations are alleged to exist.

The TRA can be used for <u>both</u> occupied rental property as well as vacant property. The receivership action is applicable for residential buildings which by definition include "an unoccupied building which was previously used in whole or in part as a dwelling and which constitutes a nuisance under [Minn. Stat.] section 561.01. [7] Nuisance is defined in Section 561.01 as "Anything which is injurious to health, or indecent or offensive to the senses, or an obstruction to the free use of property, so as to interfere with the comfortable enjoyment of life or property…"[8]

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[5] "Nuisance Abatement of Vacant Properties *Innovative uses of civil receivership*", Policy Brief February 2006. Joseph Schilling, Director of Research and Policy, National Vacant Properties Campaign
[6] Minn. Stat. § 504B.395, subd. 1.
[7] Minn. Stat. § 504B.001, subd. 11(2)
[8] Minn. Stat.§ 561.01

Under the TRA statute a city initiated process likely requires collaboration with the housing related neighborhood organization which must request an inspection by the city agency charged with enforcing the state or city health, safety, housing, building, fire prevention or housing maintenance code applicable to the property. After the inspection, the city inspector informs the owner and the housing-related neighborhood organization in writing of any code violations discovered and must allow a "reasonable period of time" to correct the violations.[9] Presumably the flexibility provided by this reasonableness standard will justify quicker action than other code enforcement tools. If the owner fails to correct the violations, the City is able to file the TRA complaint. The court must schedule the initial hearing between seven and fourteen days after the complaint is filed.

1. Appointment of a receiver pursuant to the TRA.

The TRA gives the court broad discretion in granting any relief "it deems just and proper," including ordering the owner to correct the violations and/or the appointment of an administrator for the property. The TRA authorizes broad powers to the appointed administrator to manage and operate the property including specific authority to enter into leases for vacant dwelling units; to contract for materials, labor, and services necessary to correct the violations; and for the rehabilitation of the property to maintain safe and habitable conditions over the useful life of the property.[10] In turn, the administrator is given authority to pay for the costs of operating the property from a variety of sources, including loans secured by the property from private and public sources. If the administrator uses city funds to operate the property, the city may impose a special assessment against the property to recover the funds.

As mentioned above, the court may continue jurisdiction over the building for a year after the termination of the administrator and order the owner to maintain the building in compliance with all codes.[11]

2. Ensuring effective implementation of an action utilizing TRA receivership.

In order to ensure effective implementation of the TRA and civil receivership, it is suggested that the following elements should be in place:

- A system for identifying target properties and prioritization of TRA and disposition actions;
- Coordination between city departments and agencies, public funders, neighborhood organizations, nonprofit developers/owners;
- Streamlined inspection and TRA filing process;
- Expert legal and technical assistance capacity;

[9] Minn. Stat. § 504B.185
[10] Minn. Stat. § 504B.455
[11] Minn. Stat. § 504B.425 (f)

- City funding source for administrator tasks; and
- Pool of willing and capable administrators

Some of these elements currently exist or have previously existed in Saint Paul and Minneapolis. For example, Saint Paul and Minneapolis partnered with the Family Housing Fund ("FHF") approximately six years ago to implement a TRA strategy involving problem properties. The FHF funded this project in the amount of $200,000 per city. Some of this funding may remain unexpended and available. Local community development organizations are also in a good position to serve as capable administrators.

3. Foreclosing on expenses incurred by the receiver or administrator.

It is critical to the success of a TRA initiative to have the city and community developer prepared to quickly foreclose on unpaid administrative expenses or other assessments. This will allow the program to recoup expenses, and work toward self-sufficiency. In other cities---Baltimore, Cleveland, and Chicago---financial institutions have traditionally not contested the foreclosure of receivership fees and costs for single-family residential homes. This provides the city and community development agency with an unencumbered title to the property. If a financial institution or other absentee owner does contest the receivership, however, then the receiver is simply paid its expenses and a property has been restored.

B. Public and Private Nuisance Abatement Actions.

As described in a recent article in *BusinessWeek*, local governments are also beginning to use nuisance statutes to abate vacant properties and recover costs associated with maintaining such properties.[12] This tool is advantageous in several respects.

- Public and private nuisance actions are an effective tool in bringing a decision-maker to the table in order to obtain a specific action plan for the maintenance and disposition of a particular property.
- Failure to abate a nuisance or comply with a settlement agreement could result in civil or criminal contempt charges.
- The court and the parties, arguably, have discretion to define appropriate relief or remedies.

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[12] Michael Orey, *Dirty Deeds: The mortgage crisis has blighted the landscape with boarded-up houses. Now a few cities are holding giant lenders accountable for what foreclosure leaves behind,* BusinessWeek (January 3, 2008).

