



Comprehensive Response Plan
Addressing the Foreclosure Crisis

Grand Rapids Metro Area
Kent County, Michigan
October 2009

Foreclosure Response

Comprehensive Response Plan: Addressing the Foreclosure Crisis

Foreclosure Response is a nonprofit effort connecting area residents with a variety of community resources, and advocating for changes to stop foreclosures. The response involves more than 70 stakeholder groups, including government, community and faith-based organizations, lenders, property industry, nonprofit agencies, private sector, legal aid resources and funders.

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 advocacy efforts that include preventing predatory/deceptive lending, additional foreclosures and neighborhood reinvestment.

Funding

Project funding for Foreclosure Response is provided by Grand Rapids Community Foundation and Dyer-Ives Foundation.

Contact

Contact Foreclosure Response
by telephone at 616-401-0680 or
by email at ForeclosureResponse@gmail.com.

This report and other resources are available at www.ForeclosureResponse.org.

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Executive Summary

Foreclosure Crisis

Residential mortgage foreclosures in Kent County, from January 2004 to June 2009, totaled 13,550 -- half in Grand Rapids and half in surrounding suburban and rural areas. In addition to the upheaval experienced by every household that loses their home, the traumatic ramifications extend throughout the community. Neighborhoods experience an increase in crime. Surrounding property values decline. Tax revenues continue to drop, and critical services for those in need are increasingly stressed.

The Response

Concerned community members mobilized in 2008 to better understand the foreclosure phenomenon and engage key players in a coordinated response. In order to maximize myriad efforts, the Grand Rapids Community Foundation and the Dyer-Ives Foundation provided funds to establish Foreclosure Response, with staff, program and administrative support. Today, the Response includes 70 stakeholders focused on building awareness of foreclosure using data and personal stories, advocating policy changes to protect housing consumers, facilitating communication across various efforts, connecting residents with a variety of high-quality counseling resources and promoting strategic rebuilding of affected neighborhoods.

A Comprehensive Perspective

The scope of this plan is narrowly and deliberately focused on addressing foreclosure and its related impact, but the concept is broad and encourages a holistic approach examining the most important housing issues of our time: homelessness, foreclosure and the lack of affordable housing. The intersections among those issues are where lasting, effective resolutions will be found.

Impressive Body of Work

It is our intention to use this plan to further the substantial and valuable body of work already underway in Grand Rapids and throughout Kent County. The goal is to achieve an effective, countywide, comprehensive response to foreclosures, and point all community sectors toward systemic improvements in housing that build and sustain the overall quality of our neighborhoods. The plan identifies a range of activities within the reach of stakeholders who come together. It offers a platform for reflection and debate in order to build upon interrelated efforts currently underway.

Road Map

Six specific goals address the immediate foreclosure situation and move toward an ultimate target of strengthening neighborhoods across the county by ensuring an adequate supply of safe, affordable and healthy housing options.

Goals

1. Reduced Number of Foreclosures
2. Educated Housing Consumers and Property Industry Professionals
3. Improved Housing Quality
4. Affordable Housing Opportunities
5. Increased Credit Opportunities; Better Mortgage Products
6. Quality and Safe Neighborhoods

Work is underway to achieve these goals through activities in four strategic areas: **prevention, intervention, stabilization** and **reinvestment**. Actions vary from housing counseling to rehabilitating vacant homes to data analysis for direction and evaluation.

Executive Summary ...continued

Equation for Success

Several programs and projects underway demonstrate our community's ability to respond to even the most unprecedented, challenging times. We move ahead with a focused but broad strategy with measurable outcomes *informed by contemporary, high-quality data.*

Coordinated work will amplify the positive impact of efforts both unique and connected. The overwhelming economic catastrophe affecting all of Michigan is laden with opportunities. New federal initiatives are prompting innovative, restorative programs. Work has already begun to increase energy-efficient affordable housing options through federal resources of the Neighborhood Stabilization Program. Foreclosure Response participants are utilizing local data, communicating effectively, targeting services, and coordinating more often and more effectively. The public has an enhanced awareness and understanding of foreclosure impacts and the importance of strong communities and quality neighborhoods.

This plan calls on all of its stakeholders to carry out its activities according to their unique organizational capacities. Our aspiration is that when we do emerge from the crisis we will have created a more diverse, vibrant and enduring whole community. This is our opportunity. And the time is now!

Introduction

This comprehensive response plan is the result of input from more than 70 stakeholders whose perspective has been molded by two years of efforts in Grand Rapids and Kent County to curb the impacts of the foreclosure crisis.

Foreclosure Response grew out of a meeting convened by the Grand Rapids Urban League to discuss what could be done to address the escalating foreclosure problem in Kent County. Early on, the group created a comprehensive list of services for households facing foreclosure, and worked to improve coordination of housing counseling services.

As the Response identified a need for current data and grew to include advocacy and outreach, the Grand Rapids Community Foundation and the Dyer-Ives Foundation provided funds for staff, program and administrative support housed at the Fair Housing Center of West Michigan.

Today, the Response is focused on building awareness of foreclosure and its effects using data and personal stories, advocating policy changes to stop foreclosures and protect housing consumers, and connecting residents with a variety of resources – most notably highly-qualified, no-cost housing counseling at five nonprofit organizations: Home Repair Services, Inner City Christian Federation, Lighthouse Communities, Grand Rapids Urban League and New Development Corporation.

Residential foreclosures in Kent County from January 2004 through June 2009 totaled 13,355 or 7.3%. Half of these foreclosures took place in Grand Rapids where 11.7% of all home were foreclosed, but no locale has been spared. Wyoming, Cedar Springs and Sand Lake have been particularly hard hit.¹

This is not over. The current number of foreclosures is serious and projections of a next wave due to hybrid adjustable rate mortgages (ARMs) re-setting are scheduled over the next three years. Michigan is caught in a persistent economic recession which has yet to be positively affected by the recovery taking hold in other parts of the nation. Unemployment is the highest in the U.S., manufacturing and related industries continue to decline, and tax revenues are dropping at state, county and local levels in a time of high need.

Despite a grim environment, Grand Rapids and surrounding Kent County have fared better than other Michigan cities. As the state's second largest urban center, the area's economic diversity has somewhat cushioned negative impact. Housing values, while in decline, have not experienced the dramatic freefalls seen elsewhere. Finally, the community is served by a strong network of nonprofit housing developers, human service agencies and neighborhood organizations partnering with area governments, philanthropy and the private sector. Made up of those partners, Foreclosure Response has developed this plan to focus resources on help to affected households, prevention of additional foreclosures, and rebuilding strong neighborhoods that attract residents.

While the list of successes spearheaded by involved stakeholders continues to increase, the foreclosure crisis is unrelenting. Every month, scores of additional families are forced to deal with the aftermath of a foreclosure, whether they own or rent a home. Communities and neighborhoods continue to struggle with the ramifications as well. Vacant homes too often become neglected eye-sores that contribute to blight and an increase in crime and lower surrounding property values.

Critical reports have been generated locally to both document the severe impacts of foreclosure and recommend actions to be taken. One such report was funded in 2009 by the Dyer-Ives Foundation (Grand Rapids, Michigan). Entitled "The Foreclosure Crisis in Kent County: A Call for a Comprehensive Response," it summarizes the root causes of the crisis at a national level, the impact of foreclosures on families, neighborhood and cities, statistics and trends in Kent County over the last five years and efforts (both national and local) to stem the tide of foreclosures. (*Report available at <http://www.foreclosureresponse.org/> under REPORTS.*) It calls upon local stakeholders to increase leadership and collaboration with the aim of creating a comprehensive response plan, based on high quality, contemporary data.

¹ Community Research Institute, Johnson Center for Philanthropy, Grand Valley State University, October 2009

Introduction ...continued

This plan is designed to be a guide towards a critical destination. The same stakeholders that contributed to its development – government, community organizations, lending institutions, property industry, funders, nonprofit housing and human services agencies, faith-based organizations, neighborhoods and businesses -- will decide the best routes for each to take to reach that destination as a community.

Foreclosure Response, as well as this plan, have been created to further the goals discussed in the *Overview* section below. There are myriad systemic issues related to the foreclosure crisis – and underlying it – that are beyond the purview of this particular project. This plan, therefore, is deliberately limited in scope. The stakeholders in this project fully understand the critical need for job creation, dismantling discrimination of all kinds, and providing additional education opportunities, access to transportation and adequate health care in order to sustain the healthy economic environment that includes attractive housing choices in strong communities.

While the breadth of this project is very focused, rather than thinking about foreclosures from a narrow definition of the problem, it relies on information from George McCarthy, Ford Foundation Director of Urban Opportunity, encouraging a holistic approach looking at the broad array of housing challenges and examining the intersections of foreclosure, homelessness, and affordable housing.

A range of potential response activities that can be undertaken are suggested in this plan. It offers ideas for reflection and debate with the aim of building upon efforts currently underway to address the foreclosure crisis, in the context of interrelated housing issues – foreclosure, homelessness and affordable housing supply. The community's comprehensive approach reflects the belief that resolutions to these issues can be found in their intersections.

