Reducing Foreclosures & Blight
Restoring Community Wealth

➢ A Local Solution
The Damage Done

- **4.5 Million Homes Lost Since Sept ‘08** (CoreLogic Report)
- Latino household wealth decreased by 66%*  
- Black household wealth decreased 53%*
And It’s Far From Over

- 4.5 Million Homes Delinquent or in Foreclosure Process
  (LPS - Lender Processing Services - Nov 2013)

- 9.3 Million Homes are Still Deeply Underwater (>125%LTV)
  Nearly 1 in 5 of U.S. Properties
  (RealtyTrac January 2014)

- Jan 2014 Report predicts increase in foreclosures in 2014

"Lenders know there's now a much better chance they can get those properties sold, so they're moving to do that," Daren Blomquist at RealtyTrac January 6, 2014
Contra Costa County: 1 in 5 Homes Underwater
(Zillow 3rd Qtr 2013)
Richmond, CA & the Magnitude of the Crisis

- Richmond, California – located in Contra Costa County, just north of Berkeley

- Working class Majority Minority city
  - 40% Latino, 26% African American

- When the crash happened homes lost, on average, 66% of their value

- Some 16% of homes lost to foreclosure since the crisis, which means thousands of homeowners and tenants displaced

- Most neighborhoods still have 30-50% of their homes underwater
The Importance of Principal Reduction & The Particular Challenge for Loans Securitized in Private Pools
(Residential Mortgage-Backed Securities, Private Label Securities)

4 million families with no effective access to Federal distressed mortgage programs because their mortgages are in PLS

PLS have a high percentage of the predatory loans that were made

PLS servicing contracts prohibit or prevent the sale of PLS mortgages and limit modifications

Fannie Mae is forecasting additional 2 million PLS mortgage foreclosures

Owned By Banks, Fannie, Freddie, FHA
90%

Owned By Private Trusts
10%
A Local Solution with a Big Impact

• **Richmond CARES (Community Action to Restore Equity & Stability)** is a particular solution for a particular problem.

• It focuses on troubled, underwater mortgages held in these private securities pools.

• As a city, we are working to acquire certain underwater loans and restructure them so that homeowners can refinance or modify into a new loan in line with the current value of the home and current market interest rates.

• The loans are acquired through purchase: either through voluntary transfer or through the use of eminent domain.

• The city never takes possession of the homes themselves, but rather just the mortgage loans.

• By recognizing the current “fair market value” of these loans, as opposed to the inflated value on the books, the loans can be acquired at a price that allows for a new mortgage to be written that no longer has the homeowner underwater.
Homeowners & Entire Community Benefit

This is an example for the level of benefits that participating families may realize. Communities benefit from greatly reduced probability of foreclosure.

<table>
<thead>
<tr>
<th></th>
<th>Original Loan</th>
<th>Today</th>
<th>After Program</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Home Value</strong></td>
<td>$400,000</td>
<td>$200,000</td>
<td>$200,000</td>
</tr>
<tr>
<td><strong>Mortgage Balance</strong></td>
<td>$320,000</td>
<td>300,000</td>
<td>$190,000</td>
</tr>
<tr>
<td><strong>Home Equity</strong></td>
<td>$80,000</td>
<td>($100,000)</td>
<td>$10,000</td>
</tr>
<tr>
<td><strong>Loan to Value Ratio (LTV)</strong></td>
<td>80%</td>
<td>150%</td>
<td>95%</td>
</tr>
<tr>
<td><strong>Monthly Payment</strong></td>
<td>$1,798</td>
<td>$1,798</td>
<td>$907</td>
</tr>
</tbody>
</table>

Assumes a 6%, 30 year, fully amortizing mortgage is refinanced by a 4%, 30 year, fully amortizing mortgage. Some loan programs may also require insurance, which may add $175 per to the After Program monthly payment.

Probability of Default Drops from ~60% to ~7.5% (FHA actuarial assumption)
Context - More than Just a Campaign to Restore Community Wealth

~ Community Control & Changing the Relationship between Communities & Wall Street

• Who owns our neighborhoods
• Strategies for community control
• The financialization of the economy and communities fighting back
Elements of the Campaign in Richmond

• Broad coalition

• Partnership between the community, the city & private partners providing funding & expertise

• Organizing affected residents – mass outreach

• Community engagement & action!

• Communications Strategy
The Movement Spreads!
The Campaign Goes “National” in More Senses than One

1. More Cities enter the Fray
   - Seattle, Washington
   - Newark & Irvington, NJ
   - Minneapolis, MN
   - Baltimore, MD
   - New York City?!

2. The Fight in D. C.

2014 Will Be the Year for Local Principal Reduction!
What Happens Next?

• Win reversal of FHFA’s current position in opposition to the strategy

• Release of report: recovery hasn’t arrived in hard-hit communities

• By mid-year, 3-5 more cities will have joined Richmond

• Final attempt at a negotiated solution

• Late this year, barring a negotiated settlement, this ends up court