1. Private Nuisance Actions

Minnesota Statute § 561.01 sets forth the elements and remedies available for a nuisance action brought by a private party in Minnesota. Specifically, the statute provides:

> Anything which is injurious to health, or indecent or offensive to the senses, or an obstruction to the free use of property, so as to interfere with the comfortable enjoyment of life or property, is a nuisance. An action may be brought by any person whose property is injuriously affected or whose personal enjoyment is lessened by the nuisance, and by the judgment the nuisance may be enjoined or abated, as well as damages recovered.

In Minneapolis, the Hawthorne Area Community Council ("HACC") recently filed a lawsuit against CitiMortgage for creating and maintaining a private nuisance in their neighborhood. HACC has associational standing, because its members own property that has been affected by the vacant, nuisance property controlled by CitiMortgage. It is also frustrating HACC's mission of revitalizing the Hawthorne neighborhood, and causing it to divert its limited resources.

The damages sustained by individual homeowners in such actions are quantified and supported by several academic studies:

- A study conducted by the Center for Responsible Lending found that properties located near homes that have gone through foreclosure will result in a $2,653 drop in property value. *Subprime Spillover: Foreclosures Cost Neighbors $223 Billion; 44.5 Million Homes Lose $5,000 on Average*, Center for Responsible Lending (November 13, 2007).

- A study conducted by Temple University related to Philadelphia housing prices found that properties located within 150 feet of an abandoned unit sold for $7,627 less than those not located near abandoned unites, with the effect tapering off to $3,543 at distances of 300-459 feet and becoming negligible beyond 450 feet. A. Shlay and G. Whitman, *Research for Democracy: Linking Community Organizing and Research to Leverage Blight Policy*, University of Toledo COMM-ORG working paper, 2004.

- Another study related to so-called negative externalities on house price appreciation, suggest that the presence of a deteriorated structure can reduce area property values by as much as 10% and that the largest impacts are on homes located closest to the blighted property. A. Schwartz, I. Ellen, I. Voicu, and M. Schill, *Estimating the External Effects* *of Subsidized Housing Investments on Property Values*, paper prepared for the Federal Reserve System Conference on Sustainable Community Development, 2003.

- A study conducted for the Fannie Mae Foundation found that houses located within one eighth of a mile to a foreclosed property drop by .9 to 1.136%. and that property located within one-eighth and a quarter-mile of a foreclosed property drop .325 % in value. Dan Immergluck and Geoff Smith, *The External Costs of Foreclosure: The Impact of Single-Family Mortgage Foreclosures on Property Values*, Fannie Mae Foundation (2006).

2. Public nuisance actions

Minnesota Statute § 617.81, subd. 2 defines the acts that constitute a public nuisance, and it incorporates by reference the following:

> maintains or permits a condition which unreasonably annoys, injures or endangers the safety, health, morals, comfort, or repose of any considerable number of members of the public…

Minn. Stat. § 617.81, subd. 2(3) (incorporating by reference Minn. Stat. § 609.74(1) (2006)). The statute further provides that it is a nuisance for passively permitting a nuisance to occur.[13]

Once the city or county attorney identifies the nuisance, it must send written notice to the appropriate party prior to initiating a lawsuit.[14] If the recipient does not abate the nuisance or agree to a written abatement plan within thirty days, the prosecuting attorney may file a nuisance action on the specified property.[15] The prosecuting attorney may also file a lawsuit if the offending party does not comply with an agreed upon abatement plan. The prosecuting attorney may also seek a temporary injunction.[16]

A county or city attorney, as well as the attorney general may bring a public nuisance action.[17] They may also receive attorneys fees, and, if there is a violation of the temporary or permanent injunction, the offending party may have to pay fines, be held in contempt, or be guilty of a misdemeanor.[18]

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[13] Minn. Stat. § 617.81, subd. 2(4).
[14] *See* Minn. Stat. § 617.81, subd. 4.
[15] Minn. Stat. §617.82 (2006)
[16] *Id.*
[17] Minn. Stat. § 617.93(a)(2006).
[18] Minn. Stat. § 617.95 (2006)(fine, civil contempt, criminal penalty); Minn. Stat. § 617.96 (attorneys' fees).

III. CONCLUSION

The number of vacant and abandoned houses in Minnesota is at a record level. Since it will take at least a year or more for all of the toxic, adjustable-rate mortgages to work through the system, the overall number of foreclosures and vacant properties are unlikely to decline. Therefore, counties, cities, and local neighborhood organizations cannot afford to wait for the housing market to stabilize. These entities should identify their goals for a particular property or cluster of properties, and then analyze whether traditional code enforcement procedures, a TRA, or nuisance lawsuit is appropriate to achieve the community's goal. Ignoring the vacant properties, however, could lead to a significant decline in property tax revenue and population, as well as an increase in criminal activity.

