



Legislation Details (With Text)

File #: 08-0092 **Version:** 1 **Name:** 2/19/08 - Mortgage Foreclosure Intervention and Prevention
Type: Resolution **Status:** Passed
File created: 1/30/2008 **In control:** City Council
On agenda: 2/19/2008 **Final action:** 2/19/2008
Enactment date: 2/19/2008 **Enactment #:** R-08-069

Title: Resolution to Approve Contracts with Legal Services of South Central Michigan and Washtenaw County Treasurer for Mortgage Foreclosure Intervention and Prevention Services and Appropriate \$20,000.00 to the Office of Community Development General Fund Budget (\$50,000.00 AAHTF and \$20,000.00 General Fund) (8 Votes Required)

Sponsors:

Indexes:

Code sections:

Attachments: 1. Mortgage Foreclosure Intervention and Prevention-Attach.pdf

Date	Ver.	Action By	Action	Result
2/19/2008	1	City Council	Approved	Pass

Resolution to Approve Contracts with Legal Services of South Central Michigan and Washtenaw County Treasurer for Mortgage Foreclosure Intervention and Prevention Services and Appropriate \$20,000.00 to the Office of Community Development General Fund Budget (\$50,000.00 AAHTF and \$20,000.00 General Fund) **(8 Votes Required)**

The Office of Community Development (OCD) is requesting that City Council approve \$40,000.00 in Ann Arbor Housing Trust Funds to Legal Services of South Central Michigan and \$10,000.00 in Affordable Housing Trust Funds and \$20,000 in General Funds to the Washtenaw County Treasurer for Mortgage Foreclosure Intervention and Prevention Services. The Office of Community Development is also requesting that the City Council appropriate \$20,000.00 from the General Fund reserve to the Office of Community Development General Fund 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, the Housing Bureau for Seniors and numerous other local non-profits, private lenders and realtors to address the current mortgage 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. 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 dramatic. Since 1996, Washtenaw County's annual taxable value growth has been 5% to over 8%. The 2008 taxable value growth is expected to be 0% or negative. The City's 2008 taxable value is also expected to stagnate at 0%. In 2007, 40% of the mortgage foreclosure first insertions were also tax delinquent.

Michigan communities that have studied the impact of mortgage foreclosure have found that each foreclosed home costs between \$22,000.00 to \$258,000.00 to the community. A foreclosed home costs the homeowner, the lien holder, the municipality and the neighborhood housing values. They have also shown that it only costs \$670.00 to \$1,435.00 dollars to save a home through mortgage foreclosure programs, like the one in Washtenaw County.

Ann Arbor does not have a comprehensive response to the mortgage foreclosure problem, but does work with low-income homeowners on 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 (see attached list of activities). The community need is overwhelming the capacity of the agencies providing assistance. In 2007, the County Treasurer, Legal Services, MSU Extension and the Housing Bureau for Seniors spent over \$542,000.00 on mortgage foreclosure prevention and intervention activities. In July 2007, the OCD worked with the County Treasurer and County Board of Commissioners to create a more comprehensive program to address mortgage foreclosures. A new Mortgage Counselor position was created in July 2007, housed at MSU Extension and paid for by the County as well as a revolving loan fund. The County Treasurer is also approaching private lenders, MSHDA and municipalities to provide funding to increase the capacity of these services. As additional funds are secured, additional counselors will be hired to meet the demand.

The OCD is requesting City Council's approval of \$160,000.00 in support of these services. The funding will be a combination of City General Fund Reserves and Ann Arbor Housing Trust Funds from FY 08 and FY 09. The following is proposed to be funded by the City from the OCD to increase the community's capacity in this effort:

Intake Services	Treasurer	\$ 20,000.00	FY 08 General Fund Reserves
Legal Services	LSSCM	\$ 40,000.00	FY 08 AAHTF
Education & Supplies	Treasurer	\$ 10,000.00	FY 08 AAHTF
Mortgage Counselor	MSU Ext	\$ 65,000.00	FY 09 General Fund Reserves
Revolving Loan Fund	HBS	\$ 15,000.00	FY 09 General Fund Reserves
Revolving Loan Fund	HBS	<u>\$ 10,000.00</u>	FY 09 AAHTF
TOTAL		\$160,000.00	

The Intake Services will be supervised and housed at the Washtenaw County Treasurer's office. The services will primarily be provided by University social work interns. The additional Mortgage Counselor will be housed at MSU Extension and will work one-on-one with residents. 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 will be evaluating the impact of these services over the next year and will be requesting that Council budget additional funding for the latter part of FY 09 and early in FY 10 that mirrors the budget above. Separate resolutions will be submitted for these funds along with updated statistics and financial information.

On January 22, 2008, the Housing and Human Services Advisory Board reviewed and recommended Council approval of \$195,000.00 to support the services above using City General Funds. After reviewing the budget with Councilmembers Greden, Rapundalo and Teall, the budget was revised to \$160,000.00.

The Office of Community Development recommends Council approval of \$40,000.00 to Legal Services of South Central Michigan and \$30,000.00 to the Washtenaw County Treasurer's Office for mortgage foreclosure prevention and intervention services. Once the FY 09 budget is approved, a resolution will be submitted recommending approval of the remaining \$25,000.00 to the Housing Bureau for Seniors and \$65,000.00 to MSU Extension for mortgage foreclosure prevention and intervention services.

Prepared by: Jennifer Hall, Housing Manager

Mary Jo Callan, Community Development Director

Reviewed by: Jayne Miller, Community Services Administrator

Whereas, Mortgage foreclosures are a serious and growing problem in all parts of Washtenaw County, including the City of Ann Arbor;

Whereas, Mortgage foreclosures have increased from 1,433 in 2006 to 2,194 in 2007 in Washtenaw County;

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

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 foreclosures in the community;

Whereas, This program has succeeded in preventing mortgage 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 08 and FY 09:

Intake Services	Treasurer	\$ 20,000.00	FY 08 General Fund Reserves
Legal Services	LSSCM	\$ 40,000.00	FY 08 AAHTF
Education & Supplies	Treasurer	\$ 10,000.00	FY 08 AAHTF
Mortgage Counselor	MSU Ext	\$ 65,000.00	FY 09 General Fund Reserves
Revolving Loan Fund	HBS	\$ 15,000.00	FY 09 General Fund Reserves
Revolving Loan Fund	HBS	<u>\$ 10,000.00</u>	FY 09 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 08 Ann Arbor Housing Trust Funds for Mortgage Foreclosure Intervention and Prevention Services;

RESOLVED, That the Mayor and City Council approve a \$30,000.00 contract with the Washtenaw County Treasurer using \$20,000.00 in FY 08 General Funds and \$10,000.00 in FY 08 Affordable Housing Trust Funds for Mortgage Foreclosure Intervention and Prevention Services;

RESOLVED, That the Mayor and City Council appropriate \$20,000.00 from the General Fund Reserves to the Office of Community Development General Fund budget to allow implementation of these contracts;

RESOLVED, That the Mayor and City Clerk be hereby authorized and directed to execute the contracts with Legal Services of South Central Michigan 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.