The Foreclosure Crisis in Kent County

A Call for a Comprehensive Response

Dyer-Ives Foundation
Grand Rapids, Michigan

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Foreclosure Response

Education, Service Coordination, and Advocacy on Foreclosure Issues

Foreclosure Response is a non-profit effort connecting residents with a variety of community resources, and advocating changes to stop foreclosures. The response involves more than forty groups, including non-profit housing and service agencies, neighborhood organizations, foundations, city and county governments, legal aid resources, banks and real estate professionals throughout Grand Rapids and Kent County.

Foreclosure Response goals include:

- Educating and engaging the community around the issues related to foreclosure
- Mitigating losses to the community caused by high foreclosure rates
- Coordinating ongoing efforts to prevent predatory and deceptive lending, and additional foreclosures.

Funding for *Foreclosure Response* is provided by
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Foreword

Foreclosures, a relatively unusual phenomenon in the decades since the Depression, have become a nationwide crisis—the subject, in recent months, of almost daily headlines. Kent County is one of the thousands of areas across the United States struggling to understand and respond to a home foreclosure crisis that poses a serious threat to the wellbeing of many families, neighborhoods and communities. In responding to this crisis, Kent County faces daunting challenges, from helping families avert foreclosures or mitigate the damage when foreclosures cannot be prevented to helping communities cope with disinvestment-related issues.

At the same time, the crisis presents an opportunity. The housing bubble that preceded the foreclosure crisis made safe, affordable housing increasingly out of reach for low to moderate income families. With thousands of foreclosed properties now available, local funders and municipalities have the opportunity to leverage recently-allocated federal funds to help affordable housing organizations acquire and rehabilitate foreclosed properties. The result could be both a significant increase in the supply of affordable housing and a powerful neighborhood revitalization impact.

Many organizations in Kent County are working hard to address these challenges and take advantage of the opportunities that are available. A growing number of organizations—including nonprofit housing groups, government agencies, legal services providers, and funders—are recognizing the roles they can play in addressing the foreclosure crisis and its impact on the community. Efforts to coordinate services are increasing. Research documenting the disturbing increase in foreclosure rates—and which communities are being hit hardest—is now available. And intervention services are helping a significant number of families save their homes from foreclosure.

But the scope and complexity of the foreclosure crisis demand a more comprehensive strategy, involving more stakeholders, drawing on more local data, and taking advantage of lessons learned from promising initiatives in other communities. This report builds a foundation for such an approach, placing the situation in Kent County within the state and national context and drawing on the experiences of other communities.

- **Foreclosures:** A Growing Crisis describes the scope of the crisis on the national and state levels.
- **What's Behind the Foreclosure Crisis?** places our local situation in the context of the global economic crisis.
- **The Impact of Foreclosures** outlines the multiple and often compounding effects of home foreclosures on individuals and families, neighborhoods and communities, and cities and counties.
- **Foreclosures in Kent County: A Continuing Negative Trend** summarizes the research available today about the current foreclosure situation in Kent County.
- **Local Efforts Addressing Foreclosure Issues** provides an overview of initiatives currently addressing these issues in Kent County.
- **Promising Practices** details two comprehensive planning approaches and outlines promising strategies from a variety of communities.
- **Needed: A Comprehensive, Research-Based Strategy** is a call for action in Kent County involving public and private leadership and community-wide planning based on solid data and a thorough understanding of the local situation.

Executive Summary

> *Each day, ten Kent County families lose their homes to foreclosure.*

Foreclosures: A Growing Crisis

The United States is in the grip of a foreclosure crisis of staggering proportions. Recent figures indicate that, with foreclosure filings on more than 2.3 million properties in 2008,[1] 1 of 10 existing mortgages is in default.[2] U.S. foreclosure filings jumped 81% between 2007 and 2008, and 225% from 2006 to 2008.[3]

In view of the economic woes Michigan has experienced in recent years, it's not surprising that the state consistently ranks among the top ten states impacted by foreclosures. In 2008, foreclosure filings occurred on more than 100,000 Michigan properties, an increase of more than 100% compared to 2006.[4]

With no signs of a quick turnaround in the national economy, many analysts are predicting a worsening foreclosure situation in the coming year.

What's Behind the Foreclosure Crisis?

Underlying the foreclosure crisis are events that began nearly 10 years ago and span national and international borders.

- A housing bubble inflated housing prices, making homes increasingly attractive to both homebuyers and investors—and then collapsed.
- New loan products made homeownership available to more people and enabled more homeowners to tap the equity in their homes—but also made buyers vulnerable to foreclosure when they could no longer keep up payments on high-cost, and in many cases predatory, loans.
- Mortgage lenders found that they could make big profits from sub-prime and/or risky loans—while minimizing their own risk by bundling the loans and selling them as securities.
- Global investors created huge demand for mortgages securities—and then pulled out of the mortgage security market when the housing bubble collapsed, fueling a credit crisis.
- The economic meltdown in the U.S. led to losses in both jobs and stock market values—leaving even more people unable to keep up with their mortgage payments.

The Impact of Foreclosures

Foreclosures have serious negative impacts on families, neighborhoods and cities. When families lose their homes to foreclosure, children suffer the trauma of being uprooted from familiar surroundings—perhaps even experiencing homelessness—as well as other emotional, physical, and psychological distress. Families often fall deeply into debt from which it may take many years to recover. Damaged credit ratings can also hurt their prospects for obtaining jobs, insurance and rental housing. Renters evicted because their housing is in foreclosure also suffer upheaval and financial losses resulting from having to move on short notice.

High rates of foreclosure are also devastating to neighborhoods and cities. Vacant and abandoned properties invite crime, devalue nearby properties, and discourage investment in neighborhoods. Cities incur significant additional costs for policing and fire protection, social services, inspection and code enforcement—at a time when revenues are declining as a result of the collapse of the housing market and the current economic situation.

Kent County: Five Years, 10,000 Foreclosures

Each day, ten Kent County families lose their homes to foreclosure. Nearly 2,000 residential foreclosures occurred in Kent County—5.5% of all the homes in the county—in the first six months of 2008, continuing a dramatic upward foreclosure trend that has now spanned five years.[5]

Some areas have been hit particularly hard. Foreclosure rates vary among Kent County municipalities, ranging from 5.1% in Kentwood to 9% in Grand Rapids and even higher in the communities of Cedar Springs, Kent City and Sand Lake. Several southeast and west side Grand Rapids neighborhoods have rates ranging between 13% and nearly 20%.[6]

Foreclosures also dominate the real estate market in Kent County. In December 2008, nearly 70% of the homes sold in the Grand Rapids area were in the foreclosure process—no doubt contributing to the fact that the average home sale price declined 25% between 2006 and 2008. Total Grand Rapids area home sales fell below 10,000 in 2008—the fourth consecutive year of declining sales.[7]

Local Efforts Addressing Foreclosure Issues

Many organizations in Kent County are involved in addressing various aspects of the foreclosure crisis—coordinating community efforts, providing services to homeowners and renters impacted by foreclosure, conducting foreclosure research, working to turn

A comprehensive foreclosure recovery plan could play a significant role in supporting existing community initiatives aimed at addressing affordable housing issues and ending homelessness.

foreclosed property into affordable housing units, responding to neighborhood issues, dealing with code and law enforcement matters, and distributing federal funds.

More than 50 people, representing dozens of agencies, are involved in Foreclosure Response, which helps to coordinate agency efforts. The group's priorities include encouraging homeowners to seek assistance early in the process, educating homeowners about foreclosure rescue scams, and networking, communication and advocacy on foreclosure issues.

With the help of local, state and national funders, several local agencies have strengthened their foreclosure counseling staffs to cope with swelling demand from homeowners facing potential foreclosures. By doing so, they've helped to avert hundreds of foreclosures.

Local governmental units are also working to bring federal foreclosure relief funds to Kent County. The county and the City of Grand Rapids were recently allocated a total of $9.7 million in U.S. Housing and Urban Development (HUD) funds targeted at stabilizing hard-hit neighborhoods by purchasing and rehabilitating foreclosed properties and making them available for sale or rental.

Needed: A Comprehensive, Research-Based Strategy

Although a wide variety of local efforts are addressing foreclosure issues, more needs to be done—and much can be learned from promising work in other communities. Full recovery and the long-term health of our community will require public leadership and public/private collaboration to develop a comprehensive foreclosure recovery plan that includes strategies addressing prevention, intervention, stabilization and reinvestment.

Strong, committed leadership at the city and county level will play a vital role in ensuring the success of the process through which the plan is developed. Such a planning process will provide an opportunity to integrate foreclosure response strategies with the community's overall housing, economic development, and neighborhood revitalization efforts. A comprehensive foreclosure recovery plan could play a significant role in supporting existing community initiatives aimed at addressing affordable housing issues and ending homelessness.

Meaningful local data provides a critical foundation for local strategies. Data on the scope of foreclosures in Kent County and their geographic distribution, developed by Grand Valley State's University's Community Research Institute, provides a starting point. However, a considerable amount of important local data (e.g., the types of loans that are most vulnerable to foreclosure, the number and value of vacant foreclosed properties currently on the market, the role of investor-owned properties, etc.) has not yet been developed. Much more information is needed about key mortgage lenders and servicers, the local housing market, and what is happening to homeowners and renters who are losing their homes to foreclosure.

From Crisis to Opportunity

The foreclosure crisis presents daunting challenges. But there are reasons for hope, from new federal initiatives to the significant efforts already underway locally, including research, targeted services and service coordination, and funder support. Building on these strengths and the promising work being done in other communities, we can transform the negative forces of the foreclosure crisis into opportunities for the future.

Foreclosures: A Growing Crisis

Rising Foreclosure Rates

In 2008 the U.S. lost 2.6 million jobs, the most since 1945. U.S. stocks had their worst performance since the Great Depression. The country moved into the longest recession in a quarter century. By the year's end, home prices in 20 major U.S. cities had declined for the 24th straight month.[8] By early 2009, the foreclosure crisis in the United States had spanned several years—and showed no signs of abating.

In 2008, foreclosure filings were reported on more than 2.3 million properties[9]; before the year ended, a record one in 10 existing mortgages were in default—at least 30 days or more in arrears or in the foreclosure process.[10] Mammoth job losses, plunging stock market values, declining house prices, tighter mortgage lending, and the lengthy economic downtown all contributed to an 81% jump in U.S. foreclosure filings between 2007 and 2008, and a 225% increase from 2006. During 2008 one in every 54 housing units (1.84%) received at least one foreclosure filing—a default or auction notice or bank repossession.[11]

Nevada, Florida, and Arizona posted the highest 2008 foreclosure rates in the country, ranging from more than 7% in Nevada to 4.5% in Arizona. Michigan ranked sixth, with foreclosure filings on 106,058 properties—2.35% of all housing units. Foreclosure filings in Michigan rose 22% between 2007 and 2008, and 108% between 2006 and 2008.[12]

Troubling Signs for the Future

Several states have passed legislation mandating 30-day notices to homeowners before foreclosure proceedings are initiated. Major lenders and loan servicers have beefed up loan modification efforts. And the giant U.S. government-backed mortgage guarantee companies, Fannie Mae and Freddie Mac, have enacted moratoriums on foreclosures. Despite these efforts foreclosure rates are continuing to climb, as are re-defaults. More than half of the loans modified in the first quarter of 2008 were 30 days or more delinquent six months later.[13]

The combination of mounting job losses, the worsening economy, and thousands of bank-owned properties being added to the real estate market is expected to exacerbate the foreclosure crisis. Kenneth Rosen, chair of the Fisher Center for Real Estate and Urban Economics at the University of California, predicts that without a comprehensive national policy to address the crisis, there could be 5 to 8 million new foreclosures in the next three years.[14]

Along with the growing foreclosure figures, support for measures to address the crisis is mounting on the federal, state and local levels. To be successful, these efforts will need to be grounded in an understanding of both the current economic climate and the complex factors that have contributed to the foreclosure crisis.

By the end of 2008, a record one in 10 existing mortgages was in default—at least 30 days in arrears or in the foreclosure process.

What's Behind the Foreclosure Crisis?

A Collision of Global Forces with Local After-Shocks

When a family—whether homeowner or renter—moves out of a foreclosed home, its move represents the cumulative effect of many factors. Typically, we think of individual borrower circumstances—job loss, medical crisis, family disruptions, money management issues—as the key causes of foreclosures. In fact, individual circumstances are likely to be just the final blow in a story unfolding in communities across the country.

The story—as told in a recent report to the U.S. Conference of Mayors[15]—began with several seemingly disparate developments:

- A housing bubble inflated housing prices, with the prospect of ever-appreciating property values making housing an increasingly attractive investment option for both families and investors.
- Market conditions fueled global demand for ever-increasing investment opportunities in mortgages and mortgage-backed securities.
- A burgeoning of new loan products made home ownership available to a wider range of families and enabled more homeowners to tap the equity in their homes.

In this environment, more families were able to purchase their first homes. Many existing homeowners took advantage of opportunities to trade up in the market or use equity in their homes to pay off debts or for other purchases. Increasing numbers of investors sought quick profits by buying and rehabilitating houses and selling them for a large profit—a practice known as "flipping."

What went wrong?

- In 2004-2005, an explosion of high-cost "alternative" mortgages hit the market. Many of these featured questionable, and in many cases fraudulent, income verification, appraisals, and/or inspections, as well as no or low down payments and low initial ("teaser") interest rates that would "reset" to market rates in three to five years. Deregulation of the financial services industry unleashed armies of brokers motivated by the opportunity to turn a quick profit with these alternative loans, regardless of the potential harm to an unsuspecting borrower. Inadequate consumer protection laws and consumer education resources left many consumers who were seeking to buy or refinance homes especially vulnerable to these predatory lenders.
- As mortgages were divided, bundled, and resold as securities in global markets, the initial mortgage providers were exposed to less risk, stimulating many mortgage brokers to approve loans that carried significant risk of default.
- As the economy started to slide, many property owners with high-cost mortgages were also facing job losses, health care costs, and other financial problems. And with the cooling real estate market, selling their properties was no longer a viable option, since many owed more than the property was now worth. Renegotiating mortgages was also problematic, given the difficulty of even identifying many mortgage-holders.

The foreclosure crisis is the result of the collision of all of these trends.

- As the housing bubble collapsed and home prices stalled, home sales plummeted—at the exact time that large numbers of nontraditional adjustable rate mortgages began resetting.
- The inventory of homes on the market escalated, as owners sought to sell houses for which they could no longer make payments, while the pool of prospective buyers shrank because of the shaky economy and no-longer-appreciating housing values.
- Global investors pulled out of the mortgage security market, creating a mortgage credit crisis that further reduced the pool of prospective buyers.

So the fate of that house down the block—whether it has a littered, weed-choked lawn and other telltale signs of foreclosure or not—may well rest in decisions made at a far-away financial institution that no one in the neighborhood has ever heard of. Wherever the lender is, the impact of foreclosure is felt by the family that has left the home—and that impact ripples through the neighborhood and the community.

Of Loans, Borrowers and Lenders

Conventional mortgages…subprime lending… high cost mortgages… nontraditional, alternative or exotic mortgages—these terms pepper everyday conversations about today's foreclosure crisis. But they are not precise financial terms. In fact, many have been coined by practitioners and the media "on the fly," much like so many of the practices they describe. The attempt here to pin down some of this lingo is based on the perspectives of researchers and professionals in the field.

Types of Mortgages

According to Freddie Mac, a conventional mortgage is a home loan that is neither insured nor guaranteed by the federal government (i.e., through the Federal Housing Administration, the Department of Veterans Affairs or Rural Housing Services programs). In practice, a mortgage is usually considered "conventional" if part of each month's payment goes towards paying off the principal and part goes toward interest. Conventional mortgages can have either fixed or adjustable interest rates. Beyond that, individual lenders determine what additional features constitute a conventional mortgage in their portfolios – and they vary widely.

Nontraditional mortgage loans (sometimes called alternative or exotic mortgages) generally refer to a myriad of new mortgage products introduced to the market in the last decade in order to expand the base of potential borrowers. These loans often allow borrowers to defer payment of principal and, sometimes, interest—adding those deferred amounts to the principal balance owed. Examples of these kinds of nontraditional mortgages include loans with:

- Low initial payments based on a fixed introductory interest rate that expires after a short period (1-5 years), then adjusts (i.e., "resets") to a variable index rate plus a margin for the remaining term of the loan.
- Very high or no limits on how much the payment amount or the interest rate may increase on reset dates.
- Limited or no documentation of borrowers' income —so called "no doc" or "liar loans."
- Features likely to result in frequent refinancing to maintain an affordable monthly payment and/or substantial prepayment penalties.[16]

Prime and Subprime: Perceived Borrower Characteristics

While the terms "conventional" and "nontraditional" refer primarily to the structure of the loan product, "prime" and "subprime" lending generally refers to the perceived characteristics of the borrower. In theory, prime loans are offered to borrowers who present the least risk of default; these loans generally offer the best terms for the borrower. The specific requirements to qualify for prime loans vary by lender, but generally involve an assessment of credit worthiness based on the borrower's credit score, debt-to-income ratio, and ability to provide a down payment, usually amounting to about 10% of the value of the loan.

Also in theory, subprime borrowers are those considered a credit risk based on a history of loan delinquency or default, a recorded bankruptcy, or limited debt experience. Subprime loans are usually high-cost loans, with interest rates (and sometimes fees) set higher than loans to prime borrowers in order to compensate for the higher perceived risk to the lender.

In practice, however decisions about who receives prime vs. subprime loans are not solely tied to risk factors, according to numerous studies. As early as 1996, Freddie Mac estimated that 10% to 35% of subprime borrowers meet their standards for conventional loans[17]. And Fannie Mae Chairman Franklin Raines estimated to a *Washington Post* reporter in 2000 that half of all subprime borrowers qualify for low-cost Fannie Mae mortgages.[18]

Lenders

Until recently, most mortgage lenders were banks, savings and loans, credit unions and similar financial institutions that are federally insured and regulated. These depository institutions use customer deposits to back their loans and until recently tended to hold and service the loans until they were repaid. If the customer is unable to repay the loan, the bank that made the loan takes the loss.

In the last 20 years, alternative channels for mortgage lending have gained ascendancy. "Today, *a majority* [emphasis added] of those getting a mortgage loan

It's estimated that 10-50% of all sub-prime borrowers could actually qualify for lower-cost conventional loans.

Predatory lending practices typically target low-income, minority and elderly homeowners. Common predatory lending practices include charging exorbitant fees, using deceptive and/or fear tactics, and steering borrowers who qualify for a lower rate into a higher-cost loan.

will do so through a broker," according to Ken Ross, the deputy for policy for Michigan's Office of Financial and Insurance Services.[19]

In the subprime lending process, the mortgage broker receives a commission based on the cost of the loan to the buyer, with whom he or she often has no subsequent connection. The majority of the loans originated by brokers in Michigan are "initially funded by a state-licensed non-depository lenders that package many of the loans and sell them to investors on the secondary market," according to Fran Wallace of the Michigan Office of Financial and Insurance Services. "These mortgages are usually serviced by yet another party, often not associated with either the broker or the original lender."[20]

In the end, the subprime mortgage broker has little incentive to make a solid loan and no obligation to offer loans that are in the borrowers' best interests. Brokers may be licensed or registered in Michigan, but they are virtually unregulated at the state or federal level.

Predatory Lending

Lending practices are considered predatory, according to the Neighborhood Funders Group, when they "aggressively market high-cost purchase loans that are ultimately unaffordable, or refinance loans that drain equity without providing any real benefit to the homeowners."[21] These practices take a variety of forms, including:

- Targeting lower-income, minority and elderly homeowners
- Charging exorbitant and unnecessary fees (e.g., for origination, appraisals, broker compensation, legal services or prepayment of the loan).
- Using deceptive and possibly illegal tactics (e.g., concealing the true nature of the mortgage loan obligation; encouraging the borrower to falsify information on their application; using fear tactics to delude a borrower to close on a loan they don't fully understand—or need; foreclosure rescue scams).
- Steering borrowers into high-cost loans when they qualify for a lower rate.

Many people associate predatory lending with high-cost, subprime loans. "Although much subprime lending is conducted responsibly," notes the Neighborhood Funders Group, "virtually all predatory lending occurs as a subset of the subprime market."[22]

High-Cost Mortgages:
"It was never intended that borrowers would be able to actually afford their loans."

