

# City of Portland Strategy

## Homeowner Access and Retention: Homebuyer and Foreclosure Programs

The goal of the Homebuyer and Foreclosure Programs is to provide education and counseling that helps households become mortgage-ready, purchase a home and maintain homeownership and to stabilize neighborhoods affected by foreclosure. The ultimate goal is to help minority households buy and retain homes.

### **Homebuyer and Foreclosure Education and Counseling Program Needs**

The rate of homeownership among households of color is far lower than the rate among white households. In addition, households of color are disproportionately targeted by predatory and sub-prime lenders. Local and national commentators have called for more homebuyer and foreclosure education and counseling, specifically for minority communities, in order to assist more households of color to become ready to buy their first homes, to decrease their vulnerability to unscrupulous lenders and sub-prime financial products, and to limit the risk of subsequent foreclosure.

### **Homebuyer and Foreclosure Education and Counseling Program Description**

This program addresses the well-documented credit, affordability, confidence and information gaps that contribute to comparatively low rates of homeownership and high rates of foreclosures among minority households. The program funds community-based organizations with the mission of assisting minority households to become homeowners maintain homeownership and/or avoid foreclosure. These organizations conduct public outreach with an emphasis on reaching minority homebuyers and homeowners, and provide education and counseling services and referrals to sources of financial assistance.

### **Program Tools**

- Homebuyer education and counseling, including an overview of the home-buying process, financial literacy tools, credit counseling and foreclosure-prevention; introduction to the range of available loan products, including both private-market loan products and publicly subsidized loan products; and information about the availability of direct and indirect forms of financial assistance;
- Foreclosure prevention counseling;
- Minority homebuyer fairs directed to the African American, Latino, Native American, Asian/Pacific Islander and immigrant communities.

### **Program Selection**

PHB will select contractors to carry out Homebuyer and Foreclosure Education and Counseling programs through competitive request for proposals or renewal of performing contracts.

### **Program Participants**

- Prospective homebuyers with household incomes at or below 80 percent MFI are eligible to receive homebuyer services. PHB's education, counseling and

- outreach programs emphasize serving households from minority communities.
- PHB will undertake affirmative outreach efforts to increase the participation of people from historically underserved populations.
- PHB will continue efforts to reach residents of public housing, low-income households, people of color and other historically underrepresented populations with information about homebuyer and foreclosure education & counseling activities by encouraging our partners to share our program information through community bulletin boards, newsletters, fliers, community meetings and other forms of communication.
- PHB will continue efforts to reach residents of manufactured housing and mobile home parks.

### **Potential Barriers**

**Affordability:** Although housing prices and interest rates have dropped significantly since 2008, homes are still more than low- and median-income households can afford. This Homebuyer and Foreclosure Education and Counseling strategy will refer homebuyers to available sources of publicly-funded financial assistance and other direct and indirect subsidies to reduce the cost of homeownership. Currently, the City's sources for direct financial assistance are limited to tax increment funding, available only in urban renewal areas, and small amounts of NSP and CDBG funds.

**Credit:** It has become much more difficult for any borrower to obtain financing for the purchase of a new home. Households of color face greater credit barriers than whites and are more frequently targeted by predatory and sub-prime lenders.

**Confidence and information:** According to a Fannie Mae study, prospective homebuyers of color may lack the confidence to become homeowners or may lack the information about how to become a homeowner. Homeowners at risk of foreclosure may lack the confidence to seek a modification or may lack the information about other options that may be available to them. Limited funding for the Homebuyer and Foreclosure Education and Counseling Strategy may prevent this strategy from addressing these barriers for all affected owners.

The banking system was not designed to handle the volume of requests for mortgage modification that have resulted from the end of the 25+ year real estate bubble. Although there are many programs that offer counseling and education services to households facing foreclosure, poor lender communications, system issues and lack of lender capacity are significant obstacles to assisting mortgagees to obtain sustainable refinancing arrangements.

### **Partner Agencies and Organizations**

These entities provide outreach, education and counseling to prospective homebuyers and current homeowners at risk of foreclosure:

- African American Alliance for Homeownership (AAAH)
- Asian/Pacific Islander Home Buying Fair (APICIA)
- Hacienda CDC
- Minority Homeownership Assistance Collaborative (A collaborative of
- AAAH, Hacienda, NAYA Family Center & PCRI.)

- Native American Youth and Family Center (NAYA)
- Proud Ground
- Portland Community Reinvestment Initiative (PCRI)
- Portland Housing Center (PHC)
- Habitat for Humanity

### **Community Partners**

- Gresham Community Development and Housing Subcommittee
- Local lenders
- Oregon Department of Housing and Community Services (OHCS)
- Home Forward

### **Complementary Local, Regional and National Efforts**

Some urban renewal areas have funding available to directly assist homebuyers. The City of Portland and Multnomah County offer several limited-term tax exemption programs for new construction. The City of Portland offers some SDC waivers. The City of Portland offers a federal Mortgage Credit Certificate reduction program. Information about all of these programs may be found online at: Homeownership

Several federal programs are available to assist households at risk of foreclosure, including the federal mortgage modification program, HAMP. OHCS administers Oregon's suite of programs funded through the Treasury under TARP, known colloquially as the "Hardest Hit Fund." Some of these programs include mortgage payment assistance, assistance with obtaining a mortgage modification, and limited financial assistance to families that have lost their homes to foreclosure and must relocate.

The members of Oregon's Congressional delegation have stepped up by assigning staff to assist constituents through the foreclosure maze.

Local organizations, including the AAAH, APICIA, Hacienda CDC, PCRI and NAYA are leveraging public funding with private donations and volunteer hours to provide services to members of their communities.

### **The Neighborhood Stabilizations Program**

Oregon Housing & Community Services designated the City of Portland as a guaranteed sub-recipient of the Neighborhood Stabilization Program 1 (NSP1). The City formed a consortium with Multnomah County, and, with the help of its community partners, provided financial assistance to first-time home buyers earning up to 120 percent of MFI, funded acquisition, rehabilitation and redevelopment of foreclosed properties for new homeowner households at or below 80 percent MFI.

With NSP3, the third round of NSP funding, the State of Oregon awarded the City funding to spend on financial assistance and the acquisition and rehab of homes for first time homebuyers.

### **Geographic Service Areas**

**(including areas of low-income families and/or racial/minority concentration)**

The Homebuyer Program provides services throughout the City of Portland but target-markets its services to historically underserved populations through its work with its community based non-profit partners. Note that NSP funding to homebuyers, including direct financial assistance, is available only in specific state-designated target areas of the city. The City funds additional direct financial assistance but it is only available in urban renewal areas and uses no federal monies.

**Monitoring**

All contractors are pre-screened for CDBG and HOME compliance during the RFP process. A description of PHB’s Monitoring program is in Section One.