



CITY OF OAKLAND

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AGENDA REPORT

**TO: DEANNA J. SANTANA
CITY ADMINISTRATOR**

FROM: Michele Byrd

SUBJECT: Foreclosure Prevention Plan

DATE: September 17, 2012

City Administrator
Approval

Date

9/27/12

COUNCIL DISTRICT: City-wide

RECOMMENDATION

Staff recommends that the City Council adopt the following legislation:

A Resolution Supporting Foreclosure Prevention/Mitigation Activities Including 1) The Allocation Of Up to \$1,200,000 From The Neighborhood Stabilization Program (A HUD Federal Grant) To Community Housing Development Corporation For Purposes Of Funding A Foreclosure Prevention Loan Fund Program; 2) The Allocation of \$350,100 From Blighted Foreclosed Properties Penalties To Fund The Following: A) Community Outreach Services For \$150,000 Provided By Causa Justa::Just Cause (\$50,000), Family Bridges (\$25,000), OCCUR (\$25,000), Allen Temple Economic Development Agency (\$25,000), and the Martin Luther King Jr. Freedom Center (\$25,000); B) Homeowner Legal Advocacy For \$100,000 Provided By The Housing Economic Rights Advocates; C) Homeownership Counseling And Loan Modification Advocacy For \$50,000 Provided By The Community Housing Development Corporation; And D) Tenant Counseling And Legal Services For \$50,100 Total Provided By The East Bay Community Law Center (\$16,700), Centro Legal De La Raza (\$16,700), And Causa Justa::Just Cause (\$16,700); And 3) Requiring Staff To Develop A Foreclosure Mediation Policy For Council Consideration Should There Be Serious Problems With Bank Servicer And Lender Compliance In Oakland With The Attorney General Bank Settlement Agreement And State Homeowner Bill of Rights Act.

An Ordinance Amending Oakland Municipal Code Section 15.68.100 (Affordable Housing Trust Fund) to 1) Permit Fines and Penalties Received Pursuant to Oakland Municipal Code Section 8.54.620 (Foreclosed And Defaulted Residential Property Registration Program) to be Used for Foreclosure Prevention and Mitigation Activities, 2) Authorize the City Administrator to Make Grants or Service Contracts Under the Program of Up To \$100,000 Without Returning to Council, And 3) Allow Affordable Housing Trust Funds to be Used to Assist Affordable Housing Projects At Risk Due to Mortgage Default or Foreclosure.

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EXECUTIVE SUMMARY

The City of Oakland has been working to address the foreclosure crisis that has heavily impacted Oakland, especially devastating many residents and neighborhoods in Oakland's flatland areas. City efforts have included funding housing counseling programs to assist distressed homeowners and foreclosure mitigation projects, as well as partnerships with local, state, and national partners.

Recently, City staff have been working with many different public agencies and community-based partners to develop an integrated plan of action to prevent and mitigate against foreclosures, especially in light of new State tools—the Attorney General Bank Settlement Agreement and State Homeowner Bill of Rights. The following proposed plan, to be coordinated by the City, addresses current gaps in foreclosure prevention strategies, as well as builds upon effective efforts. Main components include:

- I. **Partnership with the State Attorney General's (AG) and California Settlement Agreement Monitor's Offices:** The AG's office has committed to providing trainings for Oakland groups on new State requirements and taking direct referrals from the City and key partners on violations of new State requirements.
- II. **Community Outreach and Referral to Services:** Many families in distress do not have access to reliable services and are prey to predatory schemes. Many tenants do not know that their homes are in default until it is too late. Trained outreach workers will be deployed to connect families with available resources, such as tenant and homeowner counseling and legal services, as well as to collect preliminary data for the City. The program goal is to reach at least 3,500 tenant and homeowner households who are in the foreclosure process.

Staff proposes a grant of \$50,000 from the dedicated blighted foreclosed properties penalty funds to Causa Justa::Just Cause (CJJC) for the coordination and training of outreach workers, and management of a database system and outreach data collection efforts. Four organizations with community outreach experience, OCCUR, Allen Temple Economic Development Corporation (ATHEDCO), Martin Luther King Jr. Freedom Center, and Family Bridges, would provide targeted direct outreach services for \$25,000 each from the City's blight penalty funds.

- III. **Homeowner and Tenant Counseling Services:** Staff proposes to build upon existing City funded tenant and homeowner counseling and legal services to expand services, engage in expanded data collection, and enhance referrals to additional resources, such as the new ROOT loan fund program.

Staff proposes the allocation of \$50,000 to Community Housing Development Corporation (CHDC) to provide homeowner counseling and loan modification services for 67 Oakland residents. This builds upon the City's existing \$83,000 contract with Unity Council for foreclosure prevention counseling services.

Staff proposes the allocation of \$50,000 to existing City contracts for tenant services—East Bay Community Law Center, Centro Legal de la Raza, and CJC, to expand or maintain existing hotline, counseling, and legal services for tenant households in properties facing foreclosure. It is estimated that 300 Oakland residents would be served.

- IV. Homeowner Legal Advocacy:** Housing Economic Rights Advocates (HERA) is a nationally recognized legal advocacy organization based in Oakland that offers legal advocacy, counseling, and training services to keep homeowners and tenants facing foreclosures in their homes. HERA has an existing contract with the City to provide legal advocacy and training services for residents outside of Oakland.

Staff proposes to allocate \$100,000 to HERA to operate a new one-stop hotline for Oakland homeowners facing foreclosure, legal advocacy for 100 Oakland households, workshops for an additional 120 Oakland households, and technical assistance and training.

- V. City Escalation Team with Bank Partners:** Building upon the City's effective foreclosed properties anti-blight program with major lenders, City staff will set up relationships with the appropriate servicer senior officials to address eligible homeowners who were not able to have been assisted by the counseling agencies or legal advocates.

- VI. ROOT Loan Fund:** This new loan fund program creates a vehicle for the re-setting of home mortgages to current market values in order to provide sustainable loan modifications for eligible Oakland residents.

Staff is proposing the allocation of up to \$1.2 million from the City's federal HUD Neighborhood Stabilization Program grant (NSP) for the ROOT Loan Fund, with \$1 million for the capital loan fund, and up to \$200,000 for operational support and housing counseling referrals and financial counseling to CHDC. The City's contribution would leverage an additional \$7 to 9 million from One Pacific Coast Bank, Enterprise, and LISC, and California Housing & Finance Agency.

The Oakland pilot program would enable about 20-25 Oakland qualified homeowners who are facing the threat of foreclosure to remain in their homes through significant principal reductions, by resetting their mortgages to today's current market value. The pilot program would result in a refined program design, the attraction of additional funds,

and the expansion of the program to serve more Oakland residents and others in the Bay Area.

VII. Accountability Measures: Data Collection, Public Reports, Referral to Attorney General's Office, and Program Evaluation: City staff and appropriate partners will refer unresolved violations to the Attorney General's Monitoring and Compliance Units, as well as issue quarterly public reports to Council that include both negative and positive bank-by-bank activities. In addition, staff is developing a data collection system that will track both bank activities (such as NODs or REOs filed, as well as loan modifications worked out with housing counseling agencies), as well as City funded program performance (such as numbers of referrals made, loan modifications negotiated, families kept housed).

The following is a summary of the foreclosure prevention/mitigation plan:

Proposed Funds	Service	Organization	Households To Be Served	Leveraged Funds
NSP Grant \$1.2 million	ROOT Loan Fund	CHDC	20-25	\$7-9 million
Blight Penalty \$150,000	Community Outreach	<ul style="list-style-type: none"> • CJJC (\$50,000) • OCCUR (\$25,000) • Family Bridges (\$25,000) • Allen Temple (\$25,000) • Freedom Center (\$25,000) 	3,500	\$75,000
Blight Penalty \$50,000	Homeowner Counseling & Loan Modifications	CHDC	67	
Blight Penalty \$50,100	Tenant Counseling & Advocacy	Centro Legal CJJC EBCLC	300	\$91,500
Blight Penalty \$100,000	Homeowner Legal Advocacy	HERA	Over 300	\$43,000
Total: \$1,550,100 City Funds			Info & resources: 3,500 Homeowners preserved: 100 Tenants preserved: 35	\$7,209,500 to \$9,209,500

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In addition, when the Council dedicated the use of penalty funds from the City's foreclosed and defaulted residential properties program in June 2012, these funds were to be placed in the City's Affordable Housing Trust Fund (Trust Fund) for foreclosure prevention efforts. However, the originating legislation for the Trust Fund, OMC 15.68.100, limited its use to only affordable housing acquisition and development. Therefore, staff is proposing an amendment to the Trust Fund ordinance in order for the Fund to be used for foreclosure prevention and mitigation activities, as well as other changes to the Trust Fund ordinance in order to facilitate the funding of foreclosure prevention activities.

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OUTCOME

Council action would result in the following:

1. Saving the homes for at least 100 Oakland homeowners through sustainable loan modification/principal reduction strategies to be achieved through the ROOT loan fund, housing counseling/loan modification negotiations, and legal advocacy.
2. Keeping 35 Oakland tenant families facing foreclosure in their homes.
3. Education and referral outreach services to 3,500 Oakland residents through community outreach, workshops, and hotline service for homeowners and tenants.
4. Staff will monitor lender compliance with new State requirements and develop a Foreclosure Mediation policy for Council consideration should data collected show that there is substantial noncompliance.

BACKGROUND/LEGISLATIVE HISTORY

Oakland's Foreclosure Crisis

Oakland, like many urban communities throughout the nation, has been devastated by the foreclosure crisis. According to recent information issued by the Urban Strategies Council (USC), there were 10,542 foreclosures from 2007 to 2011, a rate of about 1 in 19 households in foreclosure. See <http://www.urbanstrategies.org/foreclosure/>. In 2011, there were 3,337 Notice of Defaults filed and 1,342 completed foreclosures or REOs. See www.foreclosureradar.com. The number of REO properties in Oakland for 2011 marks a decrease of 35.6% from 2010 figures.

Year	2007	2008	2009	2010	2011
NODs	3,120	4,225	4,482	3,753	3,337
NOD change		+35.4%	+6.1%	-16.3%	-11.1%
Foreclosures	1,613	3,079	2,424	2,084	1,342
Foreclosure change		+ 90.9%	-21.3%	-14%	-35.6%

The impact of foreclosures in Oakland has been extremely significant and include the following:

1. **Economic impact:** Urban Strategies Council estimates that the costs of the foreclosure crisis in Oakland to homeowners, the City of Oakland, neighborhoods, and lenders will be about

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\$875 million.¹ Part of the impact has included a decline in property values in neighborhoods affected by foreclosures, as well as blighted conditions discouraging economic development.

2. **Public health impact:** A recent report by the Alameda County Public Health Department and Causa Justa :: Just Cause details myriad negative physical and emotional health impacts resulting from the financial instability, unhealthy housing conditions and overwhelming stress caused by foreclosures.² In addition, buildings in the foreclosure process throughout the City of Oakland are significant and unnecessary attractors for blighting conditions that create severe health hazards.
3. **Public safety impact:** Vacant, foreclosed buildings are attractors for trespassers and transient occupants that foster and enable criminal activities.
4. **City fiscal and program resources:** The City continues to expend limited resources and scarce funds investigating foreclosed and defaulted buildings, both vacant and occupied, mitigating the detrimental effects of neglected maintenance, curtailing associated criminal activity, and monitoring the recurrence of nuisance activities.

This year is a pivotal year regarding the foreclosure trend—some economists believe that foreclosures will increase due to increasing unemployment, as well as bank action post AG Settlement Agreement. Others believe that the new State legal requirements will serve as sufficient tools to keep significant numbers of homeowners in their homes. Given the devastation that foreclosures have had on the Oakland community, the City leadership, under Mayor Quan, has committed to work with multiple partners, including State agencies, community based organizations, and lending institutions, to implement expanded tools in order to prevent and mitigate against foreclosures for eligible Oakland residents.

Past and Current Efforts

The City of Oakland has been working to address the foreclosure crisis, including through the following efforts:

- Sponsoring anti-predatory lending legislation. Unfortunately, Oakland legislation was pre-empted by state legislation.
- Funding housing counseling services, including assisting residents to obtain loan modification from lenders. Under an \$83,000 City contract, in FY 11-12 Unity Council delivered foreclosure prevention and intervention group workshops to 218 participants;

¹ <http://www.urbanstrategies.org/foreclosure/>

² Rebuilding Neighborhoods, Restoring Health: A Report on the Impact of Foreclosures on Public Health, Causa Justa :: Just Cause and Alameda County Public Health Department, 2010.

provided individual financial planning and money management counseling to 483 distressed homeowners; and reached out to 4,829 households at risk of foreclosure through telemarketing, email and traditional mail.

- Funding the Oakland Community Land Trust (OCLT) to transform foreclosed properties into long-term affordable ownership housing. Under a \$5,025,000 Neighborhood Stabilization Program (NSP) contract with the City, OCLT has purchased 17 foreclosed homes, rehabilitated 9 of those homes, and sold 2 as affordability-restricted housing to qualified families, with 8 currently in the rehabilitation pipeline and 7 currently available for sale.
- Funding the rehabilitation of critical affordable housing projects to stabilize neighborhoods hard hit by the foreclosure crisis, such as Drasnin Manor in San Antonio/Fruitvale and Project Pride in West Oakland. Using \$2.06 million in NSP funding and \$3.4 million in ORA funding, the City has partnered with owners to rehabilitate 46 rental units in these two properties, with private parties investing in the rehabilitation of an additional 20 low-income rental units at Marin Way Court.
- The passage and recent expansion of registration and maintenance requirements for defaulted and foreclosed properties to address the impact of blighted properties.
- Development of a proactive blighted foreclosed properties enforcement program, including requiring lenders to fix the problems (rather than the City) and using a \$1,000/day blight penalty. Results include lenders curing the cited blight, registering over 1,600 properties and directly paying over \$1.6 million in fees and penalties.

The Gap—Principal Reductions, Servicing Standards, and Accountability

Until the passage of the new State requirements, many of the existing publicly funded programs have not been able offer significant principal reductions. A recent report by the California Reinvestment Coalition and Urban Strategies Council found that while “*principal reduction is critical to stemming foreclosure and housing crises, as it provides an effective way to keep borrowers in their homes and stabilize communities,*” among all loan modifications in the four California Metropolitan Statistical Areas (MSAs) of San Francisco/Oakland, Fresno, Los Angeles, and Sacramento, *only 5.9% of loan modifications came with principal reductions.* Eleven percent of borrowers in the San Francisco/Oakland MSA did receive some principal reduction as part of their modification, compared to less than 5% of borrowers in Fresno and Los Angeles.³

Inconsistent servicing standards and significant difficulties establishing contact with the appropriate entity or person, including being passed around to multiple people providing different or conflicting information or engaging in “dual tracking” (lender’s pursuit of

³ Race to the Bottom: An Analysis of HAMP Loan Modification Outcomes by Race and Ethnicity for California, page 9, California Reinvestment Coalition and Urban Strategies Council, July 2011.

foreclosure against owner seeking loan modification) has been a nightmare for many homeowners in foreclosure.⁴

At the local level, local jurisdictions lack reliable, complete data about the nature of loan modifications on a bank-by-bank basis. Publicly reported data is provided at the national level, and sometimes at the MSA level, but not at the local level.⁵ City governments are left without sufficient tools to understand which lenders are acting in ways that promote neighborhood stabilization and economic revitalization exigencies and which lenders are hurting City priorities.

Addressing the Gap: New Federal/State Requirements & The Oakland Local Implementation Plan

Recent national and state developments have provided Oakland and other local jurisdictions with additional tools to prevent foreclosures—namely the National Mortgage Settlement Agreement reached with the country’s five largest loan servicers (National Settlement), the California Attorney General’s separate side agreement with these five loan servicers (CA Settlement), and the passage of the State Homeowner Bill of Rights Act (HBOR).

In February 2012, 49 state attorneys general and the federal government announced a historic joint state-federal settlement with the country’s five largest loan servicers:

- Ally/GMAC
- Bank of America
- Citi
- JP Morgan Chase
- Wells Fargo

The settlement provides about \$25 billion in relief to distressed borrowers and direct payments to states and the federal government. It’s the largest multistate settlement since the Tobacco Master Settlement with major U.S. tobacco companies in 1998.

The agreement settles state and federal investigations finding that the country’s five largest loan servicers routinely signed foreclosure-related documents outside the presence of a notary public and without knowledge as to whether the facts contained in the documents were correct. The settlement provides benefits to borrowers whose loans are owned by the settling banks as well as to many of the borrowers whose loans they service.

In addition, the California Attorney General’s office negotiated a separate side agreement that provided for an additional \$18 billion for California. The following are the main terms of the California Settlement:

⁴ Id at 12.

⁵ Id at 2.

- More than \$12 billion is guaranteed to reduce the principal on loans or offer short sales to approximately 250,000 California homeowners who are underwater on their loans and behind or almost behind in their payments.
- \$849 million is estimated to be dedicated to refinancing the loans of 28,000 homeowners who are current on their payments but underwater on their loans.
- \$279 million will be dedicated to offering restitution to approximately 140,000 California homeowners who were foreclosed upon between January 1, 2008 and December 31, 2011.
- \$1.1 billion is estimated to be distributed to homeowners for unemployed payment forbearance and transition assistance as well as to communities to repair the blight and devastation left by waves of foreclosures, targeted at 16,000 recent foreclosures.
- \$3.5 billion will be dedicated to relieving 32,000 homeowners of unpaid balances remaining when their homes are foreclosed.
- \$430 million in costs, fees and penalty payments.

On January 1, 2013, the California Homeowner Bill of Rights will go into effect and makes significant changes to California's non-judicial foreclosure process, including the following components:

- ***Covers more banks than the Settlement*** – Applies to mortgage servicers beyond just the five banks covered under the National and California Settlements.
- ***Meaningful loss mitigation options*** – Requires servicers to provide available loss-mitigation options, such as first lien loan modifications or other alternatives to foreclosure.
- ***Dual track foreclosure ban*** – Requires a mortgage servicer to render a decision on a loan modification application before advancing the foreclosure process by filing a notice of default or notice of sale, or by conducting a trustee's sale. The foreclosure process is essentially paused upon the completion of a loan modification application for the duration of the lender's review of that application.
- ***Single point of contact*** – Requires a mortgage servicer to designate a "single point of contact" for borrowers who are potentially eligible for a federal or proprietary loan modification application. The single point of contact is an individual or team, which must have knowledge of the borrower's status and foreclosure prevention alternatives, access to decision-makers, and the responsibility to coordinate the flow of documentation between borrower and mortgage servicer.

- **Enforceability** – Includes authority for borrowers to seek redress of “material” violations of the legislation. Injunctive relief would be available prior to a foreclosure sale and recovery of damages would be available following a sale.
- **Verification of documents** – Subjects the recording and filing of multiple unverified documents to a civil penalty of up to \$7,500 per loan in an action brought by a civil prosecutor. It would also allow enforcement under a violator’s licensing statute by the Department of Corporations, Department of Real Estate or Department of Financial Institutions.

In addition, the City of Oakland has been recently selected to participate in a new national initiative operated by Harvard Legal Aid Bureau (HLAB) to develop a foreclosure prevention/intervention loan fund. The loan fund program will be based upon the efforts of national organizations developing similar foreclosure mitigation models.

In order to ensure that Oakland residents in the foreclosure process have timely access to these new legal protections and resources to assist in their struggles to keep their homes, City staff has worked with multiple agencies to develop a local integrated plan of action that takes advantage of the new legal tools, financial motivations of lenders to engage in principal reductions, funding resources, and unique partnerships.

Amendment to Affordable Housing Trust Fund Ordinance (OMC 15.68.100)

When the City Council dedicated the use of penalty funds from the City’s foreclosed and defaulted residential properties program in June 2012, these funds were to be placed in the City’s Affordable Housing Trust Fund (Trust Fund) for foreclosure prevention efforts. However, the authorizing legislation for the Trust Fund, OMC 15.68.100, limited its use to affordable housing acquisition and development. Staff is proposing to amend the Trust Fund ordinance to ensure that funds derived from these fees and penalties can be used for foreclosure prevention and mitigation activities, such as the ones proposed in this report.

In order to expedite the funding of foreclosure prevention activities from the blight penalty funds, given the crisis nature, it is also recommended that the City Administrator be provided with the authority to enter into grant agreements or contracts for foreclosure prevention services under a \$100,000 threshold.

Third, OMC 15.68.100 currently permits Trust Fund revenues to be used to “increase, improve and preserve the supply of affordable housing.” Preservation is defined as actions to save housing at risk of loss from the affordable housing supply due to “termination of use restrictions, non-renewal of subsidy contract, or physical conditions that are likely to result in vacation of the property.” Staff proposes to amend this definition to include prevention of loss due to mortgage default or foreclosure. This change would authorize Trust Fund revenues to be used to halt

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foreclosure on existing assisted housing units, thereby permitting use of these funds to protect both the City's investment and the affordable housing resource in the event there is the threat of foreclosure by a senior lender on a City-assisted project.

Fourth, upon a finding by the City Council or the City Administrator that funds are no longer needed for foreclosure prevention or mitigation activities, such funds would be used for other eligible Affordable Housing Trust Fund uses or for other low-income or very-low-income tenant or homebuyer assistance.

Technical changes have also been drafted to change the term "City Manager" to "City Administrator".

ANALYSIS

City staff is proposing an integrated foreclosure prevention plan that addresses identified priority gaps in prevention efforts, as well as takes advantage of the new State requirements, resources, and partnerships. The following main components include:

1. Trained community outreach workers to engage in direct communications with homeowners and tenants residing in properties in the foreclosure process to collect initial data and refer households to appropriate services.
2. Homeowner counseling services, negotiation of loan modifications, referral to the ROOT loan fund or legal advocacy, and data collection.
3. Tenant counseling and legal services, referral to City escalation team, and data collection.
4. Homeowner legal advocacy, referral to City escalation team, and data collection.
5. ROOT loan fund program that enables eligible households to re-purchase homes at a significant principal reduction based upon current market value of the home, and data collection.
6. City coordinated accountability includes an escalation team to work with lenders, produce quarterly reports to Council on bank by bank performance, referral to State Attorney General's office.

These services will operate in an integrated way where information, referrals, and problem-solving efforts will be shared through regular collaboration meetings.

See *Attachment A* for a flow chart of the program design.

Trained Community Outreach Workers

Staff is proposing the allocation of \$150,000 from the dedicated blight penalty funds for community outreach to households in the foreclosure process: \$50,000 to Causa Justa :: Just Cause (CJJC) for coordination and training of outreach workers, and maintenance of the database system and data collection; and \$100,000 divided equally among four other groups for outreach work: Allen Temple Housing and Economic Development Corporation (ATHEDCO), Family Bridges, Inc., Martin Luther King, Jr. Freedom Center (Freedom Center), and OCCUR. On a monthly basis, CJJC will assign contacts to each agency's outreach team based on geography and language capacity. Several attempts will be made to contact each household with the goal of reaching approximately 3,500 tenant and homeowner households in foreclosure.

The community outreach plan is designed to maximize the extent to which residents of homes in foreclosure know their rights and have access to resources that will help them assert their rights. The outreach strategies employed for this project have been developed based on proven models of effective outreach to low-income communities, focusing on door-to-door outreach conducted by local community organizations that generally employ local residents from the communities they serve. About half of outreach workers will be bilingual, and all materials will be made available in Spanish or Chinese to ensure language-appropriate outreach to households in all impacted neighborhoods.

Using data provided by the City, outreach workers will visit the majority of Oakland homes entering foreclosure, focused on low-income neighborhoods most hard-hit by the foreclosure crisis and with the fewest financial resources. In these visits, outreach workers will inform the residents – tenants and/or homeowners – that the property is in foreclosure, provide referral information to local agencies, and gather basic demographic and property information.

CJJC will coordinate several intensive trainings for outreach workers and their host agencies, including on the foreclosure process and basic rights of homeowners and tenants, the Homeowners Bill of Rights, Attorney General's settlement, or other relevant changes in policy or legislation. In addition to trainings on substantive issues, outreach workers will be trained in effective outreach techniques.

Data Tracking and Evaluation: Using a sophisticated online database system, agencies will be able to enter data based on the outreach they have conducted. CJJC will compile the data and produce reports that can measure the effectiveness of the outreach and progress towards established goals. These reports will be submitted regularly to the City and can be analyzed further as well as used to augment the City's defaulted and foreclosed property database.

Success will be measured by several indicators:

- 1) percentage of inhabited properties reached;
- 2) percentage of residents responding positively to the information provided;

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- 3) number of properties where additional data is successfully collected; and
- 4) number of referrals received by service agencies, including the tenant and homeowner counseling services.

At the end of the pilot year, a report will be generated that measures the outreach outcomes according to the relevant indicators and summarizes lessons learned that can be used for future outreach efforts.

Specific Goals for Outreach: Approximately 440 direct conversations with residents of foreclosed properties per month. This is based on a contact rate of approximately 1.5 contacts per hour and a total of 2,352 hours of outreach workers in the field, for a total of 3,538 contacts over the pilot year.

Budget: The \$150,000 will support outreach staff at the five partnering organizations, including a Program Co-Director, Outreach and Organizing Lead, Data Coordinator, Outreach Team Coordinator, 12 Outreach Team members and 4 Outreach Team leaders. Funding will also cover training and program materials, office supplies and minor travel expenses. The proposed funding will leverage about \$75,000 in CJJC's private foundation funding for community work in East Oakland, mitigation of the foreclosure crisis and support for the financial sustainability of low-income residents.

See **Attachment B** for a description of the organizational experience of CJJC, ATHEDCO, OCCUR, Family Bridges, and the Freedom Center.

Homeowner Counseling and Loan Modifications

The City currently provides \$83,000 to the Unity Council to provide informational mailings, outreach and counseling services to low and moderate income homeowners facing possible foreclosure.⁶

Staff proposes to provide \$50,000 to CHDC, a premier housing counseling agency with higher rates of success than the national average, for their senior housing counselor to provide housing counseling and negotiate loan modifications for about 67 Oakland residents. CHDC anticipates being able to successfully help fourteen (14), or twenty-one percent (21%), of these Oakland households avoid foreclosure while providing counseling and referral to assistance resources to the others. The national foreclosure avoidance average rate for housing counseling services is 14%. The following are key data about CHDC's FY11-12 activities:

⁶ For FY11-12, the Unity Council has held foreclosure prevention and intervention group workshops for 218 participants, provided individual financial planning and money management counseling to 483 distressed homeowners, and engaged in targeted outreach through telemarketing, email or regular mail to 4,829 Oakland homeowners who have received a Notice of Default or Notice of Trustee Sale.

- CHDC has served 231 foreclosure intervention clients since October 1, 2011. Of the 231 clients, 34 are Oakland residents (15%).
- Of the 231 foreclosure intervenfion clients, 48 avoided foreclosure (21%) and 30 avoided foreclosure due to a successful loan modification (13%).

See *Attachment B* for a description of CHDC's organizational experience.

Homeowner Hotline and Legal Advocacy

Staff is proposing to increase and expand the City's existing contract with HERA by an additional \$100,000 to: (1) provide 100 Oakland homeowners facing foreclosure with in-depth legal advocacy or technical assistance; (2) staff a new one-stop hotline service for Oakland homeowners; (3) provide workshops for an addifional 120 Oakland residents; and (4) supervise pro bono lawyers or law students.

HERA currently has a contract with the City of Oakland to provide legal advocacy for homeowners in Alameda County, outside of Oakland, as part of the Alameda County Community Action Partnership funds. The City of Oakland serves as the administrator/pass through agency for this grant.

From January 1, 2012 to September 10, 2012, HERA staff served 3,347 residents (not including workshops). In that same timeframe, HERA has served 431 Oakland residents, including 357 homeowners and 74 tenants. HERA's success rate on loan modification negotiations and other advocacy to help homeowners keep their homes is about 70%. Out of about 500 cases, HERA kept about 375 people in their homes.

New one-stop hotline for homeowners in foreclosure: There is currently no dedicated hotline service for homeowners in foreclosure to call. HERA would provide experienced staff to conduct initial homeowner screening in order to ensure that distressed homeowners are being referred to the best and most appropriate service for their unique situation, be it housing counsehng, HERA, 211 for non-housing services, or other available resources.

Provide in-depth legal advocacy for Oakland homeowners facing foreclosure. Homeowners in foreclosure will be referred to HERA by housing counseling agencies, the new hotline, the City of Oakland or other agencies. HERA will be addressing problem cases and reviewing servicer responses and homeowner files to verify homeowner options and/or the veracity of servicers' claims, and doing any other necessary research and advocacy. Based upon past track record, HERA estimates that it will keep 70% of Oakland homeowners in their home through loan modification work and/or other legal advocacy.

There may be cases that HERA does not pursue for longer-term advocacy but reviews all of the homeowner's options, investigates whether the servicer's responses comport with federal or other

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modification rules, and advises the City and/or the homeowner. The total number of Oakland homeowners whom HERA will serve under both in-depth legal advocacy and technical assistance combined will be up to 100 over the course of the grant period.

Provide consumer workshops. HERA will conduct workshops to educate the public on key terms from the CA Settlement and on the HBOR, serving a total of 120 homeowners over the course of the grant period (for an average of 15 consumers at each workshop).

In addition, HERA will provide one training for HUD certified housing counselors and/or volunteers on latest loan modification program requirements, as well as supervise law students or other pro bono assistance on identifying servicing and HBOR violations. The total cost of the above services is \$143,000, with the City of Oakland providing \$100,000 and \$43,000 from private foundation and other sources.⁷

See *Attachment B* for HERA's organizational description.

Tenant Counseling and Legal Services

The City, using its Community Development Block Grant funds, currently supports tenant/landlord counseling and housing related legal services to three organizations: the East Bay Community Law Center (EBCLC), Centro Legal De La Raza (Centro), and Causa Justa :: Just Cause. In addition, the City's Rent Adjustment Program also funds Bay Legal Aid to provide tenant services. In fiscal year 2011-2012, in addition to providing other tenant services, the groups served 529 clients who were in homes in the foreclosure process.

Staff proposes an allocation of \$16,700 each to EBCLC, CJC and Centro (for a total of \$50,100) to continue providing counseling and legal services for tenants residing in or at risk of foreclosure. The new funds for tenants in homes threatened by foreclosure are expected to support services for an additional 160 hotline callers, 20-25 tenant households through case management, and 120 tenant households through a combination of limited and full-scope legal representation.

Budget and Tenants Served: For the 8 month term of the proposed contract, CJC's proposed budget of \$16,700 will partially cover the staff costs of a bilingual tenant counselor, database support staff, and hotline intake specialist. This additional staff capacity will enable CJC to better serve Spanish-speaking tenants, especially in heavily-impacted East Oakland neighborhoods, while maintaining service levels and focusing on the needs of tenants throughout the City impacted by foreclosure. CJC estimates that the proposed enhancement in their tenant

⁷ The costs do not include the additional cost of training an estimated 10 counselors and/or volunteers on the latest modification requirements and supervising 5 law students or other pro bono assistance on HBOR issues over the course of the grant period.

counseling and advocacy would serve an additional 20 clients per month through the hotline (for a total of 160 clients over the grant period) and an additional 20-25 managed cases.

EBCLC's proposed budget for these funds will support a Housing Staff Attorney whose primary focus is tenants in foreclosure properties with a small allocation for a Contracts Manager to track needed data. The Housing Attorney has been supported for the last 2 years by an Equal Justice Works fellowship which ended in September. These proposed funds would leverage \$30,000 in private foundation funds for EBCLC's foreclosure and housing-related services and fund EBCLC's limited scope services for an estimated 65 tenants and full legal representation for an estimated 10 tenants in homes affected by foreclosure.

The proposed funds for Centro Legal will help support database enhancement to capture more detailed data regarding tenants and foreclosure-related services, a Development Coordinator to run and analyze monthly foreclosure data reports, and one housing attorney. Prior year outcomes were the result of having three full-time housing attorneys on staff. In June 2012, Centro Legal lost funding for one of the housing attorneys and expects to use the proposed funding to hire a part-time attorney, resulting in slightly lower outcomes than the prior year. The proposed funding would leverage Centro's other funding for foreclosure-related services, including \$61,500 in private grants and donations. Centro estimates that the proposed funding will support limited scope services for an additional 40 tenant households and full legal representation for an additional 5 tenant households in homes affected by foreclosure.

See *Attachment B* for organizational descriptions.

ROOT Loan Fund

The ROOT Collaborative is a group of Bay Area organizations committed to stabilizing neighborhoods impacted by the foreclosure crisis. Its goal is to secure homeowners and stabilize neighborhoods. The Collaborative includes groups based in Oakland, Alameda County, and Contra Costa County who are eager to grow the program in their own communities, as well as organizations that work across the Bay Area. Starting in Oakland, the Collaborative is working to launch a demonstration pilot in the Bay Area that will help existing homeowners facing foreclosure to retain their homes.

The goal of the program is to prevent displacement and ensure long-term homeownership by purchasing homes in foreclosure and selling them back to their occupants with a new affordable mortgage. A lead non-profit agency, CHDC, purchases a distressed home at a discount from a lender, and then sells it to the existing occupants. The new mortgage is structured to reflect current market value, functioning as a long-term principal reduction. This approach intervenes before eviction, avoiding neighborhood blight as well as family trauma. It also ensures

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sustainable homeownership through close work with clients, who are supported by community organizations providing advocacy and financial education.

The Oakland pilot is inspired by other successful foreclosure mitigation efforts but adapted for the Oakland market, and tied with the City of Oakland's integrated strategies to address foreclosures through a range of property-based and household-based programs. The City's capital funds of \$1 million would be used as a loan loss reserve or for mortgages, and would leverage an additional \$7-9 million from Community Development Financial Institution (CDFI) partners and other investors. Once further capital is assembled and recycled, ROOT will be expanded to serve more residents in both Oakland and other parts of the Bay Area.

Program Design and Eligibility

ROOT will serve homeowners of low and moderate income who are committed to staying in their homes and could afford their mortgage if it were adjusted to reflect the current market value of their homes. Additional information is contained in the ROOT Summary Terms, **Attachment C**. The main components include the following:

- Eligible homeowners must have a stable income but are unable to make monthly payments based on their existing mortgage, often due to a 20-30% reduction in income due to unemployment or other hardship.
- The typical program participant will likely be a first-time homebuyer, between 80-100% of area median income, who bought at the peak of the market, had a subprime or low-end prime loan, and has tried and failed to work out a solution with his or her lender.
- CHDC will purchase the home of an individual going through or at risk of foreclosure, repairs and minor renovations will be made and the home will be sold back to the original occupant with a new mortgage they can afford.
- The new mortgage will be based on the current market value of the home, typically 40% to 50% of the original mortgage and will have a fixed and favorable interest rate and 30 year term, with no balloon payments.
- To support program participants to successfully retain their homes, they will be required to participate in financial counseling and coaching sessions. A bi-weekly payment plan will be established so homeowners can manage their payments and build up reserves that can be used to pay down the principal and reduce the length of their loan, or can be used for necessary repairs.

City funding will be used as a loan loss reserve or mortgages, and leverage an additional financing of \$7 to 9 million committed by partners LISC, Enterprise, One Pacific Coast Bank, and the California Housing Finance Agency (CAL HFA). It is anticipated that 20-25 Oakland households will be served in the pilot year.

Wells Fargo Bank has agreed to participate in the loan fund by selling their properties with eligible Oakland ROOT clients to CHDC at a discounted rate using current market values.

ROOT partners have identified 37 Oakland homeowners who would meet the initial criteria for the program and who are already working with a housing counselor. Twenty-five (25) of the thirty-seven (37) homeowners have either Wells loans or loans serviced by Wells. These homes are in the 06001 Census Tract with the following zip codes: 94603; 94605 – 15; and 94621 – 7.

Four different types of capital are needed for Oakland ROOT to be implemented. The categories of financing needed for the Oakland ROOT program are Short-term, Interim, Permanent and Loan Loss Reserve. See *Attachment D* for the capital financing model.

- Short-term is used to acquire the property, provide a 30-year mortgage and hold for 6-12 months as a payment history is established. This acts as a revolving line of credit. Funds will be repaid when the mortgage is placed in the Interim loan pool.
- Interim serves as the take-out or repayment source for the Short-term. The term is 6-60 months.
- Permanent is the take-out or repayment source for the Interim. The term is 30 years.
- Loan Loss Reserve (LLR) supports or credit enhances the Short-term and Interim financing. Loan Loss Reserve funds provide a cushion against loan defaults and potential losses from the liquidation of collateral. A 20% reserve is assumed as an abundance of caution to assure lenders providing more traditional financing. LLR funds will be recaptured by funders at termination of the pool.

The expectation is that \$1 million in Loan Loss Reserve funds would support up to \$5 million in a combination of Short-term and Interim financing. Once a mortgage has seasoned under the Interim period (up to 5 years) with good repayment performance, secondary market buyers and/or programs should be available to purchase the assets. In addition, the credit worthiness of the homeowners will dramatically improve as they establish a mortgage repayment history, making them eligible for a range of publicly supported mortgage programs. The major risk would be interest rate increases over the next 5 years. Financing sources for the pilot program include:

- \$1,000,000 City of Oakland NSP for mortgages and loan loss;
- \$2,000,000 CalHFA funds for acquisition, loan loss and mortgages;
- \$5,000,000 One Pacific Bank for mortgages – Interim;
- \$1,000,000 LISC for acquisition; and
- \$1,000,000 Enterprise for acquisition.

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Assuming CalHFA is involved, \$1 million would be set-aside for a loan loss reserve with the remaining funds used for all phases: Short-term, Interim, and Permanent. CalHFA funds would supplement the other funding sources. Because CalHFA funds comes at a lower cost of funds (3%) its usage would be maximized. If needed, LISC and ECP loans would be used for purchasing the homes. The City's NSP would be used to fund the homebuyer mortgages or loan loss reserve, and One Pacific would purchase the mortgages after they have been seasoned. The process is as follows:

1. Homeowner meeting ROOT eligibility criteria is identified by counseling agency. Counseling agency pre-screens for eligibility.
2. CHDC underwrites borrower.
3. CHDC negotiates with lender to purchase the property.
4. CHDC utilizing funding from CalHFA or a loan from LISC or ECP acquires the property.
5. CHDC sells the home back to the homeowner and provides a new mortgage (30 year, fixed, ~7%). Mortgage is funded by City NSP (acquisition loan is repaid).
6. After mortgage is seasoned, up to 12 months, One Pacific purchases mortgage. City NSP funds cycled out of this mortgage.
7. After additional seasoning for secondary market, up to 36 months, the mortgage is sold to secondary market or the homeowner refinances and pays off the mortgage (One Pacific's capital is recycled). If a secondary market is not available and the homeowner is unable to refinance, then a portion of the City NSP or CalHFA funds would be utilized to purchase the mortgages from OnePacific.

See **Attachment E** for a sample ROOT loan fund transaction.

Loan Fund Administrator: CHDC

CHDC will be engaging in the following activities:

- Review and approval of project property and homeowner to ensure program guidelines are met
- Negotiate each short sale purchase with lender
- Property rehab as needed, keeping occupant in place.
- Resale of the property to the occupant.
- Origination of home loan to the owner
- Hold and service the first mortgage for a maximum of 18 months
- Sale of the loan to Enterprise, Self-Help or another secondary market purchaser

See **Attachment B** for organizational description of CHDC.

Two national Community Development Financial Institutions (CDFI), Enterprise Community Partners and Local Initiatives Support Corporation (LISC) have been and will continue to provide technical assistance to CHDC to ensure successful outcomes with the ROOT program. See **Attachment B** for organizational descriptions.

ROOT Partners

Working Group on Program Design and Capital Assembly

- Bay Area LISC
- City of Oakland
- Community Housing Development Corporation (CHDC)
- East Bay Housing Organizations (EBHO)
- Enterprise Community Partners

Partners and Advisers

- Alliance of Californians for Community Empowerment (ACCE)
- Cause Justa: Just Cause (CJJC)
- PICO Network and Oakland Community Organization (OCO)
- Unity Council
- Urban Strategies Council and Oakland Community Land Trust
- One Pacific Coast Bank
- Wells Fargo Bank

City Coordinated Accountability: Comprehensive Database System, Quarterly Reports, Referrals to State Attorney General

The integrated foreclosure prevention plan enables the City to develop a comprehensive system to assess the performance of specific lenders, as well as City funded programs. Quarterly public reports to be issued to Council will include the following information:

- **Specific Bank Performance:** including the numbers of NODs and REOs filed, properties sold and to owner-occupants or investors, loan modifications issued including with principal reduction, properties registered with the City's registration program, blighted properties and their resolution, tenant complaints and their resolution, complaints of violations under the new State requirements and their resolution, and unresolvable complaints tiled by the City with the State Attorney General's office.

The data will come from existing database sources that the City utilizes, the City's new Defaulted and Foreclosed Properties Registration Program, and data from City partners including through community outreach, tenant services, homeowner services, and referrals to the City.

- **Program Performance:** including information from organizations with new and current City funds working on foreclosure prevention efforts on the numbers of residents served, demographic information, and specific outcomes from the service.

With the new integrated approach where information will be collected at every level of the plan, the City and our partners will be able to timely assess any performance issues and make appropriate adjustments. For example, the tenant counseling and housing counseling agencies will note which referrals they receive are coming from the City's community outreach workers. In turn, HERA and the ROOT loan fund program will be able to assess the quality of referrals they receive from the housing counseling agencies. City staff will conduct spot-check reviews to provide both program assistance and assessment of the effectiveness of the tenant counseling, housing counseling, legal advocacy, and ROOT.

City staff will verify violations of new State requirements, provide the banks with an opportunity to resolve any violations, and then refer unresolved complaints to the Attorney General's office.

Local Mediation Program

Should collected data and program information show that lenders are failing to comply with the new State requirements in Oakland, City staff will review the possibility of developing a local foreclosure mediation program. There has been national interest in local jurisdictions requiring a mediation process before a foreclosure can be completed and there has been some success with mediation in the foreclosure context.⁸ Staff would learn from these experiences, including the voluntary mediation programs, and return to Council with a proposal for Council consideration.

PUBLIC OUTREACH/INTEREST

Staff has been working with and/or provided information to: ACCE, OCO, SEIU 1021, Alameda County Public Health Department, Building Services Improvements Advisory Task Force, Wells Fargo Bank, JP Morgan Chase Bank, Urban Strategies Council, California Reinvestment Coalition, Oakland Realtors Association, East Bay Rental Housing Association, and the Oakland Metropolitan Chamber of Commerce. In addition, Mayor Quan has played an instrumental role in securing the support of lending institutions for the ROOT loan fund program.

COORDINATION

Coordination has occurred between Housing, Building Services and the City Attorney's office.

⁸ http://www.unitedtrustees.com/enews/pdf/Foreclosure_Ordinance.pdf;
http://www.nclc.org/images/pdf/foreclosure_mortgage/mediation/report-state-mediati-on-programs-update.pdf, 4;
<http://www.psh.com/content/724>; <http://disb.dc.gov/dsr/cwp/view,a,1299,q,645508.asp>;
https://www.stlbeacon.org/#1/content/26517/foreclosure_mediation_passes_st_louis_county.

COST SUMMARY/IMPLICATIONS

Funding sources are from available monies dedicated to foreclosure prevention and mitigation activities—the City’s NSP grant and foreclosed properties penalty fund. Under the proposed plan, it would cost about \$800 in City funds to keep one Oakland tenant or homeowner household facing foreclosure in their home through counseling, advocacy, and/or legal services. Under the ROOT loan fund program, a typical participant will receive a loan of about \$200,000 to cover both acquisition and rehabilitation costs. The City’s funds of \$1 million for the loan loss reserve or mortgage, leveraging an additional \$7-9 million, would result in serving 20-25 households in a one-year loan cycle for the pilot program. In addition, the City would be contributing up to \$200,000 towards the first year operational expenses. This equates to \$60,000 to \$48,000 of City funds per participating households.

FISCAL/POLICY ALIGNMENT

Support for effective foreclosure prevention programs will result in financial benefits to the City and the Oakland community, including prevention of blighted foreclosed properties and associated costs and enhanced economic development and quality of life.

PAST PERFORMANCE, EVALUATION AND FOLLOW-UP

The selected groups all have extensive experience and a stellar track record in delivering foreclosure prevention/mitigation related services. In addition, City staff will be monitoring program performance on a quarterly basis, including providing information in public reports.

SUSTAINABLE OPPORTUNITIES

Economic: The proposal will retard the deterioration of property values and will support future development and assist the economic growth and revitalization of the City.

Environmental: The proposal will reduce blight, including accumulation of garbage, dispersal of pollutants and target-organ toxins, and uncontrolled growth of vector populations.

Social Equity: The proposal will encourage the infusion and recurrence of diverse multi-cultural activities, businesses, and events.

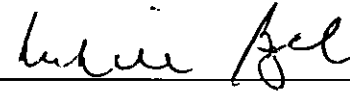
CEQA

In accordance with CEQA Guidelines Section 15301 (existing facilities) this action is categorically exempted.

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For questions regarding this report, please contact Margaretta Lin, Department of Housing and Community Development, at 510-238-6314.

Respectfully submitted,



Michele Byrd
Director of Housing and Community
Development

Prepared by:

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Department of Housing and Community Development
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Department of Housing and Community Development

Attachment A: Program Design Flow Chart

Attachment B: Organizational Descriptions

Attachment C: ROOT Loan Fund Summary Terms

Attachment D: ROOT Loan Fund Capital Financing Model

Attachment E: ROOT Loan Fund Sample Transaction

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October 9, 2012

Attachments:

Attachment A: Program Design Flow Chart

Attachment B: Organizational Descriptions

Attachment C: ROOT Loan Fund Summary Terms

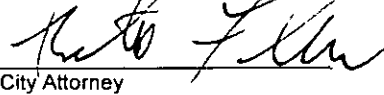
Attachment D: ROOT Loan Fund Capital Financing Model

Attachment E: ROOT Loan Fund Sample Transaction

Introduced by

FILED
OFFICE OF THE CITY CLERK
OAKLAND

Approved for Form and Legality



Councilmember

2012 SEP 27 AM 11:49

City Attorney

OAKLAND CITY COUNCIL

RESOLUTION No. _____ C.M.S.

A Resolution Supporting Foreclosure Prevention/Mitigation Activities Including 1) The Allocation Of Up to \$1,200,000 From The Neighborhood Stabilization Program (A HUD Federal Grant) To Community Housing Development Corporation For Purposes Of Funding A Foreclosure Prevention Loan Fund Program; 2) The Allocation of \$350,100 From Blighted Foreclosed Properties Penalties To Fund The Following: A) Community Outreach Services For \$150,000 Provided By Causa Justa::Just Cause (\$50,000), Family Bridges (\$25,000), OCCUR (\$25,000), Allen Temple Economic Development Agency (\$25,000), and the Martin Luther King Jr. Freedom Center (\$25,000); B) Homeowner Legal Advocacy For \$100,000 Provided By The Housing Economic Rights Advocates; C) Homeownership Counseling And Loan Modification Advocacy For \$50,000 Provided By The Community Housing Development Corporation; And D) Tenant Counseling And Legal Services For \$50,100 Total Provided By The East Bay Community Law Center (\$16,700), Centro Legal De La Raza (\$16,700), And Causa Justa::Just Cause (\$16,700); And 3) Requiring Staff To Develop A Foreclosure Mediation Policy For Council Consideration Should There Be Serious Problems With Bank Servicer And Lender Compliance In Oakland With The Attorney General Bank Settlement Agreement And State Homeowner Bill of Rights Act

WHEREAS, the City of Oakland has been devastated by the foreclosure crisis, with 10,542 foreclosures from 2007 to 2011, a rate of about 1 in 19 households in foreclosure; and

WHEREAS, properties throughout the City of Oakland which lenders have recorded a Notice of Default (defaulted) or have taken ownership through a Deed of Trust (foreclosed) have been and continue to be significant and unnecessary attractors for blighting condifions that create severe health hazards in neighborhoods, including explