

SACRAMENTO FORECLOSURE TRENDS AND RECOMMENDED POLICY OPTIONS

April 29, 2008

Sacramento City Council

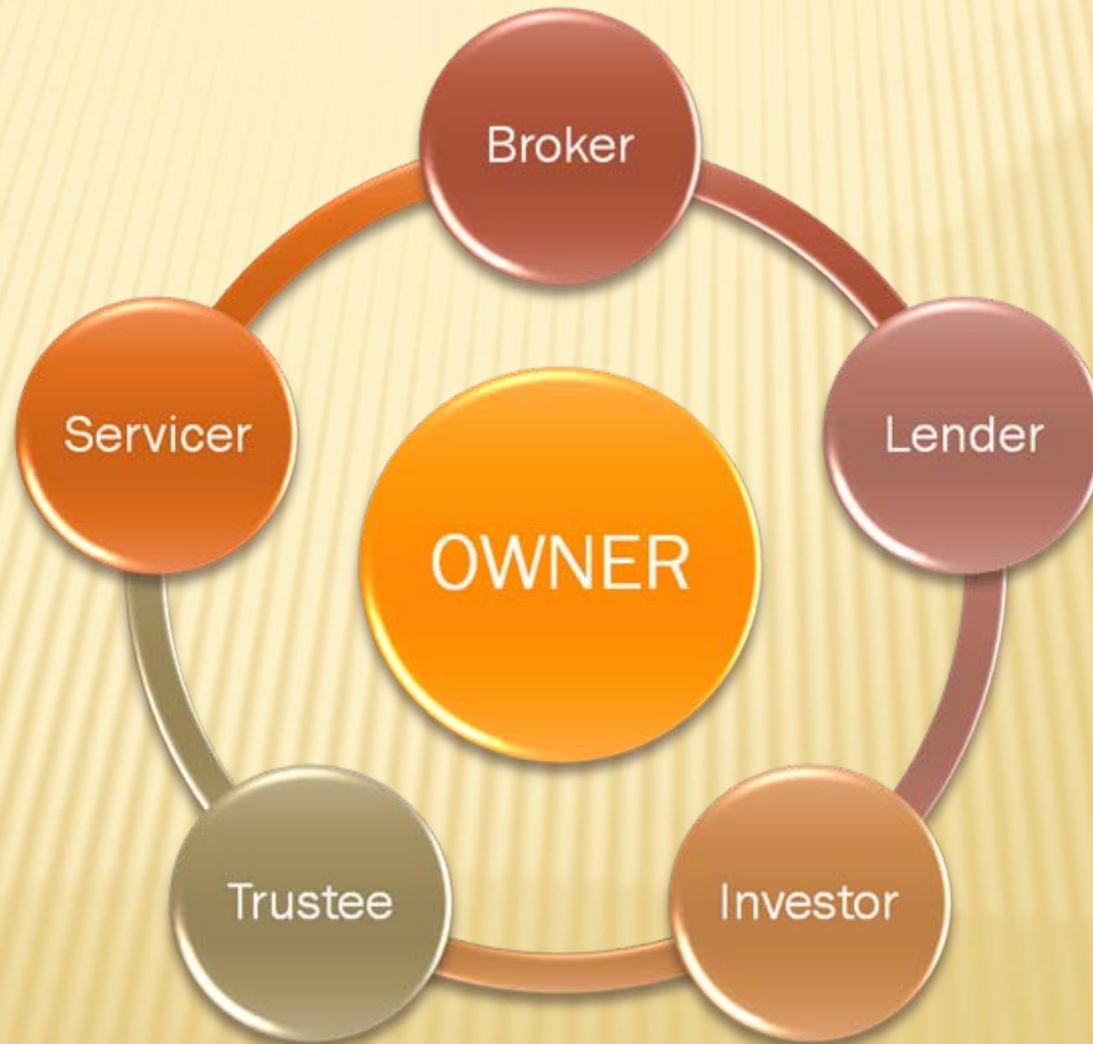


**Sacramento
Housing &
Redevelopment
Agency**

crc

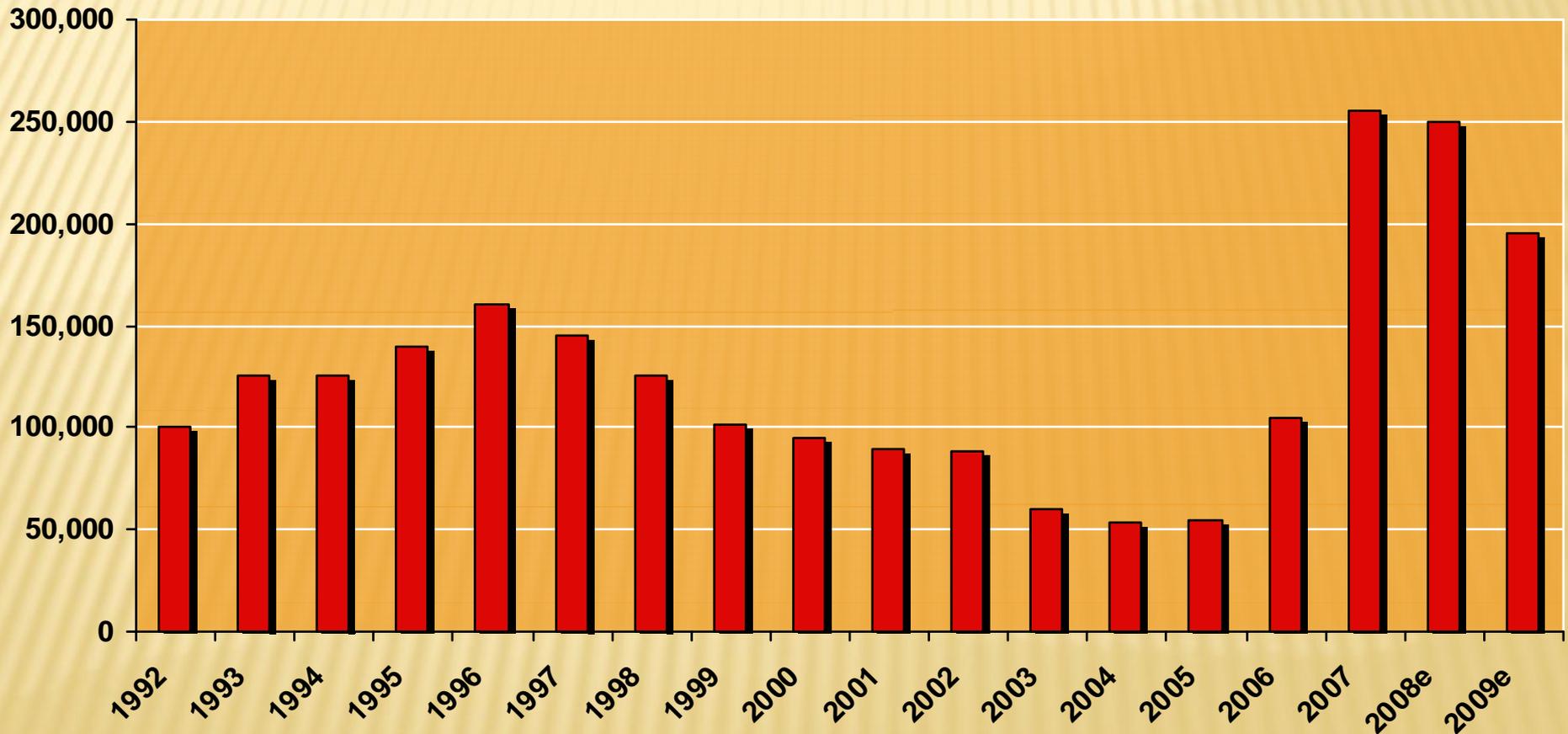