At the height of the housing boom, as demand for more and more mortgage investment opportunities skyrocketed, so did subprime lending by mortgage brokers aggressively marketing an array of high-cost, nontraditional and exotic loan products. In 1994, subprime lending represented only five % of the mortgage market; by 2005, subprime lending accounted for 26% of all mortgages.[23]

Driving this surge in subprime lending was the potential for huge, apparently risk-free profits, as described in *The Denver Post:*

> *Mortgage brokers raked in hefty commissions on high-cost loans. Lenders lowered standards to boost volume. Wall Street packaged and repackaged bundles of subprime loans. Credit-rating agencies, paid by investment banks, blessed the packages, convincing investors they were safe to buy.*
>
> *Everyone collected fees, creating what Jonathan Tiemann, a California investment adviser, describes as a pyramid of little golden crumbs. "The machinery had been set up so the mortgage would be sold to other parties. At every step of the way, somebody got a fee and then figured they would be able to pass the risk on to someone else," he said. "Greed was a very important factor."*[24]

Many of these high-cost loans have proven to be unsustainable. According to the Mortgage Bankers Association, foreclosure rates for high-cost mortgages are ***ten*** to ***twenty times*** greater than the foreclosure rates for prime fixed-rate mortgages.[25] It's tempting to conclude that the high rate of default on these loans must be attributable to the shortcomings of borrowers designated as "high risk."

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The Addie Polk Story

An example of predatory lending targeting low-income, minority and elderly homeowners is the case of Addie Polk, which received national coverage. Polk, a 90-year-old Akron, Ohio widow, shot herself in the chest on the day she was scheduled to be evicted from the home in which she had lived for 40 years. According to *New Yorker* writer Peter J. Boyer, Polk and her husband had purchased their home in 1970 for $10,000. When he died in 1995, the house was paid off.

In 1997, Polk was offered a $21,000 mortgage, which she accepted. That was followed by a $46,400 loan in 2001 and a $45,620 loan, paired with an $11,380 line of credit, in 2004—when she was 86. The last loan was a conventional prime loan from Countrywide, with a fixed thirty-year mortgage and a scheduled payoff date of 2034.

So in 11 years Polk went from owning her home outright to having it stripped of its equity as she used each succeeding loan primarily to pay off the previous loan. "The fact that this is someone who had her home paid off and was encouraged to mortgage her home, time after time, without sound lending practices, makes it a predatory loan," Lolita Adair, a real estate broker and head of an Akron task force on predatory lending, told Boyer.

Polk survived the shooting. Three days later, after being contacted by U.S. Rep. Dennis Kucinich about the case, Fannie Mae announced that it would forgive the debt. Three weeks later Countrywide transferred the deed back to Polk's name, although it was uncertain whether she would actually be able to return to her home.[26]

"Weak underwriting and mortgage origination fraud play a central role in the scope and scale of the foreclosure crisis," according to the State Foreclosure Prevention Working Group.

However, a group of 37 state attorneys general and banking regulators take a different view: "…the State [Foreclosure Prevention] Working Group believes that weak underwriting and mortgage origination fraud played a central role in the scope and scale of the foreclosure crisis," they say in their February 2008 report, *Analysis of Subprime Mortgage Servicing Performance.*[27] Iowa Assistant Attorney General Patrick Madigan, a member of the State Working Group, puts it more bluntly:

> *It was never intended that borrowers would be able to actually afford their loans. It cannot be stressed enough that this is how these loans were structured. Borrowers repeatedly refinanced not to receive a better rate, as in the prime market, but in order to avoid payment shock and ultimately foreclosure. In this way, the industry confused borrower distress with demand.*[28]

Furthermore, an analysis by the Local Initiatives Support Corporation (LISC) found that income level had little correlation to foreclosure rates. "The rate at which mortgage borrowers find themselves in default is not primarily related to whether they are poor or prosperous," LISC says. "It is tied to the type of mortgage products they were sold."[29]

Women and People of Color More Likely to Be Burdened with High-Cost Mortgages

Numerous studies have revealed that high-cost mortgage lending is disproportionately concentrated among women and communities of color, exposing these groups to higher risk of foreclosure. These disparities do not necessarily reflect a higher credit risk among these populations: analyses of subprime lending patterns have shown that 10%-50% of high-cost loans made by subprime lenders were made to people who qualified for prime loans.[30] Some examples of disparities identified include:

- African-Americans and Latinos are disproportionately represented in the high-cost subprime mortgage market. Federal Reserve economists found that after controlling for creditworthiness and housing market conditions, the level of subprime refinance and home purchase loans increased in a statistically significant fashion as the portion of African-Americans increased on a census tract level in Philadelphia and Chicago.[31] In addition, a 2005 Federal Reserve study of the seven biggest lenders in six metro areas found that, even when considering borrower traits such as income, loan amount and property location, African-American and Latino borrowers were more than three times more likely to receive a higher-cost home purchase loan than were White borrowers.[32]
- Women are also disproportionately represented. According to a 2006 study by the Consumer Federation of America:
  - Women are 41% more likely to receive high-cost subprime mortgages than men.
  - Upper income African American women are nearly five times more likely to receive subprime mortgages than upper income White men; and upper income Latino women are nearly four times more likely to receive subprime loans as upper income White men.[33]
- Disparities in high-cost lending actually increase as income levels rise, making middle and upper income minorities and women more likely to receive high-cost loans than low and moderate income minorities and women, compared to their White/male counterparts.[34]

Responsible subprime lending has an important role to play in the marketplace, according to the National Community Reinvestment Coalition (NCRC). However, in light of findings that minorities, regardless of income levels, receive a disproportionate amount of high-cost lending, NCRC advocates programmatic and policy changes to eradicate widespread abuses in the high-cost lending sphere. These changes include a significant increase in the availability of counseling to prevent consumers from becoming predatory lending victims, policy reforms, and increased regulatory enforcement.

The Impact of Foreclosures

Although media reports tend to focus on the impact of foreclosure on individuals and families, it is becoming increasingly clear that many of these people have been caught up in forces that are well out of their control—and that the cumulative effect of the increasing rate of foreclosed homes can have dire consequences well beyond the world of the individual family. To take a true measure of the social and economic impact of the foreclosure crisis, it's helpful to sort through impacts at multiple levels.

Adverse Impacts on Borrowers and Their Families

As of May 2008, nearly 66,000 children in Michigan were estimated to be directly impacted by the mortgage crisis as their families lost their homes to foreclosure, according to First Focus, a bipartisan group of advocates for children and families. The effects on these children range from the trauma of losing their homes and sense of security—and perhaps experiencing homelessness—to other emotional, physical and psychological distress.[35]

We lack local data on what happens to families who lose their homes to foreclosure; however, data from other communities indicates that some end up in emergency shelters or living on the streets. According to a Michigan housing official, 928 homeless adults in Michigan listed foreclosure as one of the top two reasons for their homelessness in 2007—and the figure for the first quarter of 2008 was more than double that for the same period in 2006.[36]

"When foreclosures force children from their homes," the First Focus report says, "their education is disrupted, their peer relationships crumble, and the social networks that support them are fractured." Similarly, the stresses of being uprooted have a variety of adverse emotional, physical and psychological effects on parents and families, further destabilizing the lives of children.

Direct monetary losses to individuals and families include the equity in their home, the penalties and fees charged by mortgage servicers during the delinquency period, and legal fees. The cost per household is estimated to be approximately $7,200 per foreclosure, a figure that increases daily as housing values continue to decline.[37] "Families who lose their homes typically fall more deeply into debt," according to the Neighborhood Funders Group. "They have a diminished ability to save and leave resources for the next generation, and to weather crises such as divorce or illness."

Indirect monetary losses include the future cost of borrowing as a result of damaged credit and moving expenses. Damaged credit ratings can also hurt borrowers' prospects for obtaining jobs, insurance, and rental housing. In fact, once first-time homeownership is terminated for any reason, it takes an average of 10 to 14 years for families to become homeowners again, according to a 2004 study by the U.S. Department of Housing and Urban Development.[38]

Foreclosures Affect Renters, Too

There is growing evidence that renters constitute a large population of foreclosure victims. "The current mortgage turmoil reaches deep into rental markets," according to a recent study by Harvard University's Joint Center for Housing Studies, which said "the current housing debacle not only adds to the number of households competing for low-cost rentals but also threatens renters living in foreclosed properties with sudden eviction."[39]

Regardless of whether they have long-term leases and are current on their rent payments, renters in foreclosed properties are often forced to move on very short notice. They may also lose security deposits and incur significant unanticipated moving costs. Compounding the problem is the fact that few resources are available to assist renters impacted by foreclosures.

Estimates of the number of rental property foreclosures vary. An Urban Institute study reports that, in markets and states around the country, on average, around 38% of foreclosed properties are not owner-occupied.[40] A Kalamazoo official estimates that one of every four foreclosures in Kalamazoo involves a rental property,[41] while an analysis of foreclosures in New York City estimated that 50% of the households living in foreclosed buildings there were renters.[42]

Although data on rental foreclosures in Kent County is not currently available, reports from local media and social service agencies confirm that there have been numerous cases of renters being evicted from foreclosed properties—in some cases only a few

The stresses of being uprooted have a variety of adverse emotional, physical and psychological effects on parents and families.

Each foreclosure of a single-family home costs a municipality an estimated $34,000 for expenses such as police and fire protection, social services, and inspections and code enforcement.

weeks after having moved into the rental unit. Also lacking is local data on what happens to renters who lose their housing because of foreclosures.

Property Owner and Lender Practices Impact Renters
Actions of both property owners and lenders make renters vulnerable to disruptions in their tenancy. In some cases, property owners rent units without telling prospective tenants that the property is in the foreclosure process, or they fail to notify existing tenants when a property enters the foreclosure process.

While many states have foreclosure and eviction laws that protect renters, Michigan does not. A bill requiring landlords to notify tenants at least 30 days before a property is put up for auction was introduced in the Michigan legislature in 2007 but has not moved out of committee. Renter protection legislation was also introduced in the U.S. Congress in 2007 but failed to pass the Senate.

Historically, under typical lender policies, renters are evicted when a foreclosure occurs and the lender becomes the property owner. A recent *New York Times* article quotes a spokesperson for JPMorgan Chase—which owns about two million loans—as saying, "We're not in the business of managing rental properties, and we're not in the business of being a landlord. Clearly the renter is caught in the middle."[43]

However, Fannie Mae, the giant U.S. government-controlled mortgage finance company, recently announced a major policy change under which it will sign new leases with renters living in foreclosed Fannie Mae-owned properties. The month-to-month leases will be for the period until the property is resold.

While most of the 67,500 properties owned by Fannie Mae in late 2008 were owner-occupied, the company estimated that as many as 4,000 renters might initially benefit from the new policy. Fannie Mae's action could also put pressure on other lenders to make similar policy changes and on lawmakers to enact renter relief measures.[44]

Spiraling Impacts on Neighborhoods and Communities

A rise in foreclosures can also have a compounding negative impact on neighborhoods and communities. Each foreclosure is estimated to result in a 0.9% decrease in values of properties within one-eighth mile, an average decrease in value per home of $5,000.[45] Foreclosures tend to concentrate in vulnerable neighborhoods, many of which have just recently begun to recover from disinvestment in the decades leading up to the 1990s.

"The current subprime mortgage crisis threatens to reverse the incredible progress that these communities have experienced," according to Living Cities, a national corporate and philanthropic community development collaborative. "The resulting vacant and abandoned properties threaten values of neighboring homeowners, invite crime, and discourage further investment."[46] These conditions also attract unsavory lenders, "foreclosure rescue" scammers, and speculators, further creating a predatory atmosphere. This decline in home values and the glut of foreclosed properties listed at a fraction of their worth continues to limit resale opportunities of homeowners facing payment difficulties, continuing the downward spiral.

Perhaps the most important asset neighborhoods and communities stand to lose is their social capital. Individuals and families who are evicted from foreclosed rental properties or lose their homes to foreclosure often end up doubling up with friends and relatives—or moving into homeless shelters—and ultimately resettling permanently in other communities and states.

Costs to Cities and Counties

The economic and social costs of foreclosures affect more than the individuals directly involved in the process. Cities and counties assume costs associated with increased demand for policing and fire protection; social services; and inspection, code enforcement and demolition services. They also incur costs associated with legal actions and managing the foreclosure process—all at a time that the collapse of the housing market results in reduced revenues from taxes and transfer fees. Estimated costs to municipalities have been estimated at $34,000 per foreclosure of a single-family home.[47] At this point, researchers have not been able to place a price tag on the indirect cost to cities and counties with high foreclosure rates—the impact on their reputation as a livable community and on their ability to attract investment.

"The Greatest Loss of Wealth for People of Color in Modern U.S. History"

It's the cornerstone of the American Dream: you buy a house, and between your monthly payments and the normal appreciation on the value of your home, you build assets. For many Americans, their homes represent their life savings, their security in retirement, and the future wellbeing of their children and grandchildren. Home ownership has been considered a basic wealth-building strategy for generations of Americans.

Of course, it hasn't been that easy for people of color. Excluded from the benefits of the GI Bill after World War II, their neighborhoods decimated by White flight and disinvestment in the 60s and 70s, and redlined out of the opportunity to access home mortgages, few low- to middle-income African-Americans had the chance to build family financial security through home ownership.

Today, people of color are disproportionately represented among subprime borrowers. This means they end up paying, over the life of a mortgage, from $50,000 to $100,000 more in interest than average borrowers—resources that could have been used to send children to college, start a business, or offer the next generation a financial head start. Instead, all of that equity is transferred from the family to the lender.[48]

The cumulative effect of this equity drain on neighborhoods can be equally as devastating. Research indicates that from 10% to 50% of all borrowers who receive subprime loans are eligible for prime loans.[49] If we take a neighborhood of 1,000 households and make some research-based assumptions, we can begin to size the drain on the neighborhood. Let's say:

- Half of the homes—500 in all—are owner-occupied
- 100 (a conservative 20% of 500 owner-occupied homes) of the families received subprime loans although they were creditworthy for prime loans
- Each of these families pays $85,000 more over the life of the loan than they would have if they had received prime loans.

In this scenario, a total of $8.5 million is transferred to lenders—resources that could have been used to support stores in the neighborhood, economic development, or other wealth building endeavors for the families and neighborhood.

And none of these examples begins to calculate the losses when these homes are lost to foreclosure. That's what the authors of *Foreclosed: State of the Dream 2008* are referring to when they say that today's subprime foreclosure crisis is, indeed, "the greatest loss of wealth to people of color in modern U.S. history."[50]

People of color are disproportionately represented among subprime borrowers. This means they end up paying, over the life of a mortgage, from $50,000 to $100,000 more in interest than average borrowers.

Foreclosures in Kent County: A Continuing Negative Trend

The dramatic upward foreclosure trend in Kent County has now spanned five years.

Five Years, 10,000 Foreclosures [51]

Each day, ten Kent County families lose their homes to foreclosure. Nearly 2,000 residential foreclosures occurred in Kent County in the first six months of 2008, continuing a dramatic upward foreclosure trend that has now spanned five years, according to a recent report from Grand Valley State University's Community Research Institute (CRI). During that time, the CRI data shows, the county has experienced more than 10,000 residential foreclosures—5.5% of all the homes in Kent County.

From January 1 through June 30, 2008, Kent County's foreclosure rate increased 28.7% over the same period in 2007. Twenty of the 37 local government areas in the county saw increases in foreclosure rates, including 14 that experienced increases greater than 30% over the same period the previous year.

Of particular concern, the CRI report points out, are areas that experienced large numbers of foreclosures between 2004 and 2007 and continued to show increasing rates of foreclosures in 2008. These include:

	January-June 2008 increase over first half of 2007	Number of residential foreclosures Jan. 2004–June 2008	Residential foreclosures as a percentage of total homes Jan. 2004 - June 2008
Grand Rapids	38.2%	4,994	9.0%
Kentwood	44.6%	613	5.1%
Wyoming	35.6%	1,571	7.3%
Cedar Springs	55.6%	76	9.5%
Kent City	133.3%	29	12.3%
Sand Lake	100.0%	23	15.4%

More than two-thirds of Grand Rapids neighborhoods experienced residential foreclosure increases in the first half of 2008 compared with the same period in 2007. Several southeast and west side Grand Rapids neighborhoods continue to have the highest overall foreclosure rates in the city:

	January-June 2008 increase over first half of 2007	Number of residential foreclosures Jan. 2004–June 2008	Residential foreclosures as a percentage of total homes Jan. 2004 - June 2008
Black Hills	100.0%	45	16.6%
Garfield Park	82.9%	625	13.4%
Oakdale	8.7%	140	19.9%
Southeast Community (SECA)	17.9%	184	17.2%
Southeast End	32.0%	655	15.9%
South West Area Neighbors (SWAN)	23.3%	250	15.2%

Sheriff's sales—one step in the foreclosure process—offer another indicator of foreclosure trends. The 402 sheriff's sales in Kent County in October 2008 represented a 44% increase from the previous month and a 15% increase from October 2007.[52]

Home Sales: Foreclosures Dominate the Real Estate Market

Monthly home sales reports from the Grand Rapids Association of Realtors (GRAR) document the impact of foreclosures on the real estate market in Kent County. GRAR figures released in January 2009 show continuing negative trends for foreclosures and for home sales volume and prices.

- Nearly 70% of the Grand Rapids area homes sold in December 2008 were foreclosures, compared to 40% in December 2007 and 15% in January 2007.
- The average home sale price for 2008 was $122,837, the lowest level in ten years. The 2008 figure was down 17% from 2007 and down 25% from a high of $163,266 in 2006.
- Total home sales for 2008 fell below 10,000, a level last seen in 2000. The 9,507 sales in 2008 marked a 17% drop from 2007 and the fourth consecutive year of declining home sales volume.[53]

Racial and Ethnic Disparities in Lending in Kent County[54]

National studies have documented that people of color are more likely to receive high-cost loans than their White counterparts, but is this true in west Michigan? Apparently yes, according to an analysis of 2006 Home Mortgage Disclosure Act (HMDA) data by the National Community Reinvestment Coalition (NCRC). NCRC reviewed home purchase, refinance and home improvement loans for traditional single family homes occupied by the borrowers of the loans in 184 metropolitan areas.

Findings for the Grand Rapids-Wyoming Metropolitan Statistical Area (MSA) showed that African-Americans and Hispanics were significantly more likely to receive high-cost loans than their White counterparts. The findings also indicated that census tracts with high concentrations of minorities had significantly more high cost loans than those with high concentrations of Whites of comparable income. The disparities were even greater between comparable middle- and upper-income borrowers and census tracts than between low-to-moderate income borrowers and census tracts.

Overall, the Grand Rapids-Wyoming MSA falls among the one-third of the metropolitan areas studied exhibiting the largest racial and ethnic disparities in lending, along with Detroit-Livonia-Dearborn, Warren-Troy-Farmington Hills, Kalamazoo-Portage, Saginaw-Saginaw Township North and Ann Arbor.

For more detailed data on racial and ethnic disparities in lending in the Grand Rapids-Wyoming MSA, see Appendix 1, page 32.

Local Efforts Addressing Foreclosure Issues

More than fifty people, representing dozens of community organizations and governmental offices, are involved in Kent County's Foreclosure Response.

Many organizations in Kent County are involved in addressing various aspects of the foreclosure crisis—coordinating community efforts, providing services to homeowners and renters impacted by foreclosure, conducting foreclosure research, working to turn foreclosed property into affordable housing units, responding to neighborhood issues, dealing with code and law enforcement matters, and distributing federal funds.

Coordinating Community Efforts

More than fifty people, representing dozens of community organizations and governmental offices, are involved in Foreclosure Response. The group has been meeting since December 2007, when it was convened by the Grand Rapids Urban League, to discuss collaboration in addressing the growing number of foreclosures in the community.

One of Foreclosure Response's first actions was to develop a list of organizations offering services to homeowners facing foreclosure. The list details the types of services offered by each agency (ranging from housing counseling to financial assistance), its service area, and client eligibility requirements (See "Foreclosure-Related Services in Kent County," Appendix 2, page 34.). Subsequently the group recommended that access to services be simplified by having one agency serve as a clearinghouse; as a result, anyone calling United Way's 211 program for foreclosure help is referred to a single agency, Home Repair Services.

Foreclosure Response includes an oversight committee and working groups focused on advocacy and community education. A coordinator, hired with funding provided by Dyer-Ives Foundation and the Grand Rapids Community Foundation, provides staff support for the group. The foundation funding has enabled the group to develop a web site (www.foreclosureresponse.org) and begin developing an awareness campaign which includes door-to-door contacts and neighborhood meetings in areas heavily impacted by foreclosures as well as a social marketing campaign.

Key priorities for Foreclosure Response include encouraging homeowners to seek assistance early in the process, educating homeowners about foreclosure rescue scams, and networking, communication and advocacy on foreclosure issues.

Foreclosure-Related Services

Over the past two years, nonprofit organizations, with the help of local, state and national funders, have beefed up their foreclosure counseling staffs to cope with swelling demand from homeowners facing potential foreclosures. In Kent County, seven agencies—ACSET-CAA, Grand Rapids ACORN, Grand Rapids Urban League, Inner City Christian Federation (ICCF), Home Repair Services (HRS), Lighthouse Communities, Inc. and New Development Corporation—are providing a variety of services to homeowners and renters impacted by foreclosure. These services include:

- Housing counseling
- Financial assistance
- Advocacy with lenders
- Information and referral
- Education
- Payment coordination.

Financial assistance is also available through the Kent County office of the Michigan Department of Human Services. In addition, Legal Aid of West Michigan provides legal services related to foreclosure.

Home Repair Services has five financial counselors providing foreclosure intervention assistance. During the agency's 2007-2008 fiscal year, it opened a record 958 foreclosure cases and averted 282 foreclosures.

Counselors at Home Repair Services and Inner City Christian Federation are among thousands across the country who have been trained through NeighborWorks™ America, a federal-government sponsored initiative that seeks to increase the capacity of community-based organizations to revitalize their communities, particularly by expanding and improving housing opportunities. NeighborWorks has developed trainings and publications designed to help local organizations create successful foreclosure intervention programs. Staff from both HRS and ICCF have also been involved in providing training on foreclosure work to other agencies.

Big Bank Initiatives May Help Local Efforts

The task of helping borrowers negotiate with lenders to avert foreclosure has been daunting for local counselors. Recently, however, financial institutions faced with mounting losses from failing subprime mortgages and public outcry over their role in the foreclosure crisis are more willing to come to the table. Fifth Third Bank, which has a large presence in Kent County, recently added 200 people to its loss mitigation staff, most of them at the bank's Cincinnati headquarters, to help struggling customers explore their options.[55]

Three of the four largest U.S. banks—Bank of America, JP Morgan Chase & Co., and Citigroup—have announced new initiatives designed to prevent foreclosures by offering borrowers more opportunities for mortgage modifications. A key feature of the initiatives is a moratorium on foreclosures for customers with whom the banks are working on loan modifications. The bank programs apply only to mortgages on owner-occupied principal residences and to loans held by the banks, although they say they are also working to add loans they service but don't own to the programs. See "Initiatives by Financial Institutions to Stem the Tide of Foreclosures," below, for more information on these programs.

What impact will the actions of these large banks have in Kent County? Their local presence varies: CitiGroup's CitiFinancial arm has three branch offices in the Grand Rapids area, while Bank of America has more than a dozen and Chase has over 30. In addition, the banks' actions could influence industry trends in dealing with loan modifications, setting a pattern that other banks will follow.

Initiatives by Financial Institutions to Stem the Tide of Foreclosures

Financial Institution	Key Components	Background / Anticipated Impact
JP Morgan Chase & Co.[56]	• Open 24 new regional counseling centers, adding 300 loan counselors to existing staff of 2,200 • Offer borrowers pre-qualified modifications • Provide independent review of loans before foreclosure • Offer 500 discounted or donated homes to community groups to stabilize communities.	The Chase initiative is expected to help 400,000 families with $70 billion in loans, adding to the 250,000 families with $40 billion in loans that Chase has helped since early 2007.
Bank of America / Countrywide [57]	• Reduce interest rates and adjust principal so that borrowers don't lose equity • Revise customers' payments so they don't exceed 34% of income • Waive loan modification fees and prepayment penalties • Compensate Countrywide customers who lost homes to foreclosure between 2004-2007.	• The BoA plan is the result of a settlement in response to a lawsuit over deceptive mortgage practices involving Countrywide Financial Corp, which Bank of America purchased in June 2008. • The plan applies to Countrywide customers in eleven states, including Michigan. • BoA anticipates helping nearly 400,000 Countrywide customers with up to $8.4 billion in interest rate and principal reductions.
Citigroup [58]	• Partner with local housing organizations to offer foreclosure counseling workshops in 25 cities • Develop financial education curricula for consumers and financial counselors • Provide 600 staffers to help borrowers with loan workouts by adjusting interest rates, reducing principal or increasing the term of the loan.	• The initiative targets homeowners in states with high unemployment and foreclosure rates, including Arizona, California, Florida, Michigan, Ohio and Indiana. • Citigroup expects to impact more than 500,000 homeowners and about $20 billion in mortgages.

The Impact of Foreclosure Intervention Activity

HOPE NOW, a private sector alliance of mortgage servicers, counselors and investors, aims to provide more effective assistance to distressed borrowers and to minimize foreclosures. A recent HOPE NOW report indicates that foreclosure intervention activities helped 1.5 million homeowners avoid foreclosure in 2007. In the first eleven months of 2008, 2.2 million homeowners avoided foreclosure. The alliance expects to double the 2008 figure in 2009.

Data from the Mortgage Bankers Association shows that repayment plans and loan modifications are now exceeding foreclosures by significant amounts. HOPE NOW figures for 2007 show that among 1.4 million delinquencies and past due accounts, 45.3% received a formal repayment plan, 14.8% received a modification, and 19.7% resulted in a completed foreclosure sale.[59]

However, a recent report from key U.S. banking regulators presents troubling indicators about the long-term success of loan modifications. Of loans modified in the first quarter of 2008, more than half were 30 days or more delinquent within six months.[60]

"One troubling point is that…re-default rates increased each month and showed no signs of leveling off after six months or even eight months," according to John Dugan, U.S. Comptroller of the Currency. Factors contributing to the re-defaults include inadequate modifications that create unsustainable repayment plans, as well as the worsening economy contributing to increased job losses.[61]

Foreclosure Research

The significant increase in foreclosure rates in Kent County has been documented by Grand Valley State University's Community Research Institute (CRI) in its report, Sold Short: Residential Foreclosures in Kent County, 2004-2007. The report provides data on the number, rates and trends in residential foreclosures in Kent County. In November 2008, the CRI issued a Data Update, presenting foreclosure figures for January-June 2008. CRI expects to produce a series of analyses exploring the dynamics of residential foreclosure in Kent County.

Affordable Housing Organizations

Several housing agencies, including Inner City Christian Federation, Habitat for Humanity, New Development CDC, and Lighthouse Communities, are working to turn foreclosed HUD-owned or lender-owned properties into affordable housing units that will be an asset to the neighborhoods where they are located. The agencies are exploring ways to acquire and renovate foreclosed properties for rental or sale to low-to-moderate income families.

Neighborhood Associations

Some neighborhood associations are devoting considerable resources to addressing problems associated with foreclosed properties. A particularly time-consuming task is trying to locate property owners—many of whom are lenders located in other parts of the country—and convince them to address maintenance issues.

The associations also work with the city's code enforcement department when owners fail to maintain properties and with the police department in cases where houses are vandalized or are sites of gang, drug or other criminal activity. Common problems include squatters, water damage in houses that have not been properly winterized, and theft of metal such as copper tubing. In some cases, neighbors who own properties near foreclosed houses are taking responsibility for maintaining yards which had been neglected—or even purchasing homes in order to assure that they remain in good condition and in responsible ownership.

City and County Government

Foreclosures impact and involve many facets of city government. Code enforcement may come into play in neglected properties; because these properties often function as a magnet for illegal activities, they may also account for a disproportionate number of police calls. Governmental units are also often involved in disposition of HUD foreclosed homes.

In Grand Rapids a task force with representation from several city departments recently developed a plan for disposing of vacant foreclosed properties owned by the U.S. Department of Housing and Urban Development (HUD). The plan calls for the city to serve as a clearinghouse, acquiring all HUD foreclosed properties in the city as they become available, then selling the properties to local nonprofit housing developers.

Kent County and the City of Grand Rapids were recently allocated $9.7 million in HUD funds targeted to areas of greatest need, based on the number and percent of foreclosures, subprime mortgages and delinquencies and defaults. The funding is intended to stabilize neighborhoods by helping governmental units buy foreclosed homes, demolish or rehabilitate abandoned properties, and offer down payment and closing assistance to low- to moderate-income homebuyers. The funding can also be used to create land banks to assemble, temporarily manage and dispose of vacant property to encourage its re-use or redevelopment.

Some additional funds from HUD's neighborhood stabilization program are being allocated through the states. The City of Wyoming hopes to access $1.35 million from these funds to purchase, rehabilitate and sell 10-20 foreclosed houses.

Several local housing organizations are exploring ways to acquire and renovate foreclosed properties for rental or sale to low-to-moderate income families.

The HUD Homes Opportunity

When houses insured by the Federal Home Administration (FHA) are foreclosed, they become properties of the U.S. Department of Housing and Urban Development (HUD). HUD homes are one- to four-unit residential properties acquired by HUD as a result of a foreclosure action on an FHA-insured mortgage. HUD then offers the properties for sale in an attempt to recover the loss on the foreclosure claim.

HUD homes are initially offered to purchasers who intend to occupy the home as their primary residence. When HUD homes are first placed on the market, only prospective buyers planning to be owner-occupants are eligible to bid on them. Properties not sold after the initial owner-occupant only period then are available to all buyers, including investors.

Lists of HUD properties are available on line at web sites maintained by management companies contracted by HUD to dispose of properties. In Michigan, the management company is Michaelson, Connor, & Boul. In November 2008, a check of a web site listing HUD homes offered through Michaelson, Connor, & Boul showed 174 Kent County properties, with values ranging from $9,000 to $135,000. Nearly a third of the properties were listed for less than $40,000.[62]

HUD's Dollar Homes Initiative
Single family HUD homes that fail to sell within six months are made available to local governments to purchase for $1 each through HUD's Dollar Homes Initiative. Local governments can partner with local nonprofit homeownership organizations or tap into existing local programs to fix up the homes and resell them to low and moderate income community residents. The newly occupied homes can then act as catalysts for neighborhood revitalization.

In April 2008 HUD halted its Dollar Homes sales in both Michigan and Ohio, pending a review of the program. At the time, there were more Dollar Home sales pending in the two states than there have been nationwide in the program's five-year history. In Grand Rapids, the number was estimated at 100, with the potential to grow to 400 over the next few years.[63]

Dollar Homes sales were reopened in late 2008 and in January 2009 HUD approvals began trickling back to local governments which had applied to purchase Dollar Homes.

Promising Practices

Local communities are the ground on which the foreclosure crisis plays out: it's here that the aftershocks are felt by individuals, families, neighborhoods and cities and towns. Like Kent County, many local communities are struggling just to provide emergency interventions to keep families from losing their homes and to address the most egregious impacts of increasing numbers of abandoned homes. But a number of communities have developed promising practices for moving beyond the crisis and we can learn from their experience.

The sections below describe innovative approaches by Hennepin County, MN and the City of Minneapolis. Next, the "Foreclosure Recovery Strategies" chart outlines approaches taken in a number of other communities.

County-Level Planning

In 2007 the Hennepin County (Minnesota) Board of Commissioners established the Hennepin County Foreclosure Task Force which included representatives from ten county departments. Through an intensive six-week process, the task force developed an in-depth county-wide plan with strategies targeting individuals, neighborhoods and communities, and financial entities, indicating for each target group:

- Recommended activities
- The county's role (leader, partner, or supporter)
- Roles of other potential partners (e.g., city and state governments, nonprofits, lenders, neighborhood organizations, community developers, funders, community coalitions, etc.)
- The funding strategy
- Outcome/results
- Timeline
- Responsible party.

Examples of activities in the plan for which the county plays a lead role include:

- Establishing a lead staff position as central point-of-contact for county foreclosure efforts
- Identifying all county staff who are likely to come into contact with individuals facing foreclosure and providing them with appropriate foreclosure resources information and training
- Using existing county communication avenues to increase foreclosure information available to homeowners and renters
- Challenging the county's depository banks and subsidiaries to increase their support of foreclosure prevention loans and programs
- Reviewing laws and lender practices to determine the earliest possible access for counseling organizations to borrower information about mortgage defaults or likely foreclosures
- Convening discussions with lenders and other interested parties to improve post-foreclosure property management in targeted areas.

The task force also set goals to pursue in partnership with others at the state and national levels.[64]

City-Level Planning

The Minneapolis Department of Community Planning & Economic Development (CPED) developed a three-point Foreclosure Recovery Plan that focuses on prevention, reinvestment and market repositioning through key strategies:

- Employ aggressive **foreclosure outreach and counseling** as foreclosures rise and as the housing market declines—and continue as long as foreclosure rates remain high.
- Pursue aggressive **property acquisition** when the housing market is low and properties are inexpensive. Develop multiple strategies to compete with investors in order to prevent the turnover of single-family homes to rental.
- Promote **property development** when the market is poised for recovery to drive the market back towards a healthy housing market. Clearly envision a healthy housing market prior to the development stage to ensure that development helps to drive the market to rebound. Some factors to consider include income mix, rental and homeownership mix, design and amenities.
- Engage in **community building and marketing** efforts to prepare the market for a rebound. Expand home ownership incentives and engage in neighborhood-based initiatives to market neighborhoods and city living.

As a part of this effort, CPED has led a private/public partnership to target clusters of foreclosed housing in North Minneapolis for restoration. CPED's foreclosure-related investment of nearly $10 million from 2007 to 2009 has leveraged more than $63 million in federal, state, philanthropic and private funding.[65]

A Minneapolis foreclosure recovery plan focuses on prevention, reinvestment and market repositioning.

A truly comprehensive plan would address prevention, intervention, stabilization, and revitalization strategies.

Foreclosure Recovery Strategies: Promising Examples from Other Communities

The following chart outlines a range of approaches taken by communities throughout the country in response to the foreclosure crisis. Although it is too early to identify "best practices" in this work, these strategies have been recognized in the national literature as offering promise. More importantly, they offer what researcher Dan Immergluck refers to as "a scheme for thinking about local responses to the crisis and the actors and organizations involved."[66]

The chart is intended to help community planners consider where local responses might be expanded or strengthened in order to develop a truly comprehensive plan. The state-level, county-level and city-level strategies are therefore organized into four broad categories that go beyond responding to the immediate crisis:

- **Prevention** strategies focus on halting practices, such as predatory lending, which have contributed to the foreclosure crisis. An example is the "Don't Borrow Trouble" campaign aimed at educating consumers about unscrupulous loan providers.
- **Intervention** strategies provide direct assistance to homeowners and renters at risk of foreclosure through public information, counseling, referral and cash assistance programs.
- **Stabilization** strategies seek to mitigate the harm of vacant foreclosed homes by facilitating the process of rehabilitating these properties and returning them to affordable owner-occupied or rental housing.
- **Revitalization** work integrates strategies for developing foreclosed properties with the community's overall long-term vision—ranging from strategies for ending homelessness to initiatives to address transportation, urban sprawl and sustainability, greenspace and forestry, neighborhoods, business recruitment and retention.

Prevention

Strategies that focus on halting practices, such as predatory lending, which have contributed to the foreclosure crisis.

State-Level	County-Level	City/Other
A **Massachusetts** program 1) allocates revenues to increase regulation of the lending industry, 2) maintains a detailed database of the state's foreclosures, 3) awards grants to fund first-time homebuyer counseling and creates ten regional prevention centers.[67] In 2007, **Minnesota** passed legislation that requires realtors and mortgage brokers to act in the best interest of their clients, including requiring that they verify a borrower's ability to repay a loan before recommending it and providing sanctions for "churning," the selling or refinancing of loans to generate fees and commissions with no benefit to borrowers. The law also allows borrowers to sue brokers who intentionally mislead them.[68] The **Minnesota Foreclosure Partners Council** includes representatives from city and county government, economic development groups, nonprofits and others. Partners have collected and analyzed statewide foreclosure data; expanded data sharing between cities and counties and the use of early warning systems; and are developing a statewide data collection platform.[69] In 2007, **Michigan** passed legislation requiring the licensing of loan officers.[70]	The **Cuyahoga County Foreclosure Prevention Program** administers the nationally-produced "Don't Borrow Trouble" public awareness campaign, as well as multiple intervention strategies. Lenders, foundations, businesses and nonprofits contribute to funding the program.[71] The 2008 **Cuyahoga County Budget** includes funding to enhance the capacity of the prosecutor's office by adding an attorney and three investigators dedicated to handling mortgage fraud and predatory lending cases.[72]	In Chicago, **community-based organizations** partner with lenders to conduct targeted outreach to consumers for foreclosure prevention workshops. Lenders help organizations reach consumers who are in early stages of delinquency and those with adjustable rate mortgages to help provide them with advance information about the implications of the reset.[73] **Consumer Credit Counseling Service & Self-Help Credit Union,** San Francisco, provide telephone-based counseling to new borrowers to prepare them for the responsibility of homeownership and stress the importance of making timely mortgage payments.[74] In response to predatory lenders bombarding neighborhoods where elderly people and families have few assets besides their homes, the **Homeownership Center** of the San Francisco Housing Development Corporation provides one-on-one counseling to citizens who are considering refinancing.[75] To address predatory lending issues, the Chicago-based **National Training and Information Center** uses foreclosure research as a key driver to support community organizing to pass new local ordinances, increase awareness among at-risk groups, and press public officials to stop the worst offenders.[76]

Intervention

Strategies that provide direct assistance to homeowners and renters at risk of foreclosure through public information, counseling, referral and cash assistance programs.

State-Level

Minnesota, Illinois, Ohio, New York and Massachusetts fund programs to strengthen support for counseling and education efforts that expand awareness of options and rescue scams, link homeowners with services and provide refinance and rescue "bridge" loan programs.[77]

The **Minnesota Home Ownership Center** promotes sustainable homeownership services to low- and moderate-income households by providing training, technical assistance and financial support to 20+ community-based organizations for direct services to consumers. The center hosts "borrowers workshops" throughout the state, a user-friendly web site and administers a statewide marketing campaign.[78]

The state of **Minnesota** provided $1.8 million in 2008 to fund foreclosure prevention counseling state-wide, doubling the number of counselors in the state.[79]

The **Michigan** State Housing Development Authority (MSHDA) launched the "Save the Dream Campaign," a set of new refinance loan programs that provide 30-year, fixed-rate conventional mortgages at affordable, below-market rates. MSHDA also provides a toll-free number that directs homeowners to a homeownership counselor in their county that specializes in foreclosure prevention or to participating lenders across the state.[80]

County-Level

The **Cuyahoga County** Foreclosure Prevention Program 1) links homeowners with foreclosure counseling through the county web site and 2-1-1 service; and 2) offers homeowners the option of a court-sponsored mediation option that requires the lender to appear at a hearing and attempt to help the homeowner resolve the issue without losing their home. The **County Commission** allocates $1.5 million to community partners who provide foreclosure prevention counseling.[81]

City/Other

The **Baltimore Homeownership Preservation Coalition,** including banks, nonprofits, realtors, foundations, and state and local public agencies, conducts research, administers a public awareness campaign, and provides funding for foreclosure counseling.[82]

The **Minneapolis Foreclosure Response** program, part of the city's Department of Community Planning & Economic Development (CPED), provides homebuyer education, foreclosure counseling and loans for reinstatement. Since 2007, the city has invested $1.1 million in this effort; it's projecting a $660,000 investment for 2009. This annual investment assists 1000 households and half of those receiving intensive support will avoid foreclosure.[83]

The New York City-based **Community Equity Protection Project** enables victims of predatory lending to access cheaper capital through nonprofit mortgage brokers, re-defining how business is done by displacing irresponsible, predatory brokers. Key partners include an economic development organization, nonprofit legal services organization, and private foundation.[84]

Stabilization

Strategies that seek to mitigate the harm of vacant foreclosed homes by facilitating the process of rehabilitating these properties and returning them to affordable owner-occupied or rental housing.

State

In partnership with communities, nonprofits and lenders, **Massachusetts** and **Michigan** have programs targeted to areas of high foreclosure to reclaim foreclosed properties and make them available to qualified first-time homebuyers.[85]

The **Minnesota Housing Finance Agency** and several financial institutions loaned the Family Housing Fund of Minneapolis $16 million "for strategic acquisition and rehabilitation and programs to assist affordable sustainable homeownership."[86]

County

The **Cuyahoga County (Ohio)** treasurer has proposed an entity called the Cuyahoga County Land Reutilization Corporation that would supplement land banking operations already in operation in select CC municipalities.

The **Genesee County (MI)** treasurer used state brownfields revenues, foundation grants, proceeds from the tax foreclosure process, and bonds to fund the Genesee County Land Bank Authority which acquires and manages tax-foreclosed properties – primarily in Flint. The Land Bank's goals are to maintain and promote home ownership, eliminate blight and prevent the decline of viable neighborhoods, revitalize residential neighborhoods, support economic development by assembling, marketing and redeveloping abandoned property, and promote community-based greening of abandoned property.[87]

City/Other

Living Cities *is a national corporate and philanthropic partnership that has invested more than $543 million in the last 15 years to support community development. In 2008, Living Cities made $10 million available to fund "the most promising local approaches for returning foreclosed properties to productive use," including initiatives in Detroit, Minneapolis/St. Paul, and Washington, D.C..*[88]

Detroit: The Kresge, Kellogg, Ford and Skillman foundations pooled resources to create the Detroit Office for Foreclosure Intervention and Response which has developed a plan to stabilize two target neighborhoods by acquiring, rehabbing and selling foreclosed properties where appropriate, and demolishing them where the demand is not supported.

Minneapolis/St. Paul: The Mortgage Foreclosure Partners Council has developed plans to acquire, rehab and dispose of foreclosed properties while simultaneously developing innovative financing products that will enable them to reach a wider range of borrowers, enhancing their ability to dispose of the properties they have acquired.

Washington, D.C.: CityFirst Enterprises is coordinating local efforts to form a community land trust in which they purchase and rehab foreclosed homes and sell them, using a $75,000 subsidy, to working families. In exchange, the homebuyers or homeowners facing foreclosure agree to share some of the future appreciation of the unit with the land trust, ensuring long-term housing affordability.

Reinvestment

Integrating strategies for developing foreclosed properties with the community's long-term vision.

State

County

The **Genesee County** Land Bank deploys its significant land holdings to support long-term Smart Growth strategies for revitalizing the Flint River District, the downtown, and two other target areas in Flint, MI.[89]

City/Other

As properties are acquired and rehabbed in **Minneapolis,** the city is working with its partners to reposition neighborhoods for market recovery. Activities include expanding its homeownership incentives and targeting this funding to neighborhoods hard hit by foreclosure, as well as participating in community-based marketing efforts to bring new buyers into the neighborhoods.[90]

Needed: A Comprehensive, Research-Based Strategy

Given the scope and nature of the foreclosure crisis, addressing it will require action on the federal, state and local levels. For example, restoring market stability will likely require unprecedented federal intervention. The federal government will play an important role not only in providing new funding sources, but also in enacting new regulatory statutes and consumer protection laws, and developing more effective processes for making foreclosed properties available to affordable housing providers.

A multi-faceted response is also needed at the local level. Current local foreclosure response activities include a variety of services provided by local nonprofits, the coordination work of the Foreclosure Response initiative, local governmental unit involvement in HUD's neighborhood stabilization program, and funder support for this work.

How can local efforts be strengthened? The experience of other communities points to a need to develop a comprehensive local foreclosure recovery plan informed by research providing data on key lenders and servicers, the local housing market, and homeowners and renters impacted by foreclosures.

Key Components of a Local Approach

Leadership, Collaboration and a Comprehensive Plan

Full recovery and the long-term health of our community will require public leadership and public/private collaboration to develop a comprehensive foreclosure recovery plan that integrates with the community's overall housing, economic development, and neighborhood revitalization efforts and includes strategies addressing prevention, intervention, stabilization and reinvestment.

Promising work across the country points to the importance of establishing a broad-based community planning group with sufficient staffing and resources, oversight and accountability to:

- Further define the scope and key characteristics of the foreclosure crisis in Kent County
- Identify short-and long-term remedies and appropriate responses that address prevention, intervention, stabilization and revitalization.
- Develop and implement a comprehensive plan.

Vital Stakeholders

Involvement of top-level local governmental leaders is critical to the success of a forward-looking local initiative. Lenders are also key stakeholders, as well as funders, who have provided significant leadership and funding resources to date.

Lenders

As the global foreclosure/credit crisis deepens, large lenders are being held accountable and are responding with a variety of plans (see "Initiatives by Financial Institutions to Stem the Tide of Foreclosures," page 25). At the local level, the Hennepin County Foreclosure Task Force identified a number of potential roles for lenders in their community:

- Maintain vacant foreclosed properties that they hold (REO properties) until a buyer can be found.
- Donate REO properties to community groups.
- Pay for demolition when REO properties are beyond repair.
- Provide access to borrower data that can help local groups with prevention, intervention, stabilization and revitalization efforts.
- Fund foreclosure prevention activities as part of their Community Reinvestment Act strategies.
- Share information about their loss mitigation and loan modification standards and procedures.
- Link borrowers to foreclosure prevention resources.[91]

Funders

The Council of Michigan Foundations recently co-sponsored "Michigan's Foreclosure Crisis Briefing: How Foundations Can Assist Families and Preserve Neighborhoods," which was attended by concerned foundation leaders and local and state officials from throughout Michigan. At this briefing, the group outlined key roles for funders:

- Collaboratively fund a single data system to map foreclosures, properties at risk and who owns them, local assets, etc.
- Tell your local story; fund a media campaign; get the word out and help borrowers connect with counselors.
- Convene local organizations and coordinate a response tailored for your community.
- Bring lenders to the table and provide patient capital to incentivize write downs and to prevent banks from going bankrupt.

Full recovery and the long-term health of our community will require public leadership and public/private collaboration.

Developing a comprehensive understanding of the local foreclosure situation requires data offering essential information about key lenders and servicers, the local housing market, and what is happening to homeowners and renters impacted by foreclosures.

- Build capacity for resources that are likely to become available, i.e. position Michigan to bring down federal dollars.
- Build land bank capacity/establish a holding company to acquire, rehab and distribute REO properties.
- Advocate for anti-predatory lending legislation (Michigan Home Loan Protection Act), renters' rights and regulation for mortgage loan officers and servicers.[92]

Local Data

Meaningful local data provides a critical foundation for local strategies. "The incidence and outcome of foreclosures vary dramatically from place to place," according to George McCarthy, Ford Foundation senior program officer and a nationally recognized expert on housing policy and development. "The local context really matters."[93]

Thanks to Grand Valley State University's Community Research Institute, up-to-date information is available on the scope of foreclosures and their geographic distribution within Kent County. But considerably more information is needed to develop a comprehensive understanding of the local foreclosure situation.

Local data can provide a picture of key *lenders and servicers* involved in foreclosures, the types of loans associated with foreclosures, and the characteristics of troubled borrowers.

- Are a few lenders responsible for a large percentage of foreclosures?
- What role do high cost/subprime loans and adjustable rate loans play?
- Is the local situation consistent with national research indicating the subprime lending disproportionately impacts people of color and women, regardless of income level? What is the re-default rate for local borrowers whose loans have been modified?

These kinds of data can inform actions focused on consumer education, as well as initiatives aimed at working with lenders.

Local data can provide essential information about the *local housing market* in order to assess what interventions may be appropriate to secure productive reuse of foreclosed properties, as New York University's Furman Center for Real Estate and Urban Policy points out in its white paper, *Transforming Foreclosed Properties into Community Assets*.[94] Such research can help answer questions including:

- On what types of properties are foreclosures occurring? (e.g., single-family residential, multi-unit residential, condominium; investor-owned vs. owner-occupied)
- How frequent are "short sales" (sales for less than the outstanding mortgage balance), what types of homeowners in distress are selling through short sales, who is buying properties through short sales, and to what uses are those buyers putting the properties? For example, are "vulture investors"—companies that purchase large numbers of properties at very low prices from lender inventories and auctions—involved? Are there significant numbers of properties selling for $10,000 or less (an indicator of a market collapse)?
- What property, borrower, lender and servicer characteristics are associated with properties that become vacant?
- Are foreclosed properties being abandoned? If so, at what point and by whom?

The importance of *local market data* is underscored by Alan Mallach of the National Housing Institute and the Brookings Institution. Key variables affecting neighborhood stability, according to Mallach, include vacancy and abandonment, the level of property investment, poverty concentration, home ownership rate, and crime. "All of these variables are powerfully affected by foreclosure—particularly the link between foreclosures and vacancy," Mallach says. He points out that destabilizing effects of foreclosures—reduced property values, increases in crime, and increased local government costs—are the result of the link between foreclosures and vacancy more than simply the result of foreclosure as such.

Good data is essential, Mallach says, to:

- Identify target areas
- Understand the market dynamics of target areas
- Define strategies and make decisions about target properties (e.g., re acquisition, rehabilitation or demolition, reuse for owner-occupancy or rental, and short-term reuse or land banking)
- Identify most valuable complementary strategies
- Monitor progress and evaluate outcomes.[95]

Local data is needed to understand what is happening to both *homeowners and renters* losing their homes to foreclosure and where they are going.

- Are significant changes occurring in the rental market as a result of foreclosures?
- Are foreclosures leading to increased homelessness?

Answering these questions requires a significant research effort involving data collection from a wide variety of public and private sources—a daunting task but one that can be informed by the examples of other communities in which major research efforts underlie foreclosure response strategies. By pairing learning from the promising practices of other communities with comprehensive local data, Kent County can maximize the effectiveness of tools and strategies tailored for the local situation, including ways to monitor lending patterns for fair practices, identify at-risk borrowers, develop local early warning systems for borrowers, target advocacy, and focus reuse initiatives.

From Crisis to Opportunity

These are extraordinary times. Most analysts believe that we have not yet hit bottom in terms of the foreclosure or economic crises. Individuals and families in our community, often caught in systemic forces beyond anyone's ability to manage, are suffering the personal trauma of losing their homes and financial disaster of losing their life savings and the credit record they need to recover. Neighborhoods and communities are threatened by blight and decline. Our towns, cities and county feel the burden of increased demand for services at the same time that their revenues are falling fast.

But there are reasons for hope, from new federal initiatives to the significant efforts that are already underway locally, including research, targeted services and service coordination, and funder support. Building on these strengths and the promising work being done in other communities, we can transform the negative forces of the foreclosure crisis into opportunities for the future.

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Appendices

Appendix 1

High-Cost Loan Disparities in Select Michigan MSAs[1]

Loan Comparisons by Race / Michigan

MSA Name	Low- and Moderate-Income: Percent High-Cost Loans to LMI African Americans	Percent High-Cost Loans to LMI Whites	High-Cost Disparity Ratio	National Ranking (of 217)	Middle- and Upper-Income: Percent High-Cost Loans to MUI African Americans	Percent High-Cost Loans to MUI Whites	High-Cost Disparity Ratio	National Ranking (of 184)
Ann Arbor	52.37%	18.38%	2.85	6	41.67%	12.81%	3.25	10
Warren-Troy-Farmington Hills	55.62%	25.38%	2.19	52	47.59%	17.32%	2.75	36
Grand Rapids-Wyoming	62.01%	29.59%	2.10	67	56.12%	21.57%	2.60	61
Saginaw-Saginaw Township North	62.10%	30.10%	2.06	75	46.61%	20.13%	2.32	106
Kalamazoo-Portage	60.09%	29.79%	2.02	82	46.03%	19.22%	2.40	87
Detroit-Livonia-Dearborn	75.19%	37.94%	1.98	90	65.84%	27.79%	2.37	93
Niles-Benton Harbor	64.05%	32.61%	1.96	94	57.34%	20.50%	2.80	32
Muskegon-Norton Shores	70.92%	39.40%	1.80	133	56.83%	25.19%	2.26	117
Flint	64.99%	37.07%	1.75	143	50.22%	25.68%	1.96	163
Lansing-East Lansing	54.59%	31.36%	1.74	148	50.85%	21.87%	2.32	104

Loan Comparisons by Ethnicity / Michigan

MSA Name	Low- and Moderate-Income: Percent High-Cost Loans to LMI Hispanics	Percent High-Cost Loans to LMI Whites	High-Cost Disparity Ratio	National Ranking (of 165)	Middle- and Upper-Income: Percent High-Cost Loans to MUI Hispanics	Percent High-Cost Loans to MUI Whites	High-Cost Disparity Ratio	National Ranking (of 195)
Holland-Grand Haven	35.86%	19.63%	1.83	18	--	--	--	--
Warren-Troy-Farmington Hills	44.44%	25.38%	1.75	24	33.84%	17.32%	1.95	56
Kalamazoo-Portage	50.00%	29.79%	1.68	32	--	--	--	--
Saginaw-Saginaw Township North	49.56%	30.10%	1.65	36	--	--	--	--
Detroit-Livonia-Dearborn	59.66%	37.94%	1.57	45	51.03%	27.79%	1.84	77
Lansing-East Lansing	45.31%	31.36%	1.44	77	34.67%	21.87%	1.59	127
Grand Rapids-Wyoming	42.34%	29.59%	1.43	79	36.65%	21.57%	1.70	104
Flint	--	--	--	--	43.22%	25.68%	1.68	107

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Loan Comparisons by Minority Level of Census Tract / Michigan

MSA Name	Low- and Moderate-Income				Middle- and Upper-Income			
	Percent High-Cost Loans to LMI Borrowers in Minority Tracts	Percent High-Cost Loans to LMI Borrowers in Non-Minority Tracts	High-Cost Disparity Ratio	National Ranking (of 190)	Percent High-Cost Loans to MUI Borrowers in Minority Tracts	Percent High-Cost Loans to MUI Borrowers in Non-Minority Tracts	High-Cost Disparity Ratio	National Ranking (of 188)
Ann Arbor	44.88%	20.44%	2.20	10	34.47%	14.61%	2.36	36
Detroit-Livonia-Dearborn	73.39%	36.12%	2.03	26	69.97%	29.36%	2.38	32
Saginaw-Saginaw Township North	65.98%	32.57%	2.03	27	--	--	--	--
Kalamazoo-Portage	63.41%	31.54%	2.01	35	--	--	--	--
Holland-Grand Haven	37.50%	19.63%	1.91	53	--	--	--	--
Warren-Troy-Farmington Hills	51.19%	26.85%	1.91	54	48.36%	19.62%	2.46	25
Grand Rapids-Wyoming	57.78%	30.45%	1.90	60	57.35%	23.10%	2.48	21
Muskegon-Norton Shores	72.05%	38.23%	1.88	65	--	--	--	--
Flint	69.15%	38.36%	1.80	86	64.97%	28.58%	2.27	47
Niles-Benton Harbor	58.67%	34.51%	1.70	108	50.00%	22.87%	2.19	55
Lansing-East Lansing	54.09%	32.07%	1.69	112	49.05%	23.89%	2.05	70
Battle Creek	--	--	--	--	62.94%	42.06%	1.50	155

Final Rankings / Michigan

MSA Name	Low- and Moderate-Income			Middle- and Upper-Income			
	Lending to LMI African Americans	Lending to LMI Hispanics	Lending to LMI Borrowers in Minority Tracts	Lending to MUI African Americans	Lending to MUI Hispanics in Minority Tracts	Lending to MUI Borrowers	Cumulative Rank [2]
Ann Arbor	6	--	10	10	--	36	7
Warren-Troy-Farmington Hills	52	24	54	37	56	25	43
Detroit-Livonia-Dearborn	90	45	26	94	77	32	57
Kalamazoo-Portage	82	32	35	88	--	--	59
Saginaw-Saginaw Township North	75	36	27	107	--	--	61
Grand Rapids-Wyoming	67	79	60	62	104	21	66
Niles-Benton Harbor	94	--	108	33	--	55	73
Lansing-East Lansing	148	77	112	105	127	70	107
Flint	143	--	86	164	107	47	109

[2] Indicates metropolitan areas with the largest racial and ethnic disparities overall, in descending order.

Appendix 2

Foreclosure-Related Services in Kent County

Agency Name	Services	Service Area	Conditions for Non-Financial Assistance	Conditions for Financial Assistance	How to Access Services
Area Community Service Employment and Training Council (ACSET) 144 E. Fulton St. Grand Rapids, MI 49503 www.acset.org	❍ Housing Counseling ❍ $ Assistance ❍ Advocacy w/ Lender ● Information / Referral ❍ Education ❍ Payment Coordination ❍ Fiduciary Role	● City of GR ● Kent County ❍ Beyond Kent County	● Level of Income ● Geographic restrictions ● Stage in the foreclosure process	● No financial assistance	Contact 211 for referral.
Grand Rapids ACORN 441 S. Division Ave. Grand Rapids, MI 49503 www.acorn.org	● Housing Counseling ❍ $ Assistance ● Advocacy w/ Lender ● Information / Referral ● Education ❍ Payment Coordination ❍ Fiduciary Role	● City of GR ● Kent County ● Beyond Kent County	● None	● No financial assistance	Call 616-233-7518 for an appointment.
Grand Rapids Urban League 745 Eastern Ave. SE Grand Rapids, MI 49503 www.grurbanleague.org	● Housing Counseling ● $ Assistance ❍ Advocacy w/ Lender ● Information / Referral ● Education ● Payment Coordination ❍ Fiduciary Role	● City of GR ● Kent County ❍ Beyond Kent County	❍ Level of Income ● Geographic restrictions ❍ Stage in the foreclosure process	● Stage in the foreclosure process ● Sufficient income to maintain payments ● Reason for foreclosure ● Maximum of one month's payment	Call 616-245-2207 for an appointment.
Home Repair Services *Foreclosure Intervention Program* 1100 S. Division Ave. Grand Rapids, MI 49507 www.homerepairservices.org	● Housing Counseling ● $ Assistance ● Advocacy w/ Lender ● Information / Referral ● Education ● Payment Coordination ● Fiduciary Role	● City of GR ● Kent County ❍ Beyond Kent County	❍ Level of Income ● Geographic restrictions ❍ Stage in the foreclosure process	❍ Stage in the foreclosure process ● Sufficient income to maintain payments ❍ Reason for foreclosure ● Maximum of one month's payment	Call 616-241-2601ext.0 for an appointment.

Agency Name	Services	Service Area	Conditions for Non-Financial Assistance	Conditions for Financial Assistance	How to Access Services
Inner City Christian Federation 920 Cherry St. SE Grand Rapids, MI 49506 www.iccf.org	● Housing Counseling ❍ $ Assistance ● Advocacy w/ Lender ● Information / Referral ● Education ● Payment Coordination ❍ Fiduciary Role	❍ City of GR ● Kent County ● Beyond Kent County	● None	● No financial assistance	Call 616-336-9333 for an appointment.
Lighthouse Communities, Inc. 1422 Madison Ave. SE Grand Rapids, MI 49507 www.lcgr.net	● Housing Counseling ● $ Assistance ● Advocacy w/ Lender ● Information / Referral ● Education ❍ Payment Coordination ● Fiduciary Role	● City of GR ● Kent County ❍ Beyond Kent County	❍ Level of Income ● Geographic restrictions ❍ Stage in the foreclosure process	❍ Stage in the foreclosure process ● Sufficient income to maintain payments ❍ Reason for foreclosure ❍ Maximum of one month's payment	Call 616-451-9140 ext. 234 for an appointment.
Michigan Department of Human Services (DHS) *State Emergency Relief* 415 Franklin St. SE Grand Rapids, MI 49507 www.michigan.gov/dhs	❍ Housing Counseling ● $ Assistance ❍ Advocacy w/ Lender ❍ Information / Referral ❍ Education ❍ Payment Coordination ❍ Fiduciary Role	● City of GR ● Kent County ❍ Beyond Kent County	● Level of Income ● Geographic restrictions ● Stage in the foreclosure process	● Stage in the foreclosure process ● Sufficient income to maintain payments ● Reason for foreclosure ● Maximum amount is set by statute	Call 616-247-6000 for an appointment.
New Development Corporation 228 Carrier St. NE Grand Rapids, MI 49505 www.newdevelopmentcorporation.org	● Housing Counseling ❍ $ Assistance ❍ Advocacy w/ Lender ● Information / Referral ● Education ❍ Payment Coordination ❍ Fiduciary Role	● City of GR ❍ Kent County ❍ Beyond Kent County	● None	● No financial assistance	Call 616-361-7500 for an appointment.

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Dyer-Ives Foundation Mission

To build capacity in those grassroots, neighborhood organizations and related efforts that address issues of systemic poverty or diminish a sense of isolation among residents of the central city of Grand Rapids, Michigan.

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