



Legislation Details (With Text)

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**Title:** Resolution to Approve Contracts with Legal Services of South Central Michigan, Housing Bureau for Seniors and Washtenaw County Treasurer for Mortgage and Tax Foreclosure Prevention and Counseling Services (\$60,000.00 FY 2010 AAHTF and \$100,000.00 FY 2010 General Fund)

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| 9/21/2009 | 1    | City Council | Approved | Pass   |

Resolution to Approve Contracts with Legal Services of South Central Michigan, Housing Bureau for Seniors and Washtenaw County Treasurer for Mortgage and Tax Foreclosure Prevention and Counseling Services (\$60,000.00 FY 2010 AAHTF and \$100,000.00 FY 2010 General Fund)

The Office of Community Development (OCD) is requesting that City Council approve \$40,000.00 in Ann Arbor Housing Trust Funds (AAHTF) to Legal Services of South Central Michigan, \$20,000.00 in Ann Arbor Housing Trust Funds to the Housing Bureau for Seniors, \$5,000.00 in General Funds to the Housing Bureau for Seniors and \$95,000.00 in General Funds to the Washtenaw County Treasurer (and as MSU Extension’s fiduciary) for Mortgage and Tax Foreclosure Prevention and Counseling Services. The funds are included in the FY 2010 Community Development budget. The OCD is collaborating with the Tax and Mortgage Foreclosure Taskforce which includes the Washtenaw County Treasurer’s Office, Legal Services of South Central Michigan, MSU Extension, and the Housing Bureau for Seniors, numerous other local non-profits, private lenders and realtors to address the current mortgage and tax foreclosure crisis.

Washtenaw County had 1,433 mortgage foreclosure first insertions, the first legal notification from the lien holder that a mortgage is being foreclosed on and typically occurs after 90 - 180 days of non-payment, in the legal news and 703 sheriff’s sales in 2006, and 2,194 first insertions and 1,151 sheriff’s sales in 2007. In 2008, there were 1,439 sheriff sales. Michigan has one of the highest foreclosure rates in the nation. Fannie Mae has written off a greater volume of loans in Michigan than any other state. As homes are vacated and people move out of state, the housing values drop. The tax impact on local municipalities is significant. Michigan communities that have studied the impact of mortgage foreclosure have found that each foreclosed home costs \$22,000.00 to \$258,000.00 to the community. A foreclosed home costs the homeowner, the lien holder, the municipality’s tax collections and the neighborhood housing values. They have also shown that it only costs \$670.00 to \$1,435.00 to save a home through mortgage foreclosure programs, like the one in Washtenaw County. Unfortunately, not all homeowners are in a position to stay in their home and the foreclosure collaborative works with these homeowners to mitigate their losses and move into a more affordable

housing situation.

This program provides a comprehensive response to the mortgage and tax foreclosure problem, and compliments the City's utility shut-off grants and payment plans, poverty tax exemptions, annexation fee waivers, and homeowner loans for sidewalk repairs and housing rehabilitation.

The Foreclosure Taskforce members provide education, counseling, advocacy, legal services and emergency loan services. The community need is overwhelming the capacity of the agencies providing assistance. In FY 2009, the County Treasurer, Legal Services, MSU Extension and the Housing Bureau for Seniors served over 1,400 clients. In FY 2009, the County Treasurer provided services to 608 clients (95 in Ann Arbor), 474 clients developed action plans, 154 clients were referred to other services, and 179 clients completed a loss mitigation case, 114 of which were curable through the Treasurer's office. MSU Extension provided services to 567 clients (198 in Ann Arbor), 307 developed sustainable action plans, 221 were referred to other services and 73 were able to stay in their homes. Legal Services provided services to 107 clients (24 in Ann Arbor), 57 of whom maintained their housing. The Housing Bureau for Seniors provided services to 681 clients (93 in Ann Arbor) and 105 achieved housing stability. The City's contribution of \$160,000 in FY 2009 served 410 mortgage and tax foreclosure clients for a cost of an average of \$390.00/household.

OCD is requesting City Council's approval of \$160,000.00 in AAHTF and General Funds to continue supporting these services in FY 2010:

|                      |                   |                     |          |
|----------------------|-------------------|---------------------|----------|
| Education & Supplies | Treasurer         | \$ 10,000.00        | Gen Fund |
| Intake Services      | Treasurer         | \$ 20,000.00        | Gen Fund |
| Mortgage Counselor   | Treasurer/MSU Ext | \$ 65,000.00        | Gen Fund |
| Counselor            | HBS               | \$ 5,000.00         | Gen Fund |
| Counselor            | HBS               | \$ 20,000.00        | AAHTF    |
| Legal Services       | LSSCM             | <u>\$ 40,000.00</u> | AAHTF    |
| TOTAL                |                   | <u>\$160,000.00</u> |          |

The Intake Services and two Mortgage Counselors are housed at MSU Extension and will work one-on-one with residents with mortgage foreclosure issues. A counselor will work with seniors at the Housing Bureau for Seniors. Two Tax Counselors are housed at the County Treasurer's Office who work one-on-one with residents who have tax foreclosure issues. The revolving loan fund will be used to help people who are in a crisis, but have the ability to keep up with their loan payments after a work-out plan. It is important to note that the City has contributed funds to a tax foreclosure revolving loan fund at the Housing Bureau for Seniors for over 20 years. Legal Services of South Central Michigan will provide legal advocacy and loan reviews to residents. The Education and Supplies budget will be used for marketing, education, printed materials and travel expenses.