This plan includes:

- A history of work and progress made thus far
- Important and relevant statistics and national context
- Projects underway taking strategic approaches
- A challenge to stakeholders to assume critical roles in support of more effective, coordinated creative and far-reaching actions
- Desired outcomes and activities to undertake to achieve them
- Potential tools and the critical role of data to inform decisions and measure successes

It is our intention that this plan will further the enormous and valuable body of work already underway throughout Kent County. The goal is to achieve an effective, countywide, comprehensive response to the foreclosure situation and point all sectors of the community toward structural improvements in housing to build and sustain the overall quality of our neighborhoods.

Overview

How We Began

Soon after several efforts began to come together in early 2008, three committees were formed to maximize and focus the response.

- *Advocacy and Public Policy*
- *Community Education and Outreach*
- *Housing Counseling Coordination*

It became clear to the program managers from the Grand Rapids Community Foundation and Dyer-Ives Foundation involved in the response that the participants were highly motivated and committed to working together. The national data supported what service providers in Kent County were experiencing -- a huge increase in the number of homeowners facing foreclosure. Almost immediately, they realized that foreclosure mitigation goals could be attained much more quickly and effectively if a full time coordinator were hired to staff the project.

Both foundations started providing Foreclosure Response funding in July 2008. In addition to hiring a coordinator, included in the budget were funds to provide basic data, printed materials and website development. The Fair Housing Center of West Michigan, working tirelessly to end housing discrimination, generously offered to 'house' the coordinator.

Later that year, Kent County, Grand Rapids and Wyoming used data and analysis generated by the Community Research Institute (CRI), a critical component of Grand Valley State University's Johnson Center for Philanthropy, to identify areas experiencing the highest foreclosure rates and most in need of intervention. The CRI data was critical to creating neighborhood stabilization plans and developing applications for federal funding.

In total, local jurisdictions received nearly \$11 million from round one of the federal Neighborhood Stabilization Program (NSP). This support is primarily being utilized to purchase, rehab and resell about 100 vacant homes. Nonprofit community development corporations, as well as for profit developers, (many of whom are involved in Foreclosure Response efforts), are currently working with county and municipal community development offices to transform many of these blighted homes into quality, energy-efficient housing.

These initial NSP funds will be replenished as rehabbed homes are sold and investments are recouped.

Goals

The original goals of the coalition remain as critical as ever.

- Educating and engaging the community around the issues related to foreclosure.
- Mitigating losses to the community caused by high foreclosure rates.
- Coordinating ongoing advocacy efforts that include preventing predatory/deceptive lending and additional foreclosures.

Activities

The group seeks to:

- Reduce the number of foreclosures in Kent County.
- Develop sources of data and measurement tools to gauge the current and future impacts of foreclosure as well as the efficacy of mitigation efforts.
- Expand awareness of tools and services available to homeowners to prevent foreclosure.
- Increase the number of residents taking action on behalf of their families, neighborhoods and community.
- Educate housing consumers and property industry professionals.
- Improve housing quality and increasing affordable, safe and healthy housing options.
- Broaden credit opportunities and offer better mortgage products.
- Promote quality, safe neighborhoods.

Overview ...continued

A Well-Oiled Machine

Initial response efforts were focused on streamlining coordination among housing counseling services and developing a ‘triage’ function at Home Repair Services (HRS) of Kent County. As a result, HRS quickly connects distressed homeowners with expert, no-fee counseling services at their organization as well as Inner City Christian Foundation, Lighthouse

Communities and Grand Rapids Urban League. Services are unique to each homeowner’s situation and can include negotiating with mortgage companies or servicers to modify loans, financial/credit restoration via one-on-one counseling and educational workshops, and financial assistance.

Unlike many other services offered at these nonprofits, any homeowner, regardless of income level, can receive free housing counseling services.

A large-scale community education effort was launched aimed at sending a dual message:

Missed Even One House Payment? Don’t Wait!

Call Home Repair Services to get connected to free, legitimate help from a trained housing counselor.

Within months of this media and community education blitz, Kent County nonprofits saw a 300% increase in housing counseling clients that has thus far held steady.

Renters’ Rights

Both nationally and locally, the impact of foreclosures has affected tenants as well. Until lawmakers in Washington DC passed new legislation in May 2009, families renting homes in Michigan were subjected to eviction notices that often mandated they move out in a matter of days or weeks. Landlords and property managers must now allow bona fide tenants in good standing (current on rent payments) to stay in a foreclosed rental property for at least 90 days.

This tenants’ rights law also necessitated the need for additional legal services to help renters combat landlords or property managers who do not comply with this new law. Legal Aid of West Michigan was proactive in ensuring legal services would be available. They applied for and received funding to hire an additional attorney to assist renters unfairly evicted.

Our Kids

Whether a family is evicted or lose their home to foreclosure, children are seriously impacted. Whereas a single move can be quite traumatic for an older person, multiple moves may contribute to poor outcomes for kids. Lack of a stable home can negatively influence behavior and social development. Frequent school change is related to poor academic performance and educational attainment. Housing instability can also contribute to “family turbulence” that inhibits a parent’s ability to keep a consistent bedtime, mealtime, or homework schedule, all of which can have negative outcomes for children. What heightens concerns about the effects of housing stability on young children is the longevity of the consequences. Findings suggest that school-age children who move frequently during their young years are less likely to graduate from high school than their less-mobile peers.²

² The Impacts of Foreclosures on Families and Communities, prepared by The Urban Institute for the Open Society Institute, G. Thomas Kingsley, Robin Smith, and David Price, May 2009

Overview ...continued

Central Clearinghouse Role

The majority of involvement to date has been via collaboration to share information and look for solutions, using Foreclosure Response as a central clearinghouse. The participating groups include nonprofit housing and service agencies, faith-based organizations, foundations, neighborhood associations, city and county governments, Legal Aid and fair housing resources, banks, mortgage companies and property industry professionals throughout Grand Rapids and Kent County.

This clearinghouse includes information on:

- Connecting distressed homeowners with one of the several agencies offering **free housing counselor services**. These counselors work with the homeowner to identify the most prudent form of action. Depending on individual circumstances, most often the counselors negotiate with lenders to modify or re-finance the loan, or to agree to forbearance – a payment plan that will eventually bring the borrower current on the loan.
- **Financial resources** available to local agencies in support of their efforts to prevent foreclosures and/or intervene when they are imminent (e.g., \$500 million in funding available as a result of the Countrywide Settlement fund).
- How to access a wide variety of **reports and articles** including statistics on the impact of foreclosures on the region, the toll foreclosures take on localities and families, especially on children, and information about coordinated responses among other regions (both within and outside Michigan) that have successfully helped stem the tide of foreclosures and predatory/deceptive lending practices
- **On-line educational tools** including “Tips and Actions Steps” for homeowners, “Frequently Asked Questions and Answers” for renters whose landlords are facing foreclosure and ideas for neighborhood organizations on “How to Protect Neighborhoods and Property Values.”
- Where to find **local classes** aimed at educating consumers on how to be “Money Smart.”
- **Status** of response efforts and challenges, especially regarding housing counseling efforts, NSP projects, and new programs and incentives for housing quality and neighborhood improvements.

What began as a limited effort to stem the tide of a foreclosure crisis has grown to include involvement by more than 70 groups (see Appendix A) that, to varying degrees, have committed resources to address this crisis in ways that maximize the benefits of the services provided to individuals impacted by it, whether homeowners, renters or neighbors.

Compelling Statistics

Data trends that are relevant to the foreclosure crisis go back to 2004-2005 with the deterioration of the U.S. housing finance system along with the aftermath of predatory lending. Local trends mirror these statistics.

National Trends

The Ford Foundation has been studying these trends and determined the following.

Homeowners face potentially dramatic losses:

- Overall foreclosures in 2009 are projected at 2.4 million and 8.1 million in 2012.
- Since U.S. home prices peaked in July 2006, they have declined 21.2 % on a cumulative basis nationally and in April 2009 were the lowest price level since March 2004.

Compelling Statistics ...continued

Properties themselves are also in distress. With increasing numbers in foreclosure, property values diminish significantly. In 2008, the U.S. lost \$2.4 trillion in property values. In addition, nearly 5% were either vacant, for sale or for rent. Various studies, depending on geographic location, show that the property values of homeowners living on the same block as a vacant property decline by \$1,000 - \$5,000.

Of particular concern is the disparity between how this crisis affects minority populations. People of color, regardless of income level, are disproportionately represented among subprime borrowers.³

Predatory Lending

Fourteen of the nation's largest banks and their current subsidiaries were responsible for originating more than one of every three higher-priced mortgages in the nation at the height of the housing bubble in 2006. In 2006, a significantly higher percentage of African Americans and Hispanics were given higher-priced mortgages than white borrowers. Among high-income borrowers, African Americans were **three times as likely as whites to pay higher prices for mortgages**; Hispanics were close to that percentage as well.⁴

Share of Higher-Priced Mortgages Lent in 2006 by 14 Major Banks and Current Subsidiaries by Race/Ethnicity

All Mortgages Higher Priced Mortgages: 21.8%				All Mortgages of Higher Income Borrowers Higher-priced Mortgages: 14.1%			
All Borrowers				High Income Borrowers Only			
White	Black	Hispanic	Asian	White	Black	Hispanic	Asian
17.8%	41.5%	30.9%	11.5%	10.5%	32.1%	29.1%	11.5%

Generally speaking, this means that over the life of a mortgage, minorities pay \$50,000-\$100,000 more in interest than average buyers. Research also indicates that from 10%-50% of all borrowers who receive subprime loans are eligible for prime loans.⁵

Michigan Trends

Currently, Michigan ranks #10 among all 50 states in year-over-year housing price declines (9.66%). The projected foreclosure rate of 93,800 in 2009 will increase to 312,200 by 2011. Given that between 2005 and 2008 the decline in housing contributions to state GDP was \$11 billion, it is logical to assume that these combined factors will have an even greater negative impact on the overall economic vitality of the state.⁶

Local Trends

Local data tells a powerful story. Foreclosures have more than tripled since 2004. In Kent County, more than 1,554 residential foreclosures occurred in the first six months of 2009 – continuing a dramatic trend that has now spanned more than five years. Since January 2004, the county has experienced more than 13,155 residential foreclosures – affecting more than 7.3% of all the homes in Kent County and 11.7% of the homes in Grand Rapids. This means that 1 in 9 homes in Grand Rapids have gone into foreclosure. Areas particularly hard hit are detailed in the following charts.

³ The Foreclosure Crisis: The National Picture; prepared by the Ford Foundation for the Council of Michigan Foundations, April 2009

⁴ Unequal Opportunity Lenders: Analyzing Racial Disparities in Big Banks' Higher Priced Lending, Andrew Jakobovics and Jeff Chapman, September 2009

⁵ Foreclosed: State of the Dream 2008, United for a Fair Economy, Brenda Cott-Escalera, Anisha Desai, Jeannette Huezco, Dedrick Muhammad and Amaad Rivera, January 15, 2008

⁶ The Foreclosure Crisis: The National Picture; prepared by the Ford Foundation for the Council of Michigan Foundations, April 2009

**Between January 2004 and June 2009
7.3% of Kent County Homes Foreclosed**

Government Unit	Total Homes (1-4 unit residential properties w/ property class = 401 KCIT)	Number of residential foreclosures Jan.2004-June 2009	Residential foreclosures as a percentage of total homes Jan. 2004-June 2009
Grand Rapids	55,332	6,462	11.7%
Kentwood	12,106	856	7.1%
Wyoming	21,539	2,125	9.9%
Cedar Springs	797	102	12.8%
Sand Lake	149	29	19.5%
Kent City	235	35	14.9%

**Between January 2004 and June 2009
Foreclosures in Grand Rapids Neighborhoods Reached 11.7%**

Neighborhood	Total Homes (1-4 unit residential properties w/ property class = 401 KCIT)	Number of residential foreclosures Jan.2004-June 2009	Residential foreclosures as a percentage of total homes Jan. 2004-June 2009
Baxter	759	180	23.7%
Garfield Park	4,655	834	17.9%
John Ball Park	1,696	177	10.4%
Oakdale	704	183	26%
Southeast Community	1,070	220	20.6%
South West Area Neighbors	1,649	327	19.8%

Implications

Both on a national and local basis these trends reflect a continued increase in the number of home foreclosures. Given the magnitude of projected increases there is a compelling need for sustained efforts to mitigate their effects.

- In Kent County the statistics show disturbing trends. Certainly, the numbers of foreclosures in large areas such as Grand Rapids and Wyoming are startling. If the trend continues at a similar rate through 2011, the drain on community resources to help house, clothe, feed and protect the victims of this continuing crisis could become overwhelming.
- The **need for quality rental housing is increasing** as many foreclosed homes are being purchased by property investors. Due to the high negative impact on the credit and financial status of families who have lost their homes to foreclosure, they often have no choice but to transition into rental housing.

There is a danger of looking at data in isolation in that *families* of our community who are suffering the personal trauma of losing their homes, their life savings and the credit ratings from which they need to recover can be overlooked.

Neighborhoods are faced with the challenges associated with blight and decline in properties – in most cases leading to increased crime and overall decreases in property values. And all of this is converging at a point in time when sources of funding are scarce and *service providers* are asked to do even more with less.

Our Aspirations Moving Forward

The activities described in this report, presented in 4 strategic areas of focus, are suggestions only. Rather than a mandate, these are opportunities and ideas that could potentially be adopted as is, or *creatively adapted*. Hopefully they will serve to generate innovative approaches not incorporated into this report.

4 Strategic Areas of Focus

Address IMMEDIATE Concerns	
<p>Prevention Strategies that 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.</p>	<p>Intervention Strategies that provide direct assistance to homeowners and renters at risk of foreclosure through public information, counseling, referral and cash assistance programs.</p>
Address LONGER-TERM Concerns	
<p>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 rental housing.</p>	<p>Reinvestment Integrating 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, green space and forestry, neighborhoods, economic development and affordable housing.</p>

Prevention and Intervention – Addressing Immediate Concerns

In striving to achieve the goals established in 2007, the collaborating groups focused their efforts on responding to the crisis at hand. This meant that they primarily developed and implemented *prevention and intervention* strategies. As a result of increased outreach, counseling options, educational resources and emergency foreclosure avoidance funding, the number of homeowners in distress seeking free, legitimate help increased by more than 300%. Between January 2008 and June 2009 nearly 2,000 households received counseling and more than 750 avoided foreclosure. Even with these stepped up efforts, in this same 18 month period the county experienced another 5,067 foreclosures and nearly half in Grand Rapids.

Stabilization and Reinvestment – Addressing Longer-Term Concerns

Moving forward, the opportunity lies in building on this solid foundation by identifying ways to coordinate the efforts of many of these same groups so that similarly effective strategies are developed for long-term *stabilization and reinvestment*. This does not mean that focusing on *stabilization and reinvestment* efforts will result in losing sight of the progress that has been and continues to be made around *prevention and intervention*. Rather, coordinated activities are needed among all four strategic areas to ensure that sound practices in *stabilization and reinvestment* begin to diminish the need for emergency or urgent support in *prevention and intervention*.

Importance of Data

In many areas, these activities can be targeted, guided and measured by data and analysis from the Community Research Institute (CRI) at Grand Valley State University. Before receiving funding from Kent County and Grand Rapids, data was limited to tracking the *number* and *rates* of residential foreclosures, based on total counts of 1-4 unit residential properties in the county, aggregated by census block/group tract with Kent County.

From December 2009 – May 2011, CRI will provide quarterly data reports and maps that also include:

- Number of days properties owned by banks and mortgage servicers
- Estimated foreclosure abandonment risk score
- Home Mortgage Disclosure Act (HMDA) high cost loan rate data
- Predicted 18 month underlying problem foreclosure rate

This timely information will bring us closer to understanding causes and possible solutions, provide a stronger foundation for identifying the most valuable local strategies, and increase our ability to measure the efficacy of efforts.

Making Great Strides

There are many unique efforts underway that are geared toward establishing new programs and projects that will stabilize and reinvest in our communities and neighborhoods.

Healthy Homes and Neighborhood Organizations

The Healthy Homes Coalition of West Michigan (Healthy Homes) works directly with families to improve the health and safety of their homes, whether they own or rent. In 2008, they provided training and resources for 350 families in proper cleaning, maintenance and/or renovation practices. Healthy Homes is integral to a neighborhood-based effort to change city policy and enforcement. Neighborhood associations and other nonprofit organizations have been working with Legal Aid to analyze current and proposed changes to Grand Rapids' housing codes. Many involved are optimistic because Grand Rapids officials and employees are open to making needed changes.

Many of these neighborhood groups have conducted door-to-door outreach and education campaigns to connect distressed homeowners and renters with community resources and engage neighbors in stabilization efforts including the *Eyes Wide Open* project.

Eyes Wide Open

Foreclosure Response has been working with neighborhood associations to engage more residents in efforts to ultimately prevent foreclosures and revitalize neighborhoods. Several neighborhood groups have conducted door-to-door education and engagement projects and one result is resident participation in Eyes Wide Open. Volunteers commit to monitoring at least one vacant property in their vicinity. Involvement includes documenting problems with the property (hole in roof, trash, presence of rodents, broken windows, insecure doors, etc.), notifying housing code enforcement officials and their neighborhood association (if existing), and alerting the police if unlawful activity seems to be taking place.

Kent County Land Bank

The Treasurer of Kent County expects to have a land bank established in late 2009. Other communities like Genesee County, MI have created land banks to increase the number of tools available to a jurisdiction to deal with foreclosures. A land bank allows the county flexibility in selling, leasing and managing properties as well as access to additional funding sources. Among many other benefits, communities with land banks can receive brownfield funds to return abandoned and tax foreclosed properties to productive use.