California Reinvestment Coalition

PLAYERS IN THE CRISIS



RECORD CA FORECLOSURE ACTIVITY

California Default Notices

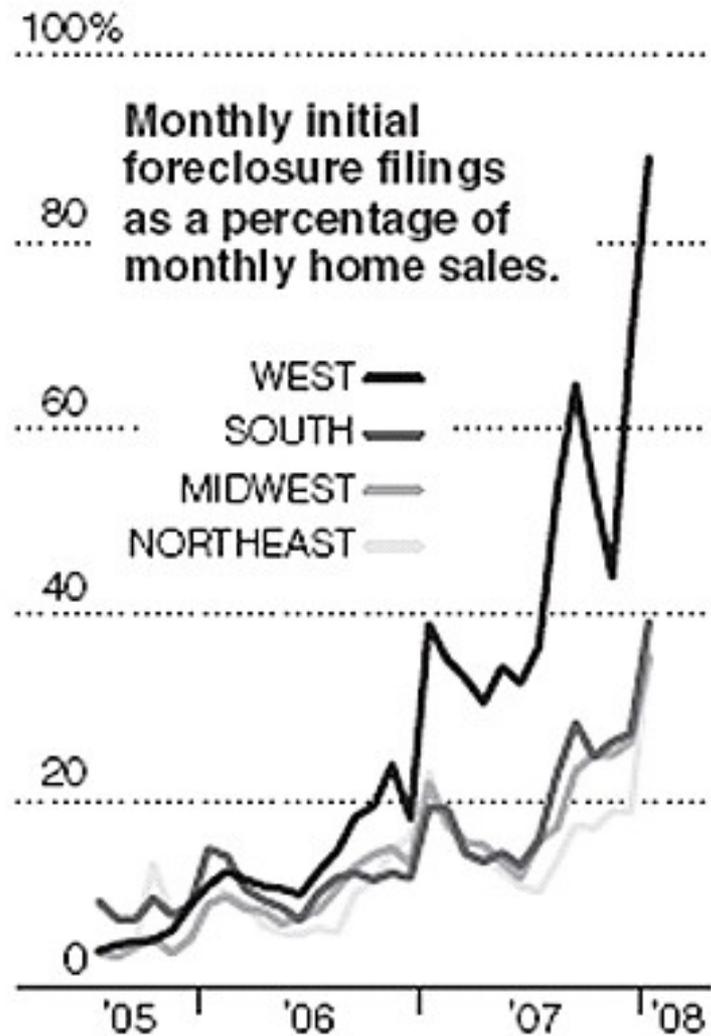
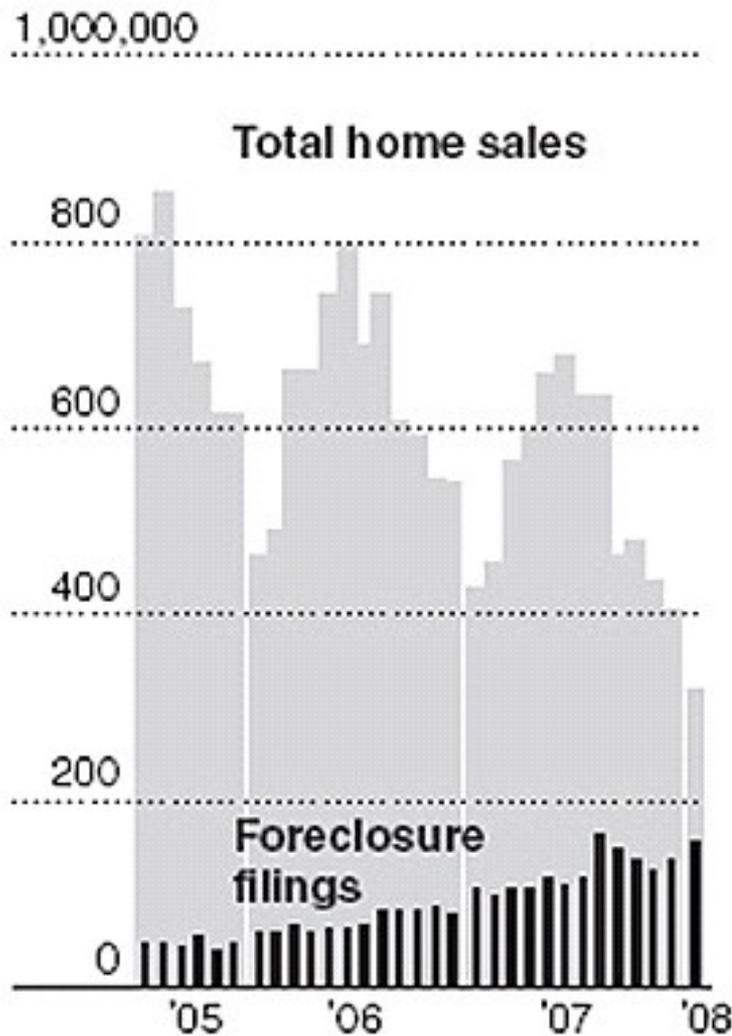


