

PROPOSAL
Foreclosure Prevention Counseling Assistance for Housing Resources Inc. Serving
Racine County Homeowners

Wisconsin, like other states, is experiencing escalating foreclosure activity as a result of sub-prime and exotic mortgages originated over the last 3 years. The level of foreclosure activity varies from county to county with a high concentration in southeast Wisconsin. This higher level of foreclosure activity is expected to peak later this year and last for another 2 years. The ripple effect of reducing neighborhood property values, properties falling into disrepair, or snatched up by investors vs. preventing a foreclosure and keeping individuals and families in their homes; can be devastating to a community.

The foreclosure crisis surrounding sub-prime lending is comprehensive and complex involving many parties. It can not be solved by one party acting alone. It can not be solved by one solution. Each individual situation is unique. The goal of the clearinghouse concept is to get the homeowner to the right resource at the right time to develop the best solution to their unique situation.

Racine County is experiencing a void in the much needed work of foreclosure prevention counseling.

The Wisconsin Housing and Economic Development Authority, WHEDA; along with the Homeownership Preservation Foundation (HPF) is partnering to bring awareness to the 1-888-995-HOPE line for those homeowners who may be facing foreclosure. Housing Resources Inc. (HRI) is a non-profit home buyer education and counseling organization that has a proven track record of providing quality pre/post counseling assistance to residents of Racine County.

HRI has agreed to assist in the efforts of foreclosure counseling in Racine County but is in need of additional finances to hire a trained counselor to assist in the foreclosure counseling efforts.

HRI will need approximately \$45,000 to hire an one experienced, part-time counselor, for a two-year period of time, This position would be a short-term pilot effort due to the foreclosure issue that is expected to peak over the next year or two. WHEDA in partnership with Neighborworks America has put together the following resources for homeowners in danger of losing their home.

RESOURCES:

Homeownership Preservation Foundation:

This organization is funded by a variety of national stakeholders including Neighborworks. A national hotline 888-995-HOPE directs calls to centers across the country. The centers are staffed by credit counselors who review the homeowner's situation and determine the best course of action. They review the homeowner's financials and help them prepare a budget. They also make contact with the loan servicer to develop a workout plan. This could include loan modifications, refinancing into a fixed rate product, forgiveness or reduction of prepayment penalties, short sales or deeds in lieu of foreclosure. For some cases, the homeowner will be referred to a local nonprofit for more in depth credit counseling. The center that works with Wisconsin clients is located in Minneapolis.

In the last year, the hotline received calls from over 500 Wisconsin homeowners. The vast majority of Wisconsin homeowners were located in urban areas including Racine, Milwaukee, Kenosha, Beloit, Green Bay and the Fox River Valley.

- 75% of the homeowners had household incomes under \$42,000.
- 44% of the callers were 60 days or less past due on their mortgages.
- The center was able to provide workouts for 25% of the Wisconsin caller and another 25% were eventually referred to a local Neighborworks affiliate, such as HRI.

Racine County Foreclosure Statistics:

- 2005 – 531 filings
- 2006 – 719 filings, a 35% increase
- 2007 – 803 filings, an 11.7 percent increase

Racine County experienced a 51.2 percent increase over the 2005 level.

Local Nonprofit counseling agencies

Neighborworks has affiliated local counseling agencies in Racine, Milwaukee, Beloit, Green Bay and Richland Center. These affiliates cover much of the areas of the state with the highest numbers of at-risk homeowners. When the Prevention Foundation refers a homeowner to a local Neighborworks affiliate, they pay the affiliate \$100.00. They also pay \$1,500 in incentive pay for a documented successful consultation.

Realtors:

For some at-risk homeowners, the best solution is sale of the property before foreclosure action takes place. This helps to preserve the credit rating of the homeowner and generally results in higher sales proceeds to pay off the debt. WHEDA is working with the Realtor associations to identify local firms/brokers/agents who are interested in listing these properties. Local realtors would be required to receive training a certification in short sales as a condition of being listed on our special website, <http://www.wisconsinforeclosuresource.com/>.

Lenders:

Homeowners who may be eligible for refinancing would be referred to trusted lenders who offer refinance loan products. Homeowners in this category will generally be those who still have equity in the property, a credit history that was positive prior to a rate reset, have not entered foreclosure yet, and are willing to work with a counseling agency. WHEDA is listing contact information for reputable lenders with safe and prudent refinance products on our special website, <http://www.wisconsinforeclosuresource.com/>.

The City of Racine's Role:

For an annual \$15,000 over a two-year period of time, the City of Racine would be providing the matching funds for a trained foreclosure prevention specialist with Housing Resources, Inc in Racine.

The City of Racine's contribution will need to be matched with additional sources. HRI is seeking the needed matching funds from Neighborworks America, The Racine United Way, and Racine County.

In return, the residents of Racine County will have a part-time foreclosure prevention counselor to aid homeowners who have fallen behind in their payments, or whose mortgages are set to readjust to a higher rate.