Mayor Coleman's Invest Saint Paul Initiative

Background

Mayor Chris Coleman launched Invest Saint Paul as a key initiative to bring city services and members of the community together to address specific challenges facing neighborhoods. It's the City's version of a "full court press" in which local government teams up with a variety of partners to direct existing resources and energy toward a set of neighborhood goals in a focused and strategic way.

Invest Saint Paul is not just another program. It's a new way of thinking about neighborhood reinvestment to make Saint Paul "The Most Livable City in America." Think of Invest Saint Paul as maintaining a balanced portfolio of neighborhoods – the healthier the neighborhoods, the healthier the entire city will be for the long-term.

The work of Invest Saint Paul is:

- ***Comprehensive*** *– because it weaves physical development, community building, and citizen engagement together in a focused and strategic way*

- ***Complex*** *– because there is no "quick fix" for the long-term disinvestment experienced by some parts of our city*

- ***Critical*** *– because Saint Paul is a city of neighborhoods where all must thrive for the City to grow and prosper*

The strategies driving Invest Saint Paul are**:**

- ***Improving City Coordination*-** to mobilize City resources by coordinating basic service delivery with neighborhood improvement plans

- ***Growing Strong Partnerships*-** to reach beyond bricks and mortar by adding "team members" from many sectors to put on a full court press to also score big in quality of life and well-being for neighborhood communities

- ***Making Smart Capital Investments*-** to support physical development that transforms places and benefits people

Invest Saint Paul is targeting four neighborhoods challenged by economic and social downturns: Dayton's Bluff, the Lower East Side, Frogtown-Thomas/Dale-Aurora St. Anthony, and the North End. Invest Saint Paul is also targeting a few smaller focus areas in need of attention.

2007 Highlights of Invest Saint Paul are:

Improving City Coordination

- **Community (Resource) Days**: All Departments jointly bringing information about City resources to city streets on a rotating basis throughout the summer to residents with limited transportation access. At 6 events features include a fire truck, ambulance, Bookmobile, Parks and Recreation Mobile Team with games and arts and crafts for kids, police officers, Community Health Workers, fire fighters, licensing/inspection information and give-aways.

- **The "*Make it Right, Make it Work*" campaign**: A 2-square block area in each target area will undergo physical and social transformation by the end of 18 months. *Make It Right, Make It Work* is Invest Saint Paul's signature initiative to demonstrate in a concentrated, strategic, visible manner the potential impact of comprehensive community development conducted with residents, the City and partners across public and private sectors.

- **Department of Safety & Inspections:** completed 1,701 Certificate of Occupancy inspections for 1 & 2 unit rentals were completed between March and July with most in Invest Saint Paul areas (426 in Dayton's Bluff, 207 in the North End, 420 in Payne-Phalen, 648 in Thomas-Dale.) DSI staff has attended 50 neighborhood meetings, the majority in Invest Saint Paul areas, to hear concerns and inform strategies for addressing property issues.

Growing Strong Partnerships

- **Dental Sealants:** Partnering with Smiles Across Minnesota to provide dental services to children in libraries and community centers in Invest Saint Paul areas

- **Education Initiative:** 3 East Side neighborhood-based Circulator buses launched this summer for youth in Payne-Phalen and Dayton's Bluff

- **Employment:** Working with Employer Solutions Inc. and the Port Authority to explore career-ladder job training specific sectors such as precision manufacturing