Creative Use of Current Opportunities

In March 2009, funds from the national Countrywide Mortgage settlement were allocated to Michigan, with \$750,000 directed by the Attorney General to Grand Rapids and Kent County. The \$500,000 initially earmarked for development at Millennium and Crescent parks was shifted due to unified community sentiment that Foreclosure Response helped amplify, and redirected to services addressing foreclosures, and affected households and neighborhoods.

With the help of the Heart of West Michigan United Way, a Settlement Fund committee was quickly formed. By August 2009, six organizations were awarded grants totaling \$231,567 for unique projects addressing foreclosure-related issues. A second round of grants will be awarded in late spring 2010.

Six Critical Projects – United Way Grant Awardees

- *Legal Aid of West Michigan*: an INTERVENTION effort providing advice, counsel and direct legal representation in court to homeowners and tenants who are in jeopardy of losing their residence through foreclosure or an eviction as a result of a foreclosure.
- *Grand Rapids Urban League and Inner City Christian Federation*: innovative STABILIZATION and REINVESTMENT projects to market NSP and other affordable homes, increase accessibility for minority residents to prime and other loan products, and conduct outreach education, counseling and advocacy.

Creative Use of Current Opportunities ...continued

- *Lighthouse Communities, Inc.*: a STABILIZATION project targeting neighborhoods in Kent County hardest hit by foreclosures to assist residents in addressing the negative influences of foreclosures. Includes mini-grants for neighborhood projects.

Creston Neighborhood Association and the Coalition to End Homelessness projects will both increase neighborhood involvement to improve quality housing opportunity through code enforcement.

Neighbor-to-Neighbor Program

Creston's *Neighbor-to-Neighbor* program takes a multi-faceted approach to conducting outreach and education to prevent foreclosures and revitalize the neighborhood, incorporating all four strategy areas: prevention, intervention, stabilization and reinvestment. Neighbors are being organized to help increase homeownership and monitor "problem" properties. Creston's program includes intensive neighborhood mapping, providing a new tool for tracking the status (vacant, investment property, homeowner occupied, etc.) in its five most impacted areas. Collective data will create an accurate picture to hone marketing efforts, help determine causes contributing to properties becoming vacant and therefore, identify new solutions to same.

Affordable Housing Policy Advocacy

The Grand Rapids Area Coalition to End Homelessness project will utilize an affordable housing advocate, a first for Kent County. The coalition will collaborate with Foreclosure Response, Healthy Homes, the Fair Housing Center, local government and the Salvation Army Booth Family Services to:

- Inventory the current housing stock
- Identify substandard housing
- Advocate for changes to housing codes, inspection and enforcement practices to eliminate substandard housing
- Identify long-term strategies that will ensure households of all income levels have access to decent, affordable housing
- Create private/public partnerships with key players including the Rental Property Owners Association

These, as well as other housing-related projects underway, reflect a "thinking outside the box" approach to resolve our foreclosure crisis that will hopefully be emulated by additional stakeholders.

What's Next for Stakeholders?

Opportunities for Innovation and Enhanced Coordination

The stakeholder groups that have come together thus far can take pride in the steps they have taken, especially towards crisis intervention. However, in anticipation of the increasing number of foreclosures facing the region over the next two years, it is imperative that key players find innovative ways to develop a more fully coordinated and comprehensive response. *Innovation, in this context, means applying available resources in new and creative ways to maximize the benefits derived from them.*

At the foundation of this drive towards innovative approaches is a need for leadership in a variety of ways and at many different levels. While other communities across the country, led primarily by county government, have seen successes in foreclosure mitigation, the approach taken in Kent County has been to disperse leadership among a wide range of stakeholders. The power behind this approach has been in the ability of specific groups to address aspects of the foreclosure issue that fit naturally with their core competencies. In addition, it has allowed for rapidly implementing *prevention* and *intervention* strategies.

But to truly get to the desired end point of *stabilization and reinvestment*, an urgent focus must give way to some longer-term strategic engagements. Increased coordination is at the core of what will drive this transition. Any of the following scenarios would be of value in the region's commitment to ultimately prevent foreclosures from occurring in the first place.

What's Next for Stakeholders ...continued

- Innovation can be demonstrated on the part of **individuals** who see a need, have a vision for how to address that need and can motivate others to join the effort. Stepped up grassroots enterprises to inform and empower residents to get involved are necessary.
- Some **neighborhood organizations** have played a major role in educating their neighbors about available resources for homeowners and renters in distress and have engaged residents in advocacy work. In particular, neighborhood groups were key to the public outcry that led to the Attorney General redirecting funds to projects addressing foreclosure/affordable housing issues. These organizations have been working for months to evaluate and suggest improvements to housing inspection and enforcement policies. But neighborhood organizing has such great potential. More work needs to be done to engage those yet to fully embrace this important work.
- **Housing and human services organizations**, often focused primarily on *prevention and intervention* efforts, can examine tangential activities that lead to *stabilization and reinvestment* in our communities.
- **Government entities** (city, municipal and county) can consider how their engagement could further initiate needed change given the unique legal position and authority they possess in the community.
- **Other stakeholder groups**, like those from the financial and property industries, can assume additional roles and responsibilities, acting as models for others to emulate or working to better coordinate parallel efforts among groups that have similar expertise, access to resources and constituents.

In this plan, key players are defined as follows:

Government	Federal, State, County, Cities, Townships, Villages
Community	Neighborhood Associations, Faith-Based Institutions, Businesses and Business Alliances, Schools
Lenders	Banks, Mortgage Servicers
Property Industry	Real Estate Professionals, Property Investors and Developers
Nonprofit Agencies	Housing and Human Service Nonprofits
Funders	Local, State and Federal Government, Foundations, Great Lakes Capital Fund, Community Reinvestment Act Banks

A Comprehensive Plan: Six Desired Outcomes

What follows is an overview of six outcomes which, if achieved, would reflect a comprehensive response to the ongoing foreclosure crisis through all four strategic stages – *prevention, intervention, stabilization and reinvestment*. All of the information provided is intended to encourage discussion and debate around the most effective ways to make progress around mitigating the short- and long-term effects of the foreclosure crisis on the region.

Prevention

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

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 rental housing.

Reinvestment

Integrating 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, green space and forestry, neighborhoods, economic development and affordable housing.

For maximum benefit, activities for these six outcomes should be targeted and based on quality, current data combined with evaluative measurements.

1. Reduced Number of Foreclosures
2. Educated Housing Consumers and Property Industry Professionals
3. Improved Housing Quality
4. Affordable Housing Opportunities
5. Increased Credit Opportunities; Better Mortgage Products
6. Quality and Safe Neighborhoods

For each outcome, there is a brief summary of the general types of activities that have already had significant impact on one or more of these strategic stages or could potentially have major impact moving forward.

Each summary is followed by a chart identifying specific activities and indicating which stakeholder groups could have an important influence were they to *continue their current level of involvement*, or **assume a new role** in helping drive towards better and more effective coordination. Several of these activities span across more than one outcome and strategic phase, so there is notable repetition.

Outcome 1: Reduced Number of Foreclosures

Many *prevention and intervention* activities have been successfully implemented in Kent County through hard work *within* and coordinated efforts *among* stakeholder groups. These have included educational efforts targeted to at-risk homeowners and renters, legislative advocacy, bringing attention to harmful industry practices and identifying ways to increase housing affordability. With regard to activities in all categories, there is a critical need for government and funders to develop and maintain support for effective programming.

Prevention Activities	Govt.	Community	Lenders	Property Industry	Nonprofit Agencies	Funders
1. Inform at-risk consumers regarding how to avoid foreclosure	●	●	●		●	
2. Provide expert, no cost housing counseling to distressed homeowners					●	
3. Advocate for state and federal legislation (e.g., anti-predatory lending laws)	●	●	●		●	●
4. Ensure availability of adequate loss mitigation staff at mortgage servicers			●			
5. Educate homeowners/ potential homeowners regarding financial literacy and borrower responsibilities			●		●	
6. Promote home improvement assistance and emergency repair programs to maintain the quality of aging housing stock including Weatherization as well other home improvements such as roof and external repairs	●				●	
7. Ensure adequate staffing and training for housing counselors	●				●	●
8. Enhance low and moderate income household finances by promoting volunteer income tax assistance (VITA), access to earned income tax credit including (EITC), property home tax credit and heating credits	●	●			●	
9. Prevent property value decline through enforcement of effective housing codes including making changes where appropriate	●					
10. Utilize media, particularly Public Service Announcements (PSAs), to educate consumers to avoid predatory and fraudulent housing practices and payday lenders	●	●	●	●	●	

Intervention Activities	Govt.	Community	Lenders	Property Industry	Nonprofit Agencies	Funders
1. Provide and coordinate emergency foreclosure avoidance funds	●	●			●	●
2. Provide expert, no cost housing counseling to distressed homeowners					●	
3. Contact at-risk borrowers regarding impending foreclosure	●		●			
4. Ensure that mortgages are adequately serviced			●			
5. Negotiate with lenders to modify mortgages			●		●	
6. Employ lending practices regarding notices, timing, possession and responsibility related to foreclosures that serve both lender and homeowner interests and ultimately avoid the highest number of foreclosures			●			
7. Develop and utilize lease-to-own programs designed to stabilize home ownership	●		●		●	
8. Maintain a coordinating function for Foreclosure Response						●
9. Utilize media (particularly PSAs) to educate consumers to avoid predatory and fraudulent housing practices and payday lenders	●	●	●	●	●	
10. Ensure effective contact with income property owners, including out-of-state lenders and owners to control property maintenance	●		●			

Outcome 2: Educated Housing Consumers and Property Industry Professionals

Most of the educational activities in this category tend to be focused on *prevention* given that avoiding a foreclosure in the first place is the most ideal scenario. In many cases, however, a more coordinated approach would be something towards which all key stakeholders could strive.

Prevention Activities	Govt.	Community	Lenders	Property Industry	Nonprofit Agencies	Funders
1. Educate regarding tenants' rights, housing codes, credit, financing and community resources	●	●	●	●	●	
2. Educate potential and existing income property owners regarding relevant laws and codes	●		●	●	●	
3. Teach financial literacy		●	●		●	
4. Educate consumers to avoid predatory and fraudulent housing practices including loan modification and other rescue scams	●	●	●		●	
5. Utilize media (particularly PSAs) to educate consumers to avoid predatory and fraudulent housing practices	●	●			●	

Intervention Activities	Govt.	Community	Lenders	Property Industry	Nonprofit Agencies	Funders
1. Educate regarding tenants' rights, housing codes, credit, financing and community resources	●	●	●	●	●	

Stabilization Activities	Govt.	Community	Lenders	Property Industry	Nonprofit Agencies	Funders
1. Empower neighborhoods and areas throughout the county to use available tools for housing code enforcement	●	●	●		●	
2. Educate property industry professionals regarding MSHDA Housing Quality Standards (HQS)	●			●	●	
3. Educate the community regarding vehicles and programs to save housing			●			

Outcome 3: Improved Housing Quality

Housing quality is directly related to setting and enforcing quality standards, whether they are related to housing codes, certifications associated with rental housing or requirements associated with federally subsidized programs. Additionally, programs that improve existing housing stock are critical to mitigating urban blight. To ensure that *stabilization and reinvestment* activities diminish the need for urgent *interventions* in the future, it would benefit all stakeholders to focus significant effort in this area with government entities leading the coordination efforts.

Prevention Activities	Govt.	Community	Lenders	Property Industry	Nonprofit Agencies	Funders
1. Analyze available housing repair programs for homeowners and income property owners to make improvements/ repairs to increase both quality housing stock and property values	●	●		●	●	
2. Explore the need for enhanced housing repair programs	●	●		●	●	●
3. Conduct community education and outreach campaign to promote use of improvement/repair programs for property owners	●	●			●	
4. Educate property owners regarding post-purchase responsibilities and opportunities			●	●	●	

Stabilization Activities	Govt.	Community	Lenders	Property Industry	Nonprofit Agencies	Funders
1. Access federal and state program dollars to improve housing stock including Neighborhood Stabilization Program (NSP), Great Lakes Capital Fund (GLCAP) and Community Development Block Grants (CDBG)	●	●	●	●	●	
2. Focus on housing code improvement by examining existing codes countywide, analyzing best practices and advocating for improvements where necessary	●	●	●	●	●	●
3. Ensure consistent enforcement of jurisdictional housing codes	●					
4. Support accountability efforts to ensure consistent enforcement of jurisdictional housing codes		●			●	●
5. Promote policies and practices to maintain and increase neighborhood housing values	●	●	●	●	●	●
6. Expand rental certification programs to include all rental housing in Kent County	●					
7. Encourage a regional approach to housing issues and adherence to high quality standards including emergency repairs, weatherization, energy efficiency, lead and other hazards as well as major items such as roofs and windows	●	●			●	●
8. Organize neighbors to monitor vacant and abandoned properties to ensure consistent enforcement of jurisdictional housing codes		●			●	

Reinvestment Activities	Govt.	Community	Lenders	Property Industry	Nonprofit Agencies	Funders
1. Access federal and state program dollars to improve housing stock including NSP, GLCAP and CDBG	●	●	●	●	●	
2. Coordinate available weatherization resources with existing efforts to increase affordable housing	●	●	●	●	●	
3. Promote home improvement assistance and emergency repair programs to maintain the quality of aging housing stock	●	●			●	
4. Support advocacy aligned with the Coalition to End Homelessness regarding long-term affordable housing initiatives, including additional, high quality Section 8 housing	●	●	●		●	
5. Seek additional resources to support home repair for low and moderate income households	●				●	●

Outcome 4: Affordable Housing Opportunities

While government plays a key leadership role in driving solutions that address affordability, these solutions can ultimately be much more effective if they are coordinated among stakeholder groups that can lend relevant support at various stages of implementation. There is evidence from around the country that engaging a wide range of stakeholders in strategy development at the outset would ensure a more overall valued and sustainable outcome.

Intervention Activities	Govt.	Community	Lenders	Property Industry	Nonprofit Agencies	Funders
1. Develop and utilize lease-to-own programs designed to stabilize home ownership	●		●	●	●	

Stabilization Activities	Govt.	Community	Lenders	Property Industry	Nonprofit Agencies	Funders
1. Access federal and state program dollars to improve housing stock including NSP, GLCAP and CDBG	●	●	●	●	●	
2. Provide home purchase assistance in targeted neighborhoods for homebuyers	●		●		●	●
3. Develop a land bank for countywide use	●					
4. Create a community land trust to preserve affordable housing	●	●		●	●	
5. Participate in low-cost revolving loan funds directed at affordable housing development including Great Lakes Capital Fund			●		●	●
6. Allow forgiveness of back taxes to assist owner-occupied home purchase throughout the county	●					
7. Educate members of community and industry groups regarding affordable housing opportunities, products and techniques for marketing quality neighborhoods	●	●	●	●	●	
8. Inform housing consumers (owners and renters) of all applicable assistance programs including Section 8 and Homeless Prevention and Rapid Re-Housing Program (HPRP)	●				●	

Reinvestment Activities	Govt.	Community	Lenders	Property Industry	Nonprofit Agencies	Funders
1. Access federal and state program dollars to improve housing stock including NSP, GLCAP and CDBG	●	●	●	●	●	
2. Coordinate available weatherization resources with existing efforts to increase affordable housing	●	●	●		●	
3. Support advocacy aligned with the Coalition to End Homelessness regarding affordable housing initiatives, including creating more and better quality Section 8 housing	●	●	●		●	
4. Promote creative use of public housing assistance dollars for renters and owner occupants	●	●			●	
5. Provide home purchase assistance in targeted neighborhoods for home buyers, including barrier-free accessible housing	●		●	●	●	
6. Develop a land bank for countywide use	●					
7. Create a community land trust to preserve affordable housing	●	●		●		
8. Educate members of community and industry groups regarding affordable housing opportunities and techniques for marketing quality neighborhoods	●	●	●	●	●	
9. Develop appropriate mortgage products to serve low and moderate income borrowers	●		●			

Outcome 5: Increased Credit Opportunities; Better Mortgage Products

Activities related to this outcome are focused primarily on working with the mortgage lending industry in a spirit of partnership. The statistics revealed earlier indicate that there are significant barriers to credit and affordable mortgages to people who fall into the category of low or moderate income. All stakeholders can feel the negative effects of these barriers at some level given the downward spiral that can ensue for individuals, families and the neighborhoods within which they live. In addition, the need for advocacy becomes more apparent in that long-term opportunities, in both access to credit and better mortgage products, will help diminish the need for intervention strategies long-term.

In addition, the disparities in lending practices associated with minority borrowers demonstrates that even though fair lending laws and the Fair Housing Act have outlawed explicitly discriminatory lending practices, there has been a clear pattern of disparate outcomes based on race. Given that many of the institutions that have contributed to this disparity have been recipients of government assistance and have agreed to participate in government-backed foreclosure prevention programs, it is crucial that they play a key role in helping to get the housing market 'back on its feet...'⁷ Systemic problems in the industry – namely unfair lending practices – should be addressed immediately.

Prevention Activities	Govt.	Community	Lenders	Property Industry	Nonprofit Agencies	Funders
1. Encourage mortgage lending industry to increase access to credit and financial services in their service areas In accordance with the Community Reinvestment Act	●	●	●	●	●	●
2. Advocate for state and federal legislation to protect consumers, encourage loan modification and regulate mortgage lending practices	●	●	●	●	●	●
3. Educate consumers to avoid predatory and fraudulent housing practices and payday lenders	●	●	●	●	●	

Stabilization Activities	Govt.	Community	Lenders	Property Industry	Nonprofit Agencies	Funders
1. Encourage mortgage lending industry to increase access to credit and financial services in their service areas In accordance with the Community Reinvestment Act	●	●	●	●	●	●
2. Develop appropriate mortgage products to serve low and moderate income borrowers	●		●			
3. Promote increases in loan volume by incentivizing the flow of safe credit and capital to low and moderate income borrowers	●		●	●	●	

Reinvestment Activities	Govt.	Community	Lenders	Property Industry	Nonprofit Agencies	Funders
1. Encourage mortgage lending industry to increase access to credit and financial services in their service areas In accordance with the Community Reinvestment Act	●	●	●	●	●	●
2. Develop appropriate mortgage products to serve low and moderate income borrowers	●		●			
3. Promote increases in loan volume by incentivizing the flow of safe credit and capital to low and moderate income borrowers	●		●	●	●	
4. Promote CRA accountability using Home Mortgage Disclosure Act (HMDA) and other available data on annual basis			●		●	
5. Increase awareness and utilization of credit counseling programs by funders and agencies	●	●	●	●	●	●

⁷ Unequal Opportunity Lenders: Analyzing Racial Disparities in Big Banks' Higher Priced Lending, Andrew Jakobovics and Jeff Chapman, September 2009

Outcome 6: Quality and Safe Neighborhoods

Activities related to this outcome are focused on creating desirable residential neighborhoods throughout the county characterized by effective schools, walkability, greenspace and access to various means of transportation. In some cases, neighborhood associations may be able to band together to find ways to organize constituents in ways that maximize their respective efforts. In others, there is likely an opportunity for a much broader solution, such as the creation of a Land Bank coordinated by the county.

Prevention Activities	Govt.	Community	Lenders	Property Industry	Nonprofit Agencies	Funders
1. Organize neighborhood residents (e.g. utilize Eyes Wide Open program) to avoid problems related to foreclosed, vacant and/or abandoned homes) throughout the county	•	•			•	

Stabilization Activities	Govt.	Community	Lenders	Property Industry	Nonprofit Agencies	Funders
1. Promote policies and practices to maintain and increase neighborhood housing values	•	•	•	•	•	•
2. Concentrate NSP and related housing resources for highest impact on neighborhood quality	•			•	•	
3. Empower neighborhoods and areas throughout the county to use available tools for housing code enforcement	•	•	•		•	
4. Organize neighbors to strengthen communities and build quality neighborhoods of choice		•			•	
5. Educate members of community and industry groups regarding affordable housing opportunities and techniques for marketing quality neighborhoods	•	•	•	•	•	
6. Maintain a coordinating function for Foreclosure Response						•

Reinvestment Activities	Govt.	Community	Lenders	Property Industry	Nonprofit Agencies	Funders
1. Focus all activities towards goals detailed in Master Plans and Green GR Plan	•	•		•	•	•
2. Target existing and future resources for neighborhood and housing development for highest impact on neighborhood quality	•	•	•	•	•	•
3. Empower neighborhoods and areas throughout the county to use available tools for housing code enforcement	•	•	•		•	
4. Organize neighbors to strengthen communities and build quality neighborhoods of choice		•			•	
5. Educate members of community and industry groups regarding affordable housing opportunities and techniques for marketing quality neighborhoods	•	•	•	•	•	
6. Promote practical, contemporary understanding of quality neighborhoods characterized by effective schools, walkability, greenspace and access to various means of transportation	•	•	•	•	•	•

A Persistent Focus on Local Data

Data is critical to informing decisions about the most potentially beneficial activities to undertake and to then measure the effects. Meaningful local data provides a critical foundation for local strategies. Additional high-quality information is needed to develop a better, ongoing understanding of the local foreclosure situation.

For example:

- Local data can provide a picture of key **lenders and servicers** involved in foreclosures, the types of loans associated with foreclosures and the characteristics
- What role do **high cost/subprime loans** and adjustable rate loans play?
- What is the **re-default rate** for local borrowers whose loans have been modified?
- What is the impact of persistent, high **unemployment** on local housing markets?
- How are **renters** affected?
- What changes are occurring in the **rental market**?
- **Where are affected homeowners and renters going?**
- What is the impact on **homelessness**?

Local data can also be of value in directing *stabilization and reinvestment* efforts, identifying vacant properties and related destabilizing dynamics, as well as the most promising conditions for strengthening neighborhoods through property acquisition and renovation. Answering these questions requires a significant research effort involving data collection and analysis from a wide variety of public and private sources -- a difficult 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. These include ways to monitor lending patterns for fair practices, identify at-risk borrowers and develop local early warning systems for borrowers, target advocacy, and focus strategies.

A Launch Pad for Action

The previously suggested outcomes and associated activities can help identify barriers to achieving a more coordinated response within the region. What follows are some ideas about what might serve as catalysts for action.

Mobilizing the County, Municipalities and the Community

Local governments have the legal power and responsibility over many of the requisite actions to secure properties and bring them back into use. Opportunities include developing land banks and land trusts.

Under the leadership of Kent County Treasurer Kenneth Parrish and with the support of Grand Rapids Mayor George Heartwell, plans are well underway to create a **Land Bank** -- a coordinated and sustained approach to combating property abandonment. Successful land banks across the country have initiated a number of significant activities, including mechanisms that allow for:

- Speedy and effective acquisition of abandoned property titles and reducing purchasing costs – including property tax forgiveness.
- Working with municipalities and developers to identify parcels that are in delinquency so as to create a long-term development strategy.
- Partnering with community development corporations to renovate and re-occupy housing, including donating properties for lease-to-own programs.
- Turning vacant land into greenspace or for homeowners to acquire empty lots adjacent to their property.

High-level government officials might consider participating in a broad-based **data analysis collaboration** to examine how the incidence of foreclosure varies across the region and then work with city, county government, universities and other local non-governmental partners on the development of strategies to expand foreclosure prevention and stabilize impacted neighborhoods.

Advocacy at all Levels of Government

There are advocacy opportunities related to needed enactment or changes to policies and laws on the local, state and federal levels. There have been some recent victories, but much remains to be accomplished.

Legislative Wins in 2009

On the federal level, a law was passed to protect tenants in foreclosed properties. Investment property owners must now provide bona fide tenants with 90 days notice prior to eviction and allow bona fide tenants with leases to occupy the property until the end of the lease term. The lease can be terminated on 90 days notice if the unit is sold to a purchaser who will occupy the property. A bona fide lease or tenancy is one where the tenant is not the mortgagor or a family member of the mortgagor.

Michigan legislators passed a law that went into effect in July 2009 mandating that lenders work with homeowners to avoid foreclosure. Lenders must now send homeowners the contact information of a designated agent who has the authority to negotiate the terms of the mortgage, associated fees/penalties and/or re-payment plans. This law was necessary because in too many cases, homeowners and housing counselors were previously unable to locate and/or connect with a person with negotiating authority.

A Launch Pad for Action ...continued

Advocacy for Additional Laws and Regulations

Many of the laws and regulations that will determine the effectiveness of Foreclosure Response need to occur at the state level. This is particularly important if progress is to be made around Stabilization and Reinvestment.

Minnesota, for example, has passed state 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.⁸

Specific state and federal advocacy goals are detailed in the following section, *Ways to Evaluate Progress*.

Locally, a targeted approach to working with city government could yield compelling results in a reasonably short time frame, especially pertaining to better quality rental opportunities that provide safe and healthy environments for families and children.

- In Grand Rapids, within the Neighborhood Improvement Department, Housing Inspection is responsible for enforcing housing codes that govern the maintenance and upkeep of residential property, as well as various health and safety codes. A concerted effort on the part of stakeholders working with this department is uncovering obstacles to holding rental property owners accountable by analyzing policies regarding vacant/abandoned properties and determining why current policy/enforcement is inadequate, developing an enforcement policy that re-coups costs associated with inspections and enforcement and collaborating to determine what would be more stringent and viable codes and accountability requirements moving forward; and
- In addition, changes to the **housing inspection program** must include incorporating rental units for single family and 2-family units, adding mandatory inspections for lead, radon and carbon monoxide, and providing sufficient oversight so that changes to the code promote a safe and healthy environment for families and children.

⁸ Preserving the Dream: Understanding and Addressing the Subprime Mortgage Crisis, Neighborhood Funders Group, July 2008

The Continuation of Foreclosure Response

Currently, representatives from approximately 70 groups in the Kent County area meet on a bi-monthly basis to share information about their respective roles in helping to combat the foreclosure crisis and to identify ways to use available resources more effectively. The convening of these organizations has been facilitated by Foreclosure Response, a simple structure managed by a coordinator and Oversight Committee. The Fair Housing Center of West Michigan serves as the project's fiduciary. The group has made significant progress towards a coordinated, countywide response and has built a foundation of information sharing that could conceivably be leveraged for even greater impact.

Increasing Cooperation

Foreclosure Response performs a unique, unbiased function and perspective that no single, pre-existing entity can fill. Continuation of this or a similar model would support the shared nature of the response among stakeholders and increase the likelihood that coordinated efforts would expand. Foreclosure Response is already sufficiently grounded to help individuals and groups by:

- **Coordinating** within and across stakeholder groups to maximize resources and eliminate redundancies.
- **Convening** interested parties to work on issues of shared interest.
- **Collaborating** on ways for two or more stakeholder groups to share responsibility for implementing targeted strategies.
- **Spearheading** a specific initiative aimed at filling gaps in the region's response to the foreclosure crisis.

Specific areas of focus that build upon the group's accomplishments to date could be implemented by the development and coordination of a few small and nimble **sub-teams** that would transition efforts beyond information-sharing to coordinated *stabilization and reinvestment* successes. These sub-teams could focus on specific functions, including:

- Monitoring the acquisition of **data**, and synthesizing and interpreting the data to help us understand and explain the nuances of the foreclosure crisis and develop new tools to document short- and long-term success to aid the planning efforts of key stakeholders.
- Providing guidance for developing **funding proposals** for innovative and coordinated responses to the foreclosure crisis (.e.g. the most effective and beneficial uses of NSP stimulus funding which could include *joint proposals* by more than one stakeholder similar to what occurred due to the leadership of the Metropolitan Washington D.C. Council of Governments and six jurisdictions in Virginia and Maryland).⁹
- Support **neighborhood-based efforts** to maximize tools at their disposal to garner support for solutions initiated by residents and for which they and other local constituents assume ownership.

The Coordination of Foreclosure Response Efforts

Certainly the momentum that has been generated thus far by Foreclosure Response can help jump start the next level of innovative leadership in the region. At a basic level, attempts to include even more participants in the ongoing information sharing that has proven so valuable thus far would remain important as the focus shifts more towards *stabilization and reinvestment*. This information sharing could extend beyond the topics of education and outreach, sources of funding and media-related activities to include *expanded areas of focus*. This expanded focus could be directed at some or all of the following:

- Public policy **advocacy** efforts aimed at the local, state and national levels.
- **Data acquisition and interpretation** that will allow for more integrated planning.
- **Strategic problem-solving** around how to develop meaningful proposals around utilization of philanthropic and federal funding.
- Identification of specific and **measurable outcomes** supported by assessment methodologies.

⁹ www.Foreclosure-Response.org/policy; Getting Organized at the Local and Regional Levels

Ways to Evaluate Progress

Quantitative Metrics

Grand Valley State University's Community Research Institute, with the support of Kent County, Grand Rapids, Grand Rapids Community Foundation, Dyer-Ives Foundation and the Fair Housing Center of West Michigan, will be gathering data through May 2011 on a quarterly basis and developing reports/maps on the following:

- Number of residential foreclosures
- Rates of residential foreclosures
- Number of days properties owned by banks and mortgages services
- Estimated foreclosure abandonment risk score
- Home Mortgage Disclosure Act (HMDA) high cost loan rate
- Predicted 18-month underlying problem foreclosure rate

Research opportunities to develop partnerships with others seeking to accomplish similar outcomes (e.g. National Neighborhood Indicators Partnership) and determine if joining them would result in useful ways to evaluate progress locally and in terms of national trends.

Combined Quantitative and Qualitative Surveys

Conduct "before and after" surveys of current stakeholders to determine to what degree, over time, they see progress towards the six outcomes from both quantitative and qualitative perspectives.

- Quantitative measures provide a year-over-year (or other designated time period) perspective that shows proportional changes.
- Qualitative measures provide the added benefit of real-time perspectives that may help affirm if efforts should be continued, tweaked to increase effectiveness or eliminated all together.

In addition, if the number of respondents increases, that too would be an indicator of increased stakeholder engagement in the region.

Legislative and Policy Changes

The enactment of legislation for which stakeholders advocate is a very simple and obvious way to measure effectiveness.

Michigan Legislative Fixes

The Michigan Foreclosure Task Force's Policy & Advocacy Committee, of which Foreclosure Response actively participates, is focused on enacting strong consumer protection and foreclosure mitigation policies in Michigan. The Committee is currently focused on the following four policy priorities:

Goal 1: Enact basic consumer protections against predatory lending.

Over two dozen states have now enacted basic consumer protections against the most abusive and usurious lending practices that sparked much of the current foreclosure crisis. Laws are needed that:

- Ban predatory lending practices, such as making loans without requiring borrowers to prove their ability to repay the loan, encouraging borrowers to default, charging excessive late fees and charging fees for a payoff statement.
- Protect homeowners' equity by prohibiting home refinancing to generate fees for the lender unless there is a tangible net benefit to the borrower.
- Protect consumers from being steered toward high-cost loans when they would otherwise qualify for a traditional loan.
- Prohibit the financing of any points and fees that hide the true costs of the loan.
- Prohibit prepayment penalties.
- Give injured and aggrieved homeowners legal recourse so they can independently enforce these consumer protections against unscrupulous lenders.

Ways to Evaluate Progress ...continued

During the 2008-08 legislative session, a bipartisan package of bills moved through the Michigan House with over 80 votes of the 110 House members. The bills were never given a hearing or considered in the Michigan Senate. Similar legislation (House Bills 4065-67) has been introduced in the current legislative session. House Democrats have pledged to take up the issue in the coming months.

Goal 2: Create meaningful pre-foreclosure mediation incentives.

Nearly half of all foreclosed borrowers fail to contact their lenders to determine if alternative solutions can be reached. Nonprofit housing counselors are the single most cost effective strategy to stemming the foreclosure tide, often saving a family's home by negotiating with lenders and servicers on behalf of a delinquent borrower. The recent enactment of Public Acts 29 – 31 of 2009 (House Bills 4453-55) makes Michigan one of the national leaders in leveraging the skill and effectiveness of nonprofit housing counselors by insuring that all lenders and servicers provide distressed borrowers notice of their local nonprofit housing counselor at least 90 days before a foreclosure notice can be filed. Lenders and servicers who reject loan modification offers of borrowers who qualify for such modifications will be forced into judicial foreclosure, a more cumbersome and time-consuming process.

Since the law took effect on July 6, 2009, the Task Force has been pressing for funding for additional housing counselors to meet increases in demand for their services. In Kent County, numerous local funding sources have met the requests from housing counseling agencies to hire additional housing counselors and support services staff. Some of this funding will expire in June 2010 and if national trends are accurate in predicting the number of additional foreclosures in Kent County, there will be serious need to address additional financial support for housing counseling services.

Goal 3: Ensure adequate protections for renters caught in the foreclosure crisis.

The recent passage of the federal Protecting Tenants at Foreclosure Act of 2009 marks a significant step forward in ensuring that tenants have rights if the property they are living in is going through foreclosure. Under the new law, once a foreclosed property has changed ownership, tenants must receive a minimum 90-day notice prior to eviction. For those tenants with a bona fide lease, the new law allows them to remain on the property for the remainder of their lease, unless the new owner plans to occupy the property. In this case, tenants must be given at least 90 days notice to vacate the property. The Policy & Advocacy Committee will explore complementary state legislation that builds upon the federal protections.

Goal 4: Provide protections against foreclosure rescue scams.

A new breed of scam artists have been bred by the foreclosure crisis, preying upon vulnerable families who are in danger of losing their home to foreclosure. Utilizing foreclosure notice filings, the scam involves approaching homeowners facing foreclosure and offering to help provide counseling and negotiation services to save their home, only to abscond with the hundreds or thousands of dollars charged up front. When hundreds of nonprofit housing counselors are toiling to provide their MSHDA- and HUD-certified services for free, there is no reason consumers should pay fees to a housing counselor up front. Legislative protections and aggressive prosecutions are needed to end these scams.

National Legislative Priorities

Foreclosure Response aligns with the goals of the National Community Reinvestment Coalition (NCRC), an association of more than 600 community organizations that promote access to basic banking services, including credit and savings, to create and sustain affordable housing, job development, and vibrant communities for America's working families.

NCRC's current national policy agenda concerning foreclosure issues includes:

1. *Strong national predatory lending protections* are contained in HR 1728 to create protections for homeowners all across the United States. Particularly for those unlucky Americans, like those in Michigan who live in states without predatory

Ways to Evaluate Progress ...continued

lending protections, this bill offers some needed relief. Even in states with predatory lending protections, however, the bill would cover nationally-chartered banks and financial institutions. The bill was passed by the U.S. House of Representatives, but Michigan should not wait for action in the U.S. Senate before enacting its own protections to cover state-chartered institutions and actors.

2. *Tackle Abandoned and Foreclosed Properties* - Real estate-owned (REO) property inventories have vastly expanded during the foreclosure crisis, such that holders of these foreclosed properties do not have the internal systems and resources to maintain them. As a result, REO inventories blight communities and depress local property values.

As the subprime foreclosure crisis evolves into other more mainstream lending products, the wave of vacant and abandoned REO property is moving into suburban and middle-class communities.

Federal legislation should be passed that includes:

- Early warning systems to facilitate the transfer of properties through short sales rather than foreclosure.
- Improving nonprofit acquisition of REO properties.
- Expanding access to financing, technical assistance, capital and distressed property inventory lists.
- Utilization of innovative lease-purchase programs.
- Appropriate monitoring of NSP funds.

3. *Community Reinvestment Modernization Act of 2009* - HR 1479 would preserve the Community Reinvestment Act (CRA) and expand it to cover other financial services not contemplated when CRA was originally adopted in the 1970s. CRA has been one of the most effective tools in expanding homeownership and insuring investment capital is available in urban areas, as well as underserved areas where depositors live. As the financial services industry has modernized and evolved, by combining mortgage and home-lending services with other financial services, so should the core regulatory statute that has insured appropriate investment into the financial stability and economic growth of underserved communities.

Rather than serving as a cause of the current mortgage crisis, in fact, CRA has been an exemplary tool in insuring sound mortgage practices. Only 6% of all subprime loans were considered on bank CRA exams and such loans had a documented lower foreclosure rate than other subprime loans.

4. *Homeowners Emergency Loan Program (HELP Now)* - By compelling the sale of troubled assets and engaging in reverse auctions, loans can be purchased from the private sector by the government and resold to the private market to be modified at discounted rates. NCRC has been advocating for this innovative and broad program as a important strategy tool for the current crisis.

Local Government

A number of stakeholders are working with government entities to make significant changes in areas where government plays a major role (e.g., County Treasurer's Office to create a land bank). Neighborhood associations and others have been meeting with the Grand Rapids Neighborhood Improvement Department to improve and ensure enforcement of housing codes. Policies in other jurisdictions need to be evaluated.

Needed changes toward these outcomes would also be measures of project work effectiveness.

Agencies/Community

Continue to gather information on achievements by individual stakeholder groups and leverage this information by publishing it on a frequent basis. Marketing these successes would also serve to sustain momentum for continued efforts by all stakeholder groups. Examples include:

- Number of clients served by counseling and education efforts.
- Success rate: Number of homeowners maintaining mortgage payments one year after receiving housing counseling services.
- Number of NSP homes renovated and sold to low and moderate income residents.
- Number of new neighbors engaged by neighborhood associations in Foreclosure Response activities like *Eyes Wide Open*.

Conclusion

This plan is comprehensive in that it emphasizes focused actions in the areas of prevention, intervention, stabilization and reinvestment to stop the foreclosure crisis and foster quality neighborhoods. Success is reliant on a large number of stakeholders working together effectively to implement these actions — and potentially, additional activities yet to be identified.

The fabric of neighborhood stability has been thinned by blight, crime, lower property values, and less revenue for services critical to community safety and quality. The good news is that Foreclosure Response participants are working more closely to enrich this fabric with projects/programs that ultimately stabilize and reinvest in neighborhoods.

The intent of this plan is to serve as a catalyst for continuing and enhancing efforts currently underway. As solutions are implemented, we emerge stronger and in a better position to view the many causes and effects as systemic in nature. The more we see these critical connections, especially among the many activities that could further outcome goals across all four strategic areas – prevention, intervention, stabilization and reinvestment – the greater the likelihood that we can address them in a comprehensive and integrated way so as to eliminate some of the most harmful root causes and their increasingly damaging effects.

Being comprehensive also necessitates focusing on the intersections between three related areas:

- Creating more affordable, safe and healthy housing options
- Ending homelessness
- Mitigating the foreclosure crisis

The Coalition to End Homelessness, Healthy Homes Coalition of West Michigan, neighborhood associations and others are working with Foreclosure Response to identify crosscutting actions needed to address these interrelated housing issues.

Best serving the members of our Kent County community in the short and long term requires that we move ahead in a focused but broad strategy with measurable outcomes. Successes and future actions need to be informed by quantitative data. The role of high quality, contemporary data and analysis cannot be overstated.

We are in the throes of an overwhelming economic catastrophe, but these extraordinary times are also laden with opportunities. New federal initiatives are helping fund innovative, restorative programs. Work has already begun to create safe, affordable, user-friendly, “green” neighborhoods with a variety of affordable, healthy housing options through the Neighborhood Stabilization Program. Foreclosure Response participants are already experiencing success by utilizing local data, targeting services, and coordinating more often and more effectively. The public has an enhanced awareness and understanding of foreclosure impacts and the importance of strong communities and quality neighborhoods.

With this plan, we call on all of the players involved in developing it to carry out activities in this comprehensive plan in line with their unique organizational capacities towards the goals we all share.

Our aspiration is that when we do emerge from the crisis, we will have created a more diverse, vibrant and enduring whole community. This is our opportunity. And the time is now!

Appendix A

Stakeholders Participating in Foreclosure Response Include:

Government

City of Kentwood www.ci.kentwood.mi.us

GR Housing Commission www.grhousing.org

GR Public Schools www.grpublicschools.org

GR Community Development www.grand-rapids.mi.us

Kent County Community Development www.accesskent.com

Michigan Dept. of Human Services www.michigan.gov/dhs

Kent County Essential Needs Task Force www.accesskent.com/Health/ENTE

Kent County Register of Deeds www.accesskent.com/YourGovernment/RegisterofDeed

Wyoming Planning and Development Department www.ci.wyoming.mi.us/Planning/plan_FEES.pdf

Wyoming Community Development Department www.wyomingcda.com

Community

Aberdeen Reformed Church www.aberdeenchurch.org

Adelante High School

Baxter Community Center www.baxtercommunitycenter.org

Berean Baptist Church www.bereanbc.net

Black Hills Citizens for a Better Community www.cridata.org/Neighb_GR.aspx

Creston Christian Reformed Church

Creston Neighborhood Association www.crestongr.com

Eastown Community Association www.eastown.org

Fourth Reformed Church www.fourthchurch.com

Garfield Park Neighborhood Association www.gpnagr.org

GRACE www.graceoffice.org

Grand Rapids Legal News <http://legalnews.com/GrandRapids>

Kluczynski, Girtz, and Vogelzang www.kgvlaw.com

Midtown Neighborhood Association www.midtowngr.com

Oakdale Neighbors www.oakdaleneighbors.org

Plainfield United Methodist Church www.pumc.org

Riverside Christian Reformed Church www.riversidecrc.org

Second Congregational Church www.rapidgrowthmedia.com

South East Community Association www.cridata.org/Neighb_GR.aspx

Lenders

Bank of Holland www.bankofholland.com

Chase Bank www.chase.com

Chemical Bank www.chemicalbankmi.com

Choice One Bank www.choiceone.com

Comerica Bank www.comerica.com

Fifth Third Bank www.53.com

Flagstar Bank www.flagstar.com

Founders Bank and Trust www.foundersbt.com

Greenridge Realty www.greenridge.com

Huntington Bank www.huntington.com

Keller Williams www.kw.com

Mercantile Bank www.bankmercantile.com

National City www.nationalcity.com

Option 1 Credit Union www.option1cu.org

Appendix A ...continued

Property Industry

Grand Rapids Area Realtors www.grar.com/portal
Grand Rapids Legal News <http://legalnews.com/GrandRapids/>
Lee Kitson Homes www.leekitsonbuilder.com

Nonprofits / Agencies

ACCESS Grand Rapids www.accessofwestmichigan.org
ACSET www.acset.org
Community Rebuilders www.communityrebuilders.org
Disability Advocates of Kent County www.disabilityadvocates.us
Essential Needs Task Force www.accesskent.com/Health/ENTF
Fair Housing Center of West Michigan www.fhcwm.org
GR Area Coalition to End Homelessness www.graceoffice.org
GR Urban League www.grurbanleague.org
Habitat for Humanity of Kent County www.habitatkent.org
Heart of West Michigan United Way www.waybetterunitedway.org
Home Repair Services www.homerepairservices.org
Inner City Christian Federation www.iccf.org
Kent County Tax Credit Coalition <https://volunteer.united-e-way.org>
Lighthouse Communities www.lcgr.net
LISC www.lisc.org
Legal Aid of West Michigan www.legalaidwestmich.org
Network 180 www.network180.org
New Development Corporation www.newdevelopmentcorp.org
Salvation Army Booth Family Services www.tsa-wmni.org/bfs
Steepletown Neighborhood Services
United Growth for Kent County www.unitedgrowth.org

Funders / Resources

Community Research Institute, GVSU www.cridata.org
Dyer-Ives Foundation www.dyer-ives.org
Grand Rapids Community Foundation www.grfoundation.org
Great Lakes Capital Fund www.capfund.net
Steelcase Foundation http://www.steelcase.com/na/steelcase_foundation_ourcompany.aspx?f=18486
West Michigan CRA (Community Reinvestment Act) Association www.i-thinc.com/cramich

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Foreclosure Response Oversight Committee

Nancy Haynes and Liz Keegan, Fair Housing Center of West Michigan
David Schroeder, Essential Needs Task Force
Betty Zylstra, Salvation Army Booth Family Services
Laurie Craft, Grand Rapids Community Foundation
Lee Nelson Weber, Dyer-Ives Foundation

Kym Spring, Coordinator