Source: DataQuick Information Systems

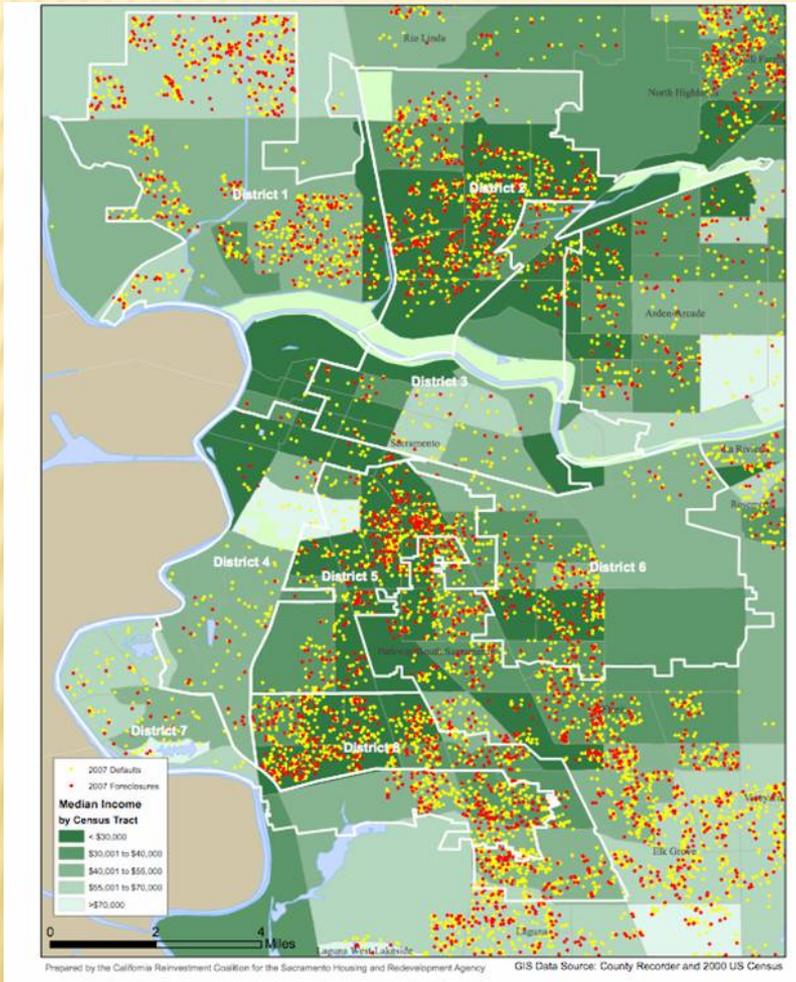
FORECLOSURE CRISIS: WHAT HAPPENED?

- × 500,000 filings in California in 2007
- × Home prices drop
- × Growth in Wall Street financing
- × Loose underwriting = bad lending practices
 - + Subprime market
 - + ARMs and hybrid ARMs → payment shock
 - + Prepayment penalties
 - + Stated income loans
 - + Increased debt to income ratios
- × No accountability in mortgage lending