Making Smart Capital Investments

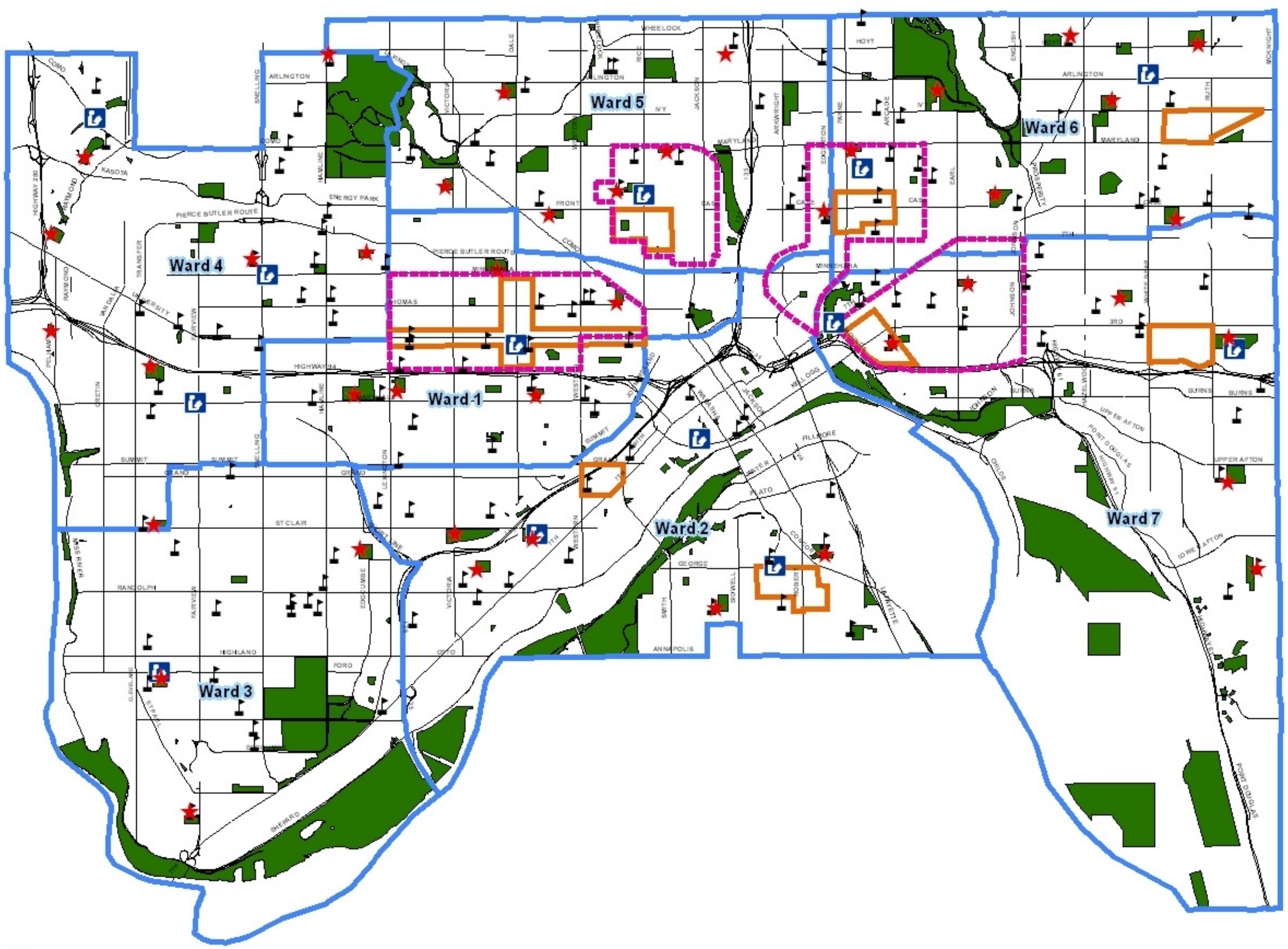
- **Leverage:** All capital investments will bring additional financing streams and most will include external partners

- **STAR Bonds:** The City earmarked $25 million of STAR 'jumpstart' funds for strategic projects aligned with Invest Saint Paul goals. Some areas include: Lower Payne Phalen, Dayton's Bluff, North End, Frogtown-Thomas Dale-Aurora St. Anthony, West 7th-Smith, West Side, Rice Street and Park Street.

- **Use of Funds:** Preliminary plans focused on: rehabs, mortgages, strategic acquisitions, commercial corridors, projects, small business program.

3/26/08

Invest Saint Paul



Department of Planning
and Economic Development

Key

- School
- Libraries
- Rec Center
- Priority Areas
- Ward boundary
- Proposed Focus Areas

March 21, 2007

STRATEGIC ACQUISTION FUND – *Collaborative Solutions that Work*

OVERVIEW:

In response to the increase in mortgage foreclosures and a resulting swell in vacant and boarded homes, the Northside Home Fund (NHF), the Foreclosure Prevention Funders Council, the City of Minneapolis, the Greater Metropolitan Housing Corporation (GMHC), Minnesota Housing, and the Family Housing Fund have joined together to create a $11 Million ***STRATEGIC ACQUISITION FUND.*** This innovative program will be used to rapidly address the serious housing problem facing our city, particularly in North Minneapolis.

The ***STRATEGIC ACQUISITION FUND*** is made up of a $10 million loan from Minnesota Housing (to the Family Housing Fund), a $1 million grant from the City of Minneapolis (pending City Council approval) and an additional $1 million grant (from MN Housing) to help with gap financing. The loan from Minnesota Housing is the largest award to date and sends a welcome signal to North Minneapolis and the community at-large and demonstrates that the City, State, and private sector partners are taking bold steps to respond to mortgage foreclosures.

The ***STRATEGIC ACQUISITION FUND*** will be administered by GMHC and used to purchase and rehabilitate homes that are in foreclosure where there is no hope for the owner to redeem and/or vacant properties that destabilize communities. GMHC will sell the homes to stable owner-occupants. This timely intervention will permit GMHC to intercept properties that would otherwise become purchased by predatory real estate investors, remain vacant or become vacant and boarded.