The Office of Community Development recommends Council approval of \$40,000.00 in Ann Arbor Housing Trust Funds (AAHTF) to Legal Services of South Central Michigan, \$20,000.00 in Ann Arbor Housing Trust Funds to the Housing Bureau for Seniors, \$5,000.00 in General Funds to the Housing Bureau for Seniors and \$95,000.00 in General Funds to the Washtenaw County Treasurer (and as MSU Extension's fiduciary) for Mortgage and Tax Foreclosure Prevention and Counseling Services.

Prepared by: Mirada Jenkins, Compliance Analyst, Mary Jo Callan, Community Development Director

Reviewed by: Jayne Miller, Community Services Administrator

Whereas, Mortgage and tax foreclosures are a serious and growing problem in all parts of

Washtenaw County, including the City of Ann Arbor;

Whereas, Mortgage foreclosures in the City of Ann Arbor average about 20 per month;

Whereas, Washtenaw County had 1,433 mortgage foreclosure first insertions, the first legal notification from the lien holder that a mortgage is being foreclosed on and typically occurs after 90 - 180 days of non-payment, in the legal news and 703 sheriff's sales in 2006, and 2,194 first insertions and 1,151 sheriff's sales in 2007. In 2008, there were 1,439 sheriff sales;

Whereas, Twenty-seven percent of the mortgage foreclosures initiated in Washtenaw County, in which it was possible to establish an age, were individuals aged 55 and older;

Whereas, Mortgage foreclosures have been driven historically by individual setbacks such as job loss or illness;

Whereas, Mortgage foreclosures are now exacerbated by increasing rates of predatory lending practices which put homeowners in unaffordable or inappropriate loan products;

Whereas, The current real estate market has limited the viability of selling one's property to avoid foreclosure;

Whereas, Mortgage foreclosure can lead directly to homelessness for the former owner and family members;

Whereas, Foreclosed properties often sit vacant and are at higher risk for arson, vandalism and other crime;

Whereas, Foreclosures depress property values for neighbors and communities and ultimately reduce assessed values and property tax revenue;

Whereas, There is an urgent need for individual mortgage foreclosure prevention counseling and intervention and community financial literacy education;

Whereas, The Washtenaw County Treasurer's office in collaboration with the Office of Community Development, MSU Extension, Legal Services of South Central Michigan, the Housing Bureau for Seniors and the Mortgage and Tax Foreclosure Taskforce have created a comprehensive response to address the significant rise in mortgage and tax foreclosures in the community;

Whereas, This program has succeeded in preventing mortgage and tax foreclosures but is overwhelmed by the need in the community; and

Whereas, The Office of Community Development is requesting that City Council approve the following funds for FY 2010:

|                      |                   |              |          |
|----------------------|-------------------|--------------|----------|
| Education & Supplies | Treasurer \$      | 10,000.00    | Gen Fund |
| Intake Services      | Treasurer \$      | 20,000.00    | Gen Fund |
| Mortgage Counselor   | Treasurer/MSU Ext | \$ 65,000.00 | Gen Fund |
| Counselor            | HBS               | \$ 5,000.00  | Gen Fund |
| Counselor            | HBS               | \$ 20,000.00 | AAHTF    |

|                |       |                     |       |
|----------------|-------|---------------------|-------|
| Legal Services | LSSCM | <u>\$ 40,000.00</u> | AAHTF |
| TOTAL          |       | \$160,000.00        |       |

RESOLVED, That the Mayor and City Council approve a \$40,000.00 contract with Legal Services of South Central Michigan using \$40,000.00 in FY 2010 Ann Arbor Housing Trust Funds for Mortgage and Tax Foreclosure Prevention and Counseling Services;

RESOLVED, That the Mayor and City Council approve a \$30,000.00 and a \$65,000.00 contract with the Washtenaw County Treasurer using \$95,000.00 in FY 2010 General Funds for Mortgage and Tax Foreclosure Prevention and Counseling Services;

RESOLVED, That the Mayor and City Council approve a \$25,000.00 contract with the Housing Bureau for Seniors using \$20,000.00 in FY 2010 Ann Arbor Housing Trust Funds and \$5,000.00 in FY 2010 General Funds for Mortgage and Tax Foreclosure Prevention and Counseling Services;

RESOLVED, That the Mayor and City Clerk be hereby authorized and directed to execute the contracts with Legal Services of South Central Michigan, Housing Bureau for Seniors, and the Washtenaw County Treasurer consistent with this resolution subject to approval as to substance by the City Administrator and approval as to form by the City Attorney with funds to be available until expended without regard to fiscal year; and

RESOLVED, That the City Administrator, or his designee, be authorized to take necessary administrative actions and to execute any documents necessary to complete these transactions and to implement this resolution.