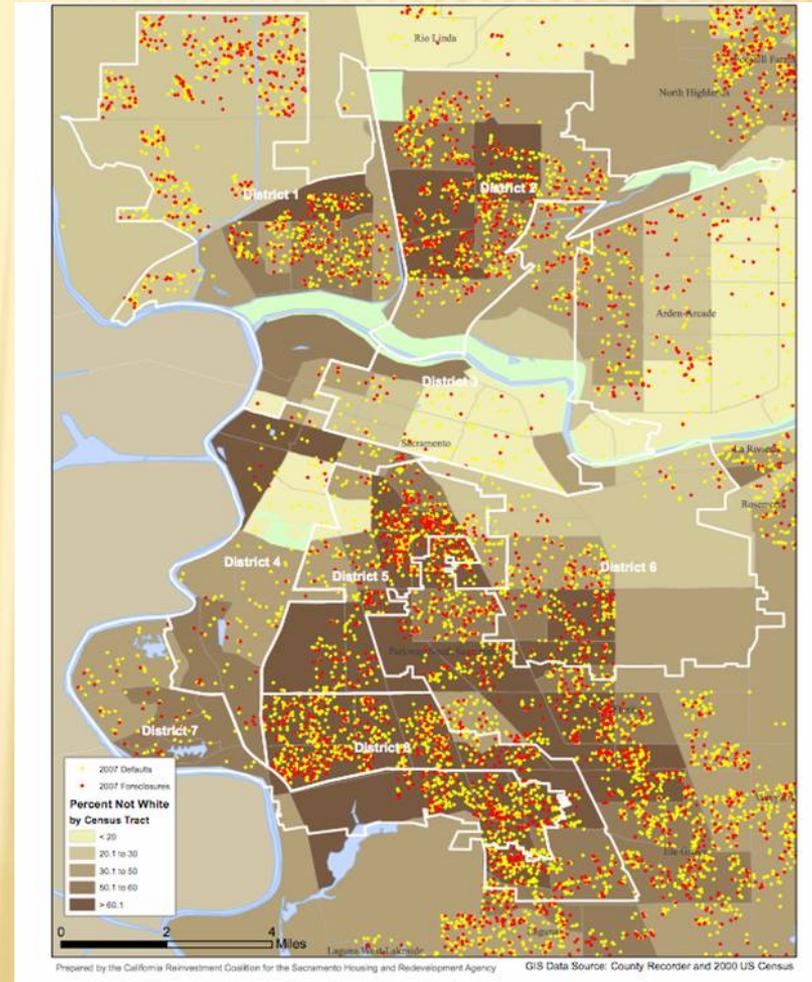
As Home Sales Sag, Foreclosures Soar



FORECLOSURE ACTIVITY, CITY 2007



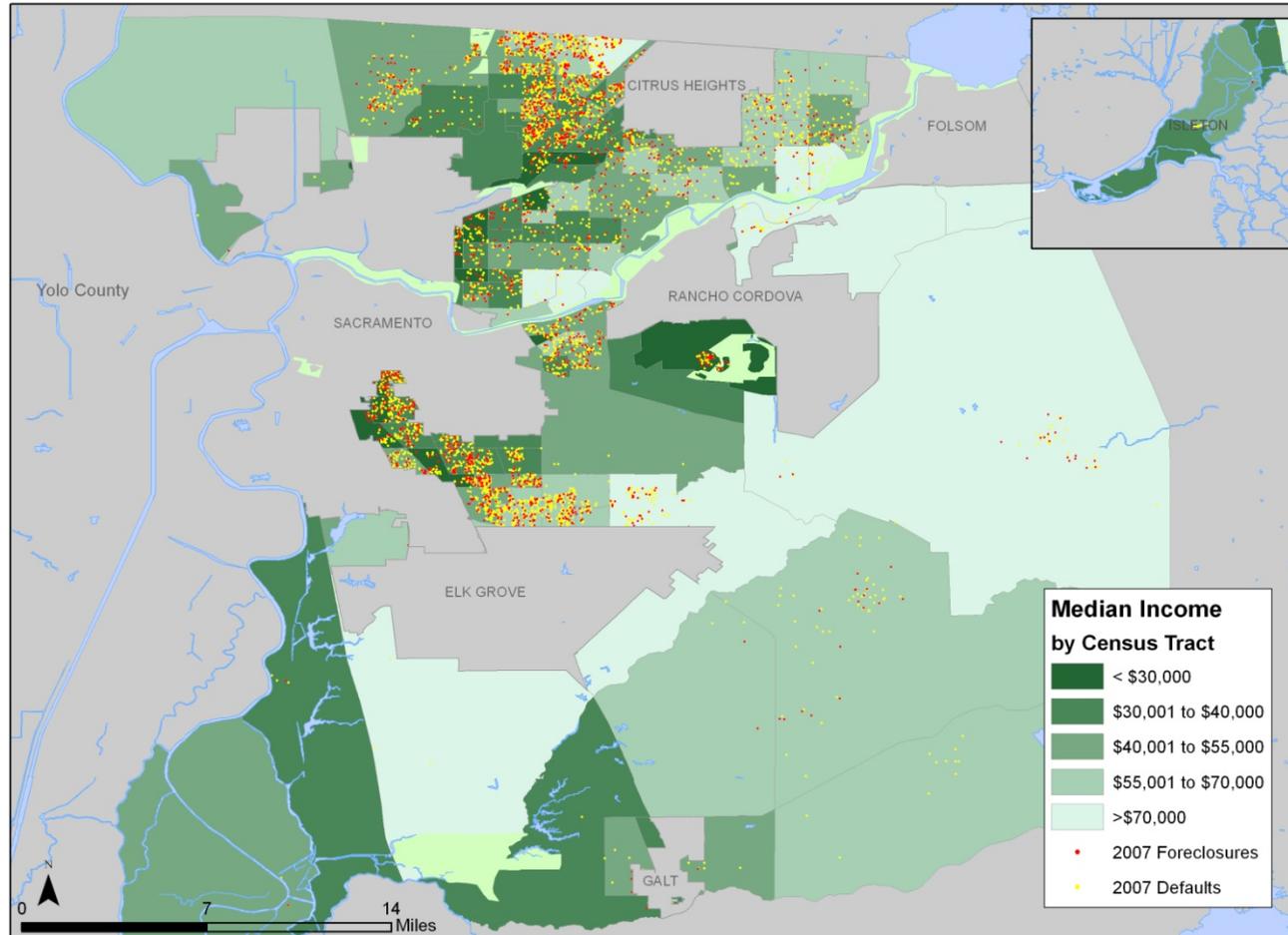
By Income



By Race

FORECLOSURE ACTIVITY, COUNTY 2007