The end result will be a reduction in the negative impact of boarded and vacant homes, foreclosures and continued stabilization of neighborhoods and communities.

STRATEGIC PROPERTY ACQUISITION:

Under the program GMHC will target its purchases to geographic areas where there is greatest opportunity to have leveraged impact. This includes acquisition of properties in areas that have been severely disrupted by foreclosures and boarded properties, as well as areas that are holding their own but would significantly benefit from the swift removal of a boarded and/or foreclosed property and the return of a stable owner-occupant.

GMHC will acquire a range of properties from those that are severely distressed and will require substantial rehab to those that can be turned around easily. Strategies include:

- Purchasing properties in or near NHF Clusters and areas hardest hit by foreclosure.
- Working with the City Community Planning and Economic Development (CPED) and neighborhood organizations to identify and purchase properties in areas susceptible to a weakened housing market.
- Working closely with lenders in order to secure the lowest possible purchase price.

PARTNERING WITH THE CITY

In addition to its contribution of capital, the City's Community Planning and Economic Development department will team up with GMHC in three important ways. The City will:

1) Help identify properties for acquisition.
2) Provide consultation regarding rehab options and additional program resources.
3) Assist with acquisition where appropriate.

For more information on this Initiative, contact: Carolyn Olson (612) 339-8703 or e-mail at colson@gmhchousing.org

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FOR IMMEDIATE RELEASE

INVESTORS ESTABLISH $16 MILLLION HOME PROSPERITY FUND TO ADDRESS AFFORDABLE HOUSING NEEDS AND FORECLOSURE CRISIS

Nonprofit organizations provided loans for important affordable housing initiatives through new program at the Family Housing Fund

MINNEAPOLIS, MINN. (January 8, 2008) – At a press conference today in a new townhome in Dayton's Bluff in St. Paul, investors from the financial industry stepped forward to help create affordable housing opportunities for families and to address the foreclosure crisis in the Twin Cities.

US Bank, Wells Fargo, TCF Bank, and Thrivent Financial announced today that they have made significant investments in the Family Housing Fund's new loan program called the Home Prosperity Fund. The Home Prosperity Fund has initial investments of $16 million with a goal of reaching $50 million by 2012. The goal is to revitalize neighborhoods and increase housing opportunities for families throughout the Twin Cities metropolitan area.

"These financial institutions are helping communities respond to the foreclosure crisis by providing support for sustainable, affordable ownership programs that help lower-income buyers buy homes in the right way, rather than the wrong way," said Family Housing Fund President Tom Fulton.

The Home Prosperity Fund, administered by Family Housing Fund, will in part provide money to assist organizations working in neighborhoods threatened by foreclosure. They will acquire vacant, boarded homes to repair and sell to responsible owners. The new loan fund will also help create new affordable housing opportunities in Minneapolis, Saint Paul, and suburban communities and provide gap loans to families so they can afford to purchase a new home.

"The Family Housing Fund has awarded the first round of loans to a group of outstanding organizations and programs that are providing families with pathways to successful ownership and helping in overall neighborhood recovery. Today we are inviting other financial services and insurance industry investors to join us, to be part of the Home

-more-

Prosperity Fund," said Minnesota Housing Commissioner Tim Marx, who is also a member of the Home Prosperity Fund Advisory Committee. Minnesota Housing made a $10 million loan to the Family Housing Fund in 2007 to help address the foreclosure crisis in North Minneapolis.

"We are pleased to announce that Dayton's Bluff Neighborhood Housing Services, Greater Metropolitan Housing Corporation (GMHC), Twin Cities Habitat for Humanity, and the Minneapolis/Saint Paul HOME Program have been awarded the first loans from the Home Prosperity Fund," said Fulton.

"The Home Prosperity Fund comes to Saint Paul as a key element of our Invest Saint Paul initiative," said Saint Paul Mayor Chris Coleman. "Invest Saint Paul is our commitment to focus our energy and resources on issues of disinvestment—large and small—that threaten our neighborhoods, including an alarming 1,700 foreclosures in 2007. The Home Prosperity Fund's support of the Dayton's Bluff NHS' 'Make it Possible Home Ownership Program' is a perfect example of a community coming together to invest in and strengthen a neighborhood and its residents."

"The mortgage foreclosure issue is the number one housing problem in Minneapolis. Its impacts on families and neighborhoods will successfully be addressed only through innovative, combined public/private responses," said Minneapolis Mayor R.T. Rybak. "The Home Prosperity Fund is just that. I commend the Home Prosperity Fund investors on their commitment to help stabilize neighborhoods and families by boosting affordable housing opportunities for all."

Contact:
Shawna Lynn Nelsen, Communications Director, Family Housing Fund, 612-375-9644, ext, 13, shawna@fhfund.org
Ginger Sisco, Sisco Public Relations, Inc., 763-544-6029, ginger.sisco@tela.com, cell 612-581-4272

Home Prosperity Fund Loans
January 2008

Development Partners

Dayton's Bluff Neighborhood Housing Services (DBNHS): $1,750,000 for the Make It Possible (MIP) Home Ownership Program to provide entry cost assistance ("ECA") loans for 50 low and moderate income purchasers in St. Paul neighborhoods that are threatened by foreclosure, including Dayton's Bluff and Payne/Phalen. Purchasers of properties developed by CDCs in the other Invest St. Paul targeted neighborhoods, Frogtown and North End, would also be eligible for the MIP program. DBNHS was established in 1980 as a partnership between residents, businesses, government, and financial institutions to improve housing and quality of life for residents in their community. Learn more at www.dbnhs.org.

Greater Metropolitan Housing Corporation (GMHC):
--$750,000 for the acquisition and rehabilitation of homes in North Minneapolis communities threatened by foreclosure. The Home Prosperity Fund allocation will be coordinated with $10 million prior Home Prosperity Fund loan as well as other Minnesota Housing funds and additional funds from the City of Minneapolis.
--$250,000 for the acquisition of a manufactured home park. GMHC has entered into preliminary discussions with one owner in the SW metropolitan area.
--$1,000,000 for predevelopment lending. GMHC has identified four multi-family affordable housing projects in Minneapolis communities threatened by foreclosure that collectively contain over 450 housing units.

The Greater Metropolitan Housing Corporation was formed in 1970 by the Minneapolis business community. GMHC's mission is to preserve, improve, and increase affordable housing for low and moderate income individuals and families, as well as assist communities with housing revitalization. Learn more at www.ghmchousing.org.

The Home Ownership Made Easy (HOME) Program: $500,000 to the HOME (Home Ownership Made Easy) Program providing homeownership counseling and financial assistance to 22 families who have Section 8 certificates or who live in public housing. The HOME Program is operated in coordination with the Family Housing Fund and the Minneapolis, Dakota, St. Paul, and Metropolitan public housing authorities and promotes sustainable and affordable homeownership for low income homeowners.

Twin Cities Habitat for Humanity (TCHFH): $1,300,000 to help bridge the gap between construction expenditures and reimbursement from public sector sources. TCHFH has identified 11 projects which have public funding commitments for a total of 50-60 units in Brooklyn Park, Hastings, Minneapolis, Oakdale, Ramsey, and St. Paul. The first draw would be $750,000 and be funded from current Home Prosperity Funds. The second draw of $550,000 would only be provided when the Home Prosperity Fund has raised additional funds. Twin Cities Habitat for Humanity's mission is *to eliminate poverty housing from the Twin Cities area and to make decent, affordable shelter for all people a matter of conscience.* Twin Cities Habitat for Humanity builds homes in partnership with families who demonstrate need and willingness to work with Habitat for Humanity by helping to construct their own housing. Learn more at www.tchabitat.org.

Home Prosperity Fund

Financial investors:

As a member of the Twin Cities community since 1923, TCF understands that it has a stewardship role to play in the health and vitality of the community. TCF recognizes that the Twin Cities is not immune to the mortgage foreclosure crisis that is spreading across the country and that it is a direct threat to the stability of our neighborhoods. TCF has a long history of working in partnership with the Family Housing Fund to proactively address our communities' affordable housing needs and our investment in the Home Prosperity fund is a natural progression of that relationship. TCF is proud to join with the Family Housing Fund and the other investors in this critical venture. For more information, visit www.tcfbank.com .

Thrivent Financial for Lutherans is a Fortune 500 financial services membership organization helping nearly 3 million members achieve their financial goals and give back to their communities. Thrivent Financial and its affiliates offer a broad range of financial products and services including life insurance, annuities, mutual funds, disability income insurance, bank products and more. As a not-for-profit organization, Thrivent Financial sponsors national outreach programs and activities that support congregations, schools, charitable organizations and individuals in need. For more information, visit www.thrivent.com.

U.S. Bancorp, with $228 billion in assets, is the parent company of U.S. Bank, the 6th largest commercial bank in the United States. The company operates 2,512 banking offices and 4,870 ATMs, and provides a comprehensive line of banking, brokerage, insurance, investment, mortgage, trust and payment services products to consumers, businesses and institutions. Visit U.S. Bancorp on the web at www.usbank.com.

Wells Fargo in Minnesota provides financial services from 245 locations and employs 21,000 team members throughout the state. Wells Fargo & Company is a diversified financial services company with $549 billion in assets, providing banking, insurance, investments, mortgage and consumer finance through almost 6,000 stores and the internet (wellsfargo.com) across North America and internationally. Wells Fargo Bank, N.A. is the only bank in the U.S., and one of only two banks worldwide, to have the highest credit rating from both Moody's Investors Service, "Aaa," and Standard & Poor's Ratings Services, "AAA." For more information, visit www.wellsfargo.com .

Minnesota Housing is a state agency committed to finance and advance affordable housing opportunities for low and moderate income Minnesotans to enhance quality of life and foster strong communities. The agency invests more than $1.6 billion in affordable housing each biennium. If ranked among commercial banks, it would be the sixth largest bank, with total agency-wide assets of $3.3 billion as of June 30, 2007. For more information, please visit www.mnhousing.gov.

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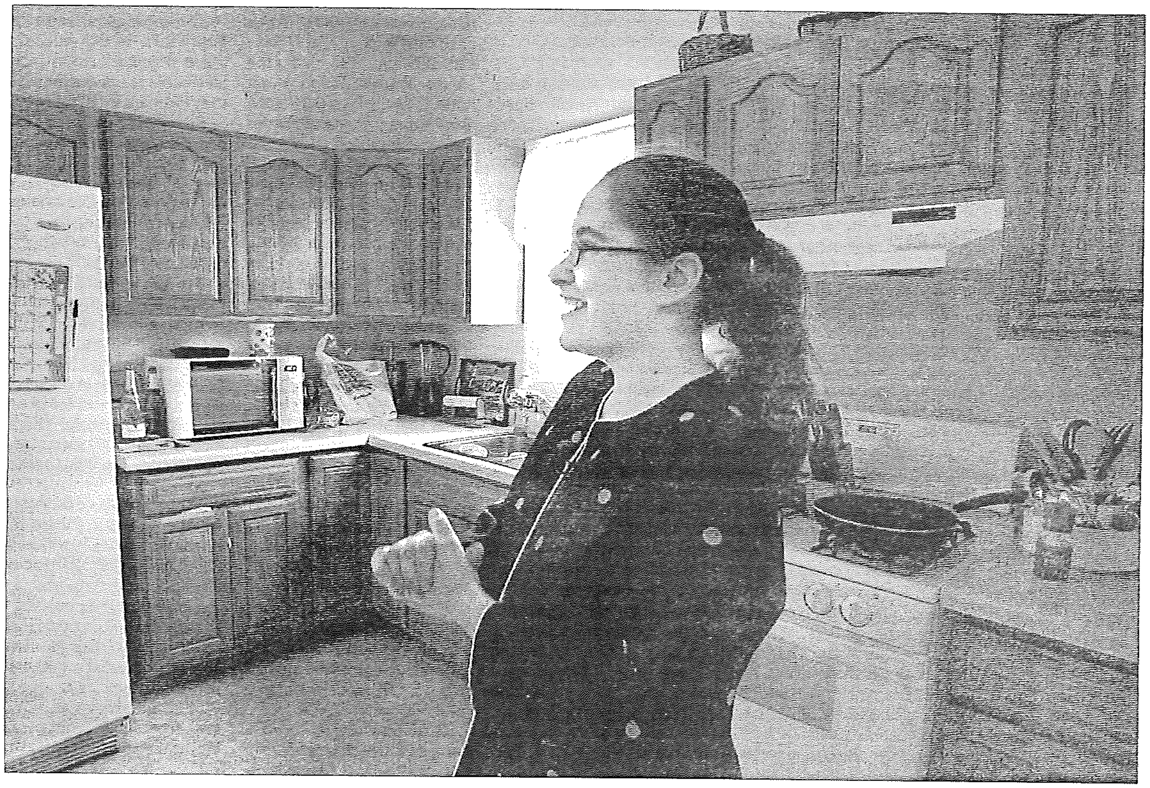
Reviving hopes, communities



Photos by JOEY MCLEISTER • jmcleister@startribune.com

Desiree Sawyer said she loves the kitchen in the totally rehabbed 1894 house that she and her husband, Tyree Sawyer, bought in St. Paul's Dayton's Bluff neighborhood with the help of such programs as the newly formed Home Prosperity Fund. The Sawyers are first-time homeowners. "We're very blessed," Desiree said.

A new housing fund will allow metro community agencies to aid first-time home buyers and to fix up foreclosed or vacant properties.

By CHRIS HAVENS
chavens@startribune.com

Desiree Sawyer gushes about her appliances: the gas stove, the refrigerator — with ice maker — and the washer and dryer in the upstairs bathroom.

She wouldn't have any of them if it weren't for the aid of local housing agencies that helped her and her husband buy their first house.

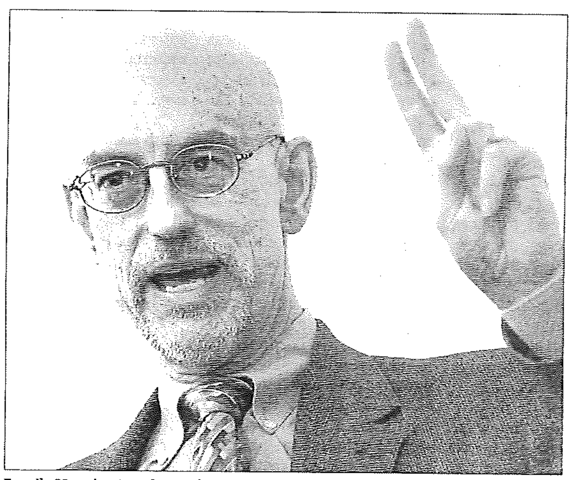
Those agencies got some help themselves Tuesday when a $16 million pool of money was made available to them. The Home Prosperity Fund will be divvied up among nonprofit organizations in the metro area to help first-time home buyers and to revitalize neighborhoods hit with foreclosures and that have vacant buildings. The goal is to have $50 million in the fund by 2012.

The mortgage foreclosure epidemic is a national problem with local effects, St. Paul Mayor Chris Coleman said. It's a problem that can't be solved by one government or organization, either.

"We can fix this problem; we can work on it," Coleman said.

TCF Bank, Thrivent Financial, US Bank and Wells Fargo contributed $6 million in long-term, low-interest loans to the pool, which is administered by the Family Housing Fund, a nonprofit group that works to ensure affordable housing in the metropolitan area. Minnesota Housing Finance Agency contributed $10 million.

The agencies receiving money from the fund are Dayton's Bluff Neighborhood Housing Services, Greater Metropolitan Housing Corporation, Home Ownership Made Easy Program and Twin Cities Habitat for Humanity. They will use the money to provide loans, to purchase and repair vacant buildings, and to buy land in the suburbs for future affordable housing projects.



Family Housing Fund President Tom Fulton talked about the Home Prosperity Fund, a new loan program that will make money available to nonprofit agencies to offer people home loans, to buy vacant land or to help folks facing foreclosure. Local investors have donated about $16 million to the fund.

Double or triple the trouble

The foreclosure crisis must be addressed aggressively, said Tim Marx, commissioner of Minnesota Housing.

The number of foreclosures in the state jumped from 6,500 in 2005 to 20,000 in 2007, said Tom Fulton, president of the Family Housing Fund.

About 1,600 vacant buildings have been registered in St. Paul, nearly three times the number from 2006. Minneapolis has more than 700 vacant properties, about double the number from 2006. The vast majority are because of foreclosures.

Officials don't expect either trend to stop soon.

The effect of one house left vacant by foreclosure ripples through an entire neighborhood, Minneapolis Mayor R.T. Rybak said.

"Thousands of foreclosures in the center of our cities are a crisis beyond the level that we've been used to dealing with in this area," he said. "Foreclosure is far and away the biggest issue that we face."

Fulton called the fund a new tool to help neighborhoods recover and get good owners into good homes.

Target market for money

Sawyer, who moved into her St. Paul house at the end of December, didn't receive any money from the new fund, but she's the type of person the money is for: A hard worker who is excited about taking on the responsibilities of owning a home.

She got considerable help through city programs and the Dayton's Bluff organization.

Before finding out about the resources, she looked at owning a house as a distant goal. She was looking at interest rates from 8 to 10 percent, but was able to get a loan at 6.7 percent. She has deferred low- or no-interest loans that keep her monthly payment below $1,000. Without the aid, she said, she would be paying more than $1,600 a month — an amount that she and her husband, Tyree Sawyer, couldn't afford.

"We're very blessed," she said while giving a tour of her two-story, four-bedroom house.

Chris Havens • 651-298-1542

Star Tribune

Wednesday, January 9, 2008

TWIN CITIES

Financial firms offer foreclosure aid

Investors from the financial industry are helping establish a $16 million fund to address foreclosures, help revitalize neighborhoods and increase housing opportunities for families in the Twin Cities.

U.S. Bank, Wells Fargo, TCF Bank and Thrivent Financial said Tuesday that they are investing in the Family Housing Fund's new loan program called the Home Prosperity Fund.

The fund will, in part, provide money to assist organizations working in neighborhoods threatened by foreclosure. They will acquire vacant, boarded homes to repair and sell to responsible owners.

The new loan also will help create new affordable housing opportunities in the metro and provide gap loans to families so they can afford to buy a home.

The Home Prosperity Fund has initial investments of $16 million with a goal of reaching $50 million by 2012.

The Dayton's Bluff Neighborhood Housing Services, Greater Metropolitan Housing Corp., Twin Cities Habitat for Humanity and the Minneapolis/St. Paul HOME Program have been awarded the first loans from the Home Prosperity Fund.

The Family Housing Fund is a nonprofit organization whose mission is to provide safe, affordable, sustainable homes to families and children in the Twin Cities through ongoing partnerships with the public and private sector.

— Nancy Yang