Defaults and Foreclosures in Unincorporated Sacramento County (2007)



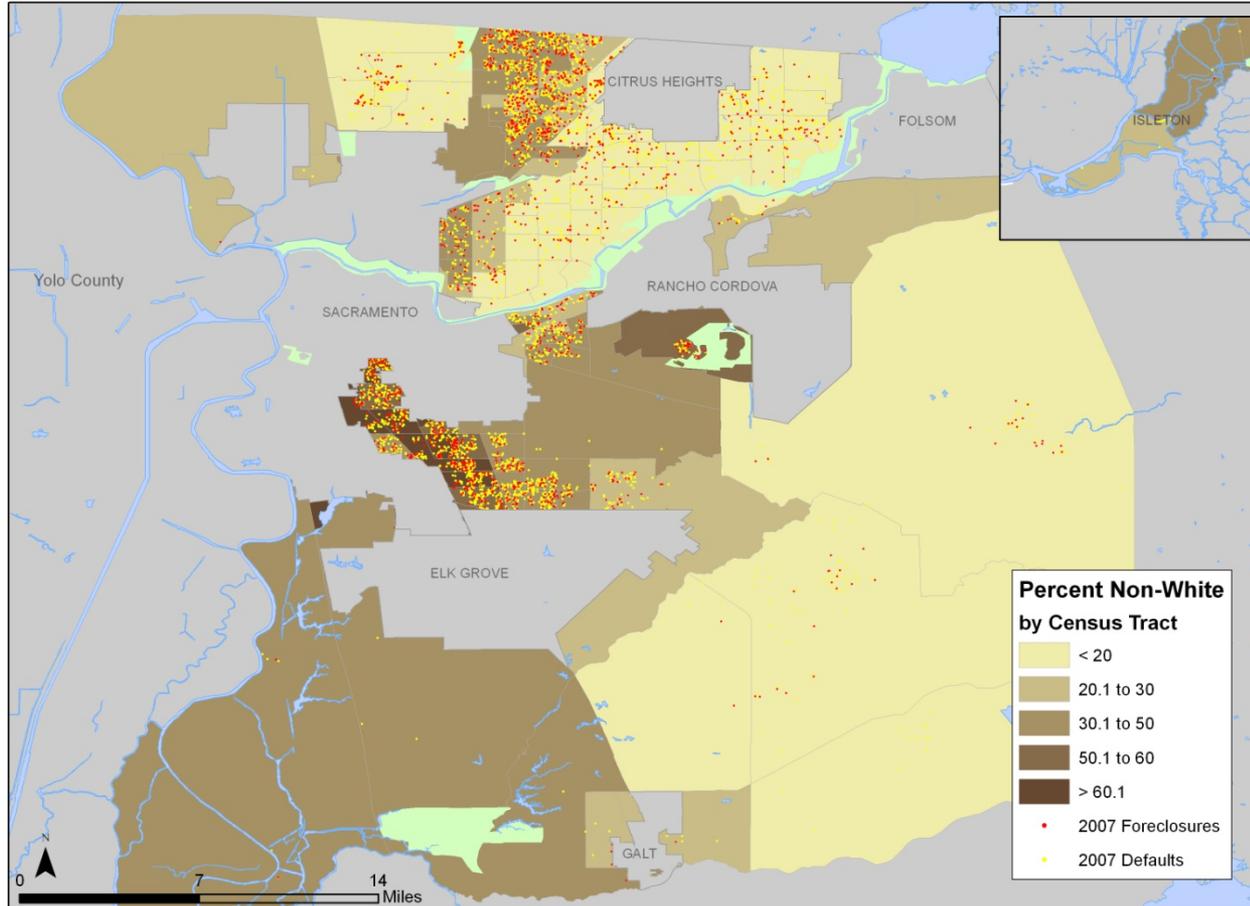
Prepared by the California Reinvestment Coalition for the Sacramento Housing and Redevelopment Agency

GIS Data Source: County Recorder, 2000 US Census

By Income

FORECLOSURE ACTIVITY, COUNTY 2007

Defaults and Foreclosures in Unincorporated Sacramento County (2007)

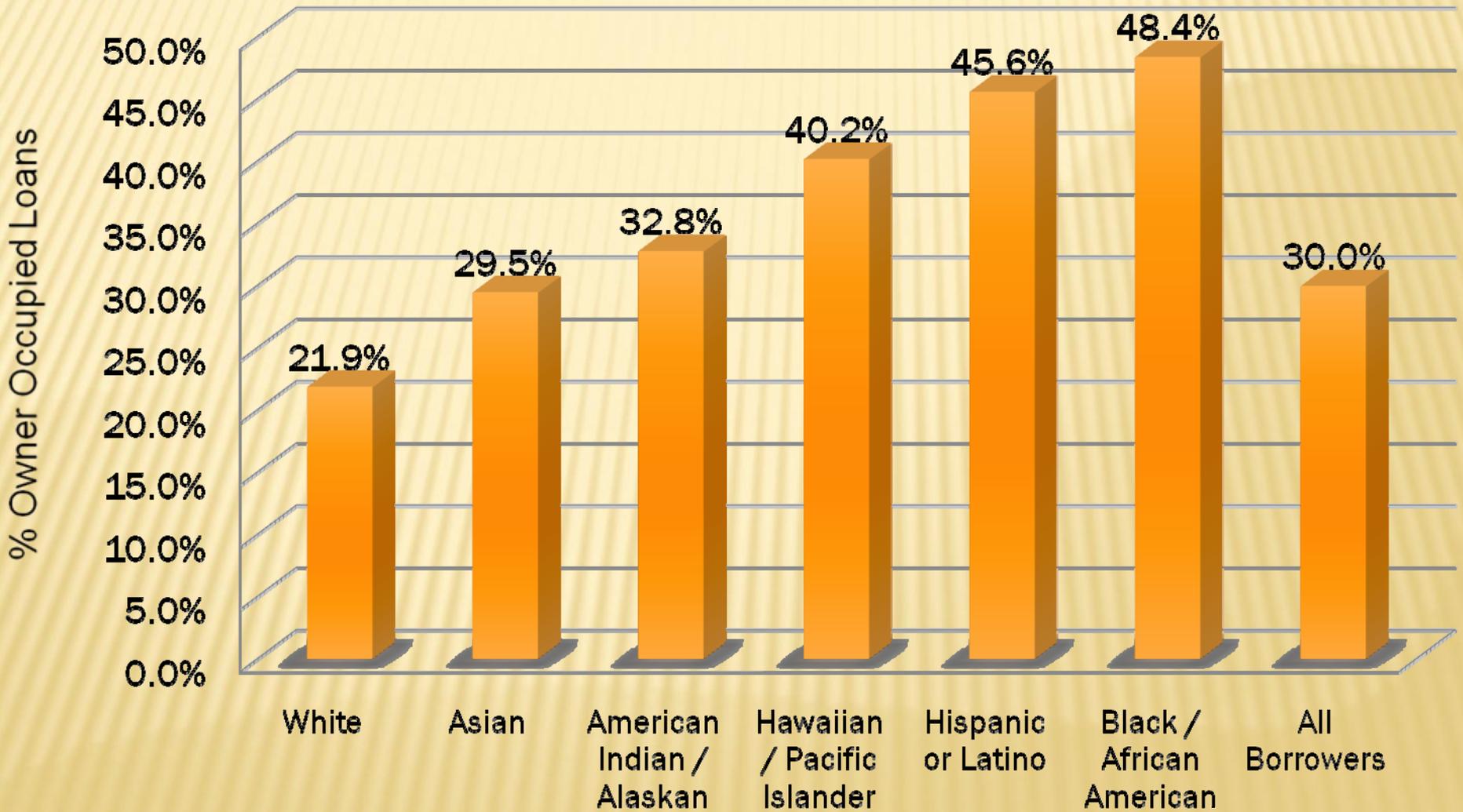


Prepared by the California Reinvestment Coalition for the Sacramento Housing and Redevelopment Agency

GIS Data Source: County Recorder, 2000 US Census

By Race

HIGH COST LENDING BY RACE & ETHNICITY

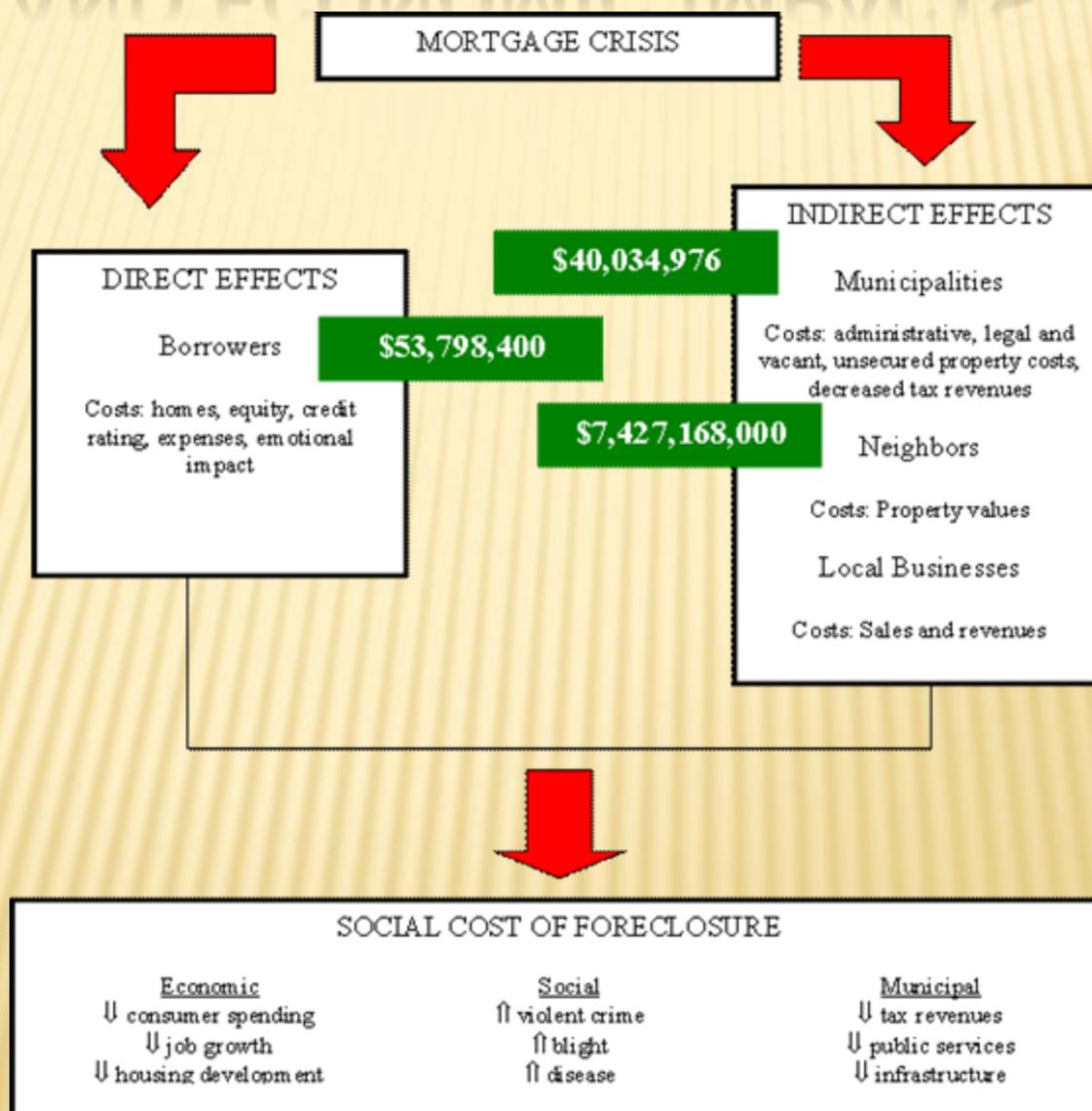


Sacramento County, 2006

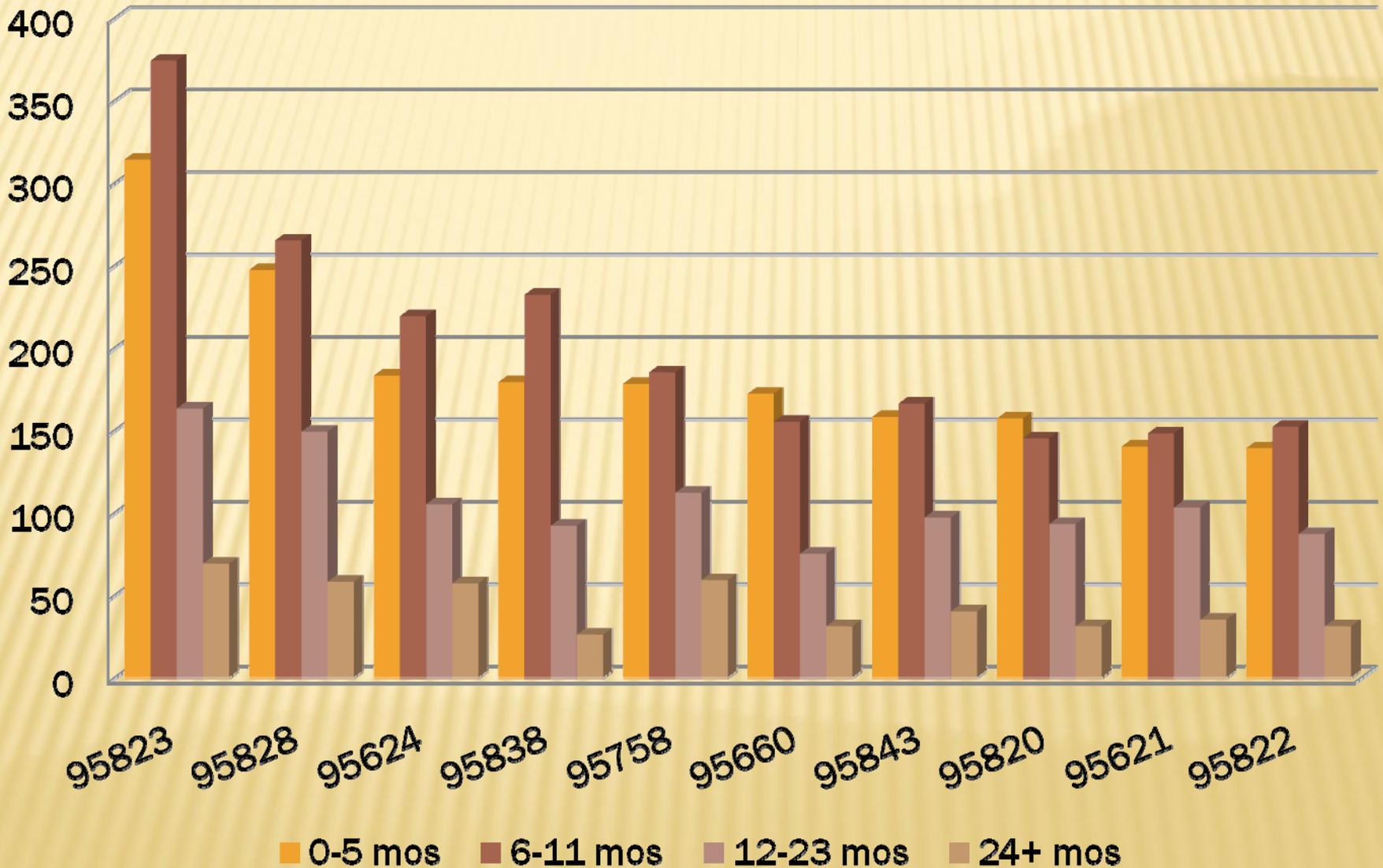
TOP HIGH COST LENDERS, 2006

Rank	Lender	Status
1	WMC/GE	Closed
2	Long Beach/Washington Mutual	Closed
3	New Century	Bankrupt
4	Fremont Investment & Loan	Cease & desist order by Federal Government
5	First Franklin/Merrill	Closed and for sale
6	Countrywide/Bank of America	
7	Option One	Lending arm closing
8	Argent Mortgage (Citigroup)	
9	Indymac Bank	
10	American Home	Bankrupt

SOCIAL AND ECONOMIC IMPACTS



NUMBER OF RESETS: WHERE AND WHEN?



LEGISLATIVE RESPONSES: SENATE

Foreclosure Proposal - \$15- \$20 billion

- Tax breaks for foreclosed home purchase
- Tax breaks for homebuilders, businesses
- \$10 billion for subprime refinancing
- \$4 billion CDBG to buy foreclosed homes
- \$100 million for home loan counseling
- Rejection of bankruptcy reform
- FHA reform → \$550,000 loan limit & 3.5% downpayment

Anti-Predatory Bills

- S1299 - borrower protections in loan origination
- S2452 - amendments to Truth in Lending Act

LEGISLATIVE RESPONSES: HOUSE

House Foreclosure Bill - \$11 billion

- Tax credits for first time homebuyers
- Increased low income tax credits
- Use of tax exempt bonds to refinance loans

House Foreclosure Bill - \$300 billion

- 1.5 million loans refinanced by FHA

House Anti-predatory Bill

- HR 3915 - accountability in mortgage lending practices

LEGISLATIVE RESPONSES: STATE

AB69

- Reporting on loan modifications

AB1830

- Anti-predatory lending

AB2880

- Broker regulations

AB2359

- Assignee liability

AB2740

- Servicer obligations

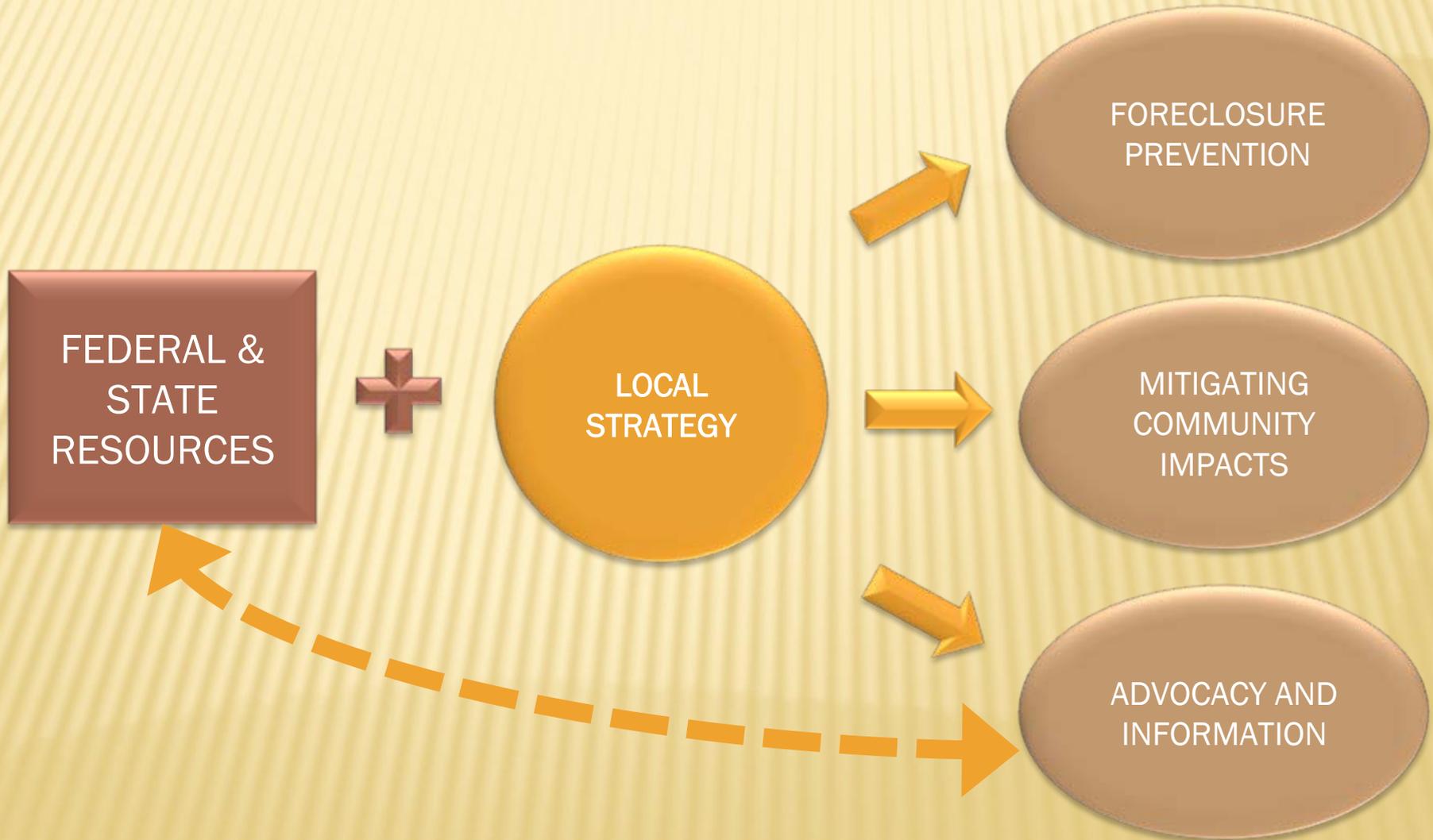
SB1137

- Foreclosure reform

LOCAL FORECLOSURE STRATEGY



STRATEGY OVERVIEW



FORECLOSURE PREVENTION



LOCAL LITIGATION

- ✘ Public attorneys prosecute bad actors
- ✘ Sacramento, Cleveland = sue lenders for nuisance issues
- ✘ Baltimore = sue lenders for fair housing issues
- ✘ Oakland/Connecticut = suing on behalf of tenants
- ✘ Texas = suing on rescue scams



MITIGATING COMMUNITY IMPACTS



Maintain
Vacant
Homes

Impacted
Neighborhoods

Tenant
Impacts

Code
Enforcement

POTENTIAL REO PROGRAM ELEMENTS

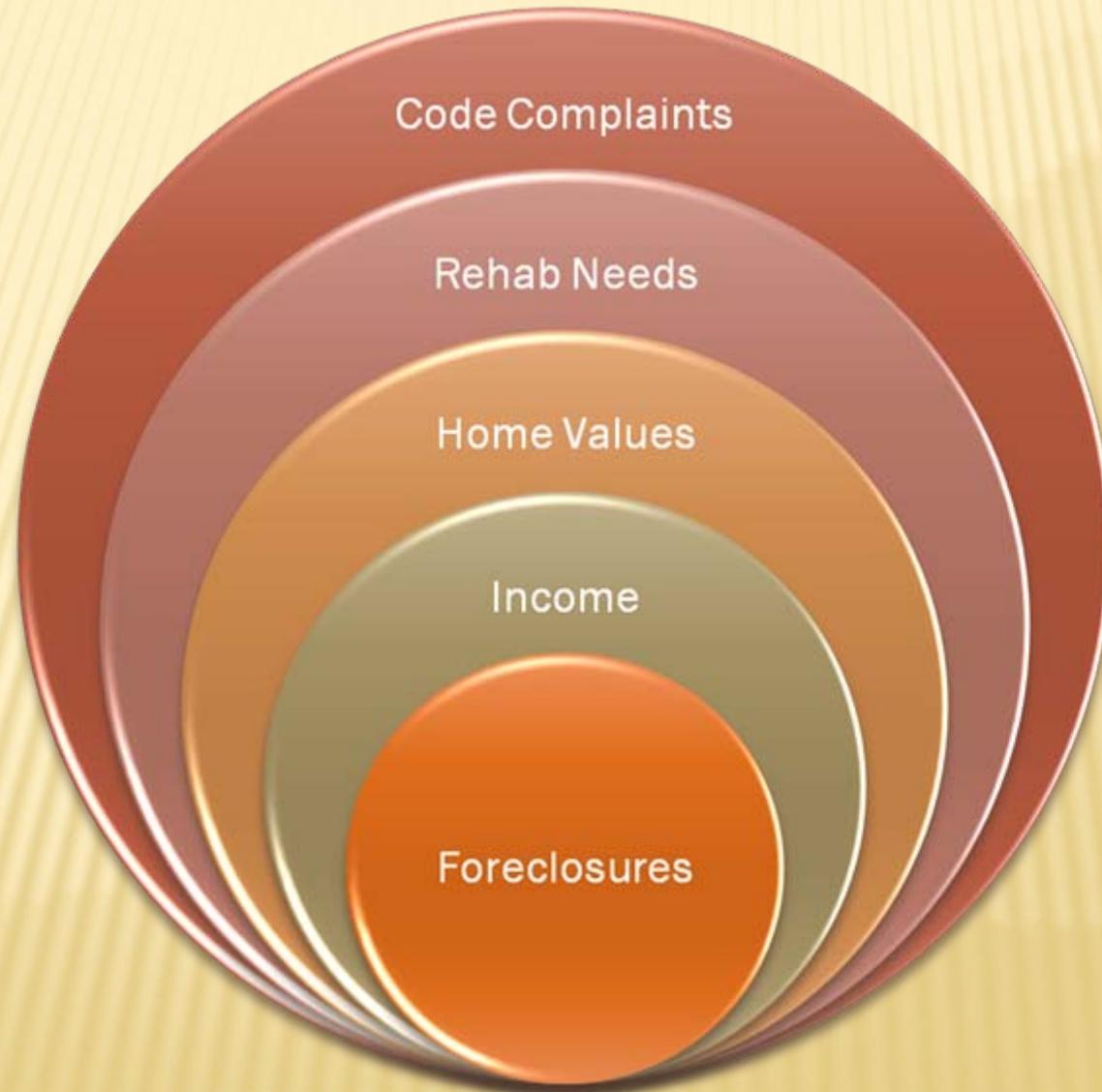


REO PROGRAM – POTENTIAL CHALLENGES

- ✘ Participation
 - + Lender
 - + Intermediary
- ✘ Timing
 - + “Bottoming out” of market
 - + Holding units as rental
- ✘ Agency capacity
- ✘ Resources
- ✘ Neighborhoods to target



POTENTIAL NEIGHBORHOOD TARGETING



LOOKING FOR HELP

Monitoring Initiatives

Federal

State

Leverage Resources

MRB

CDBG

FHLB

Earmark

RDA

Research Best Practices

Programmatic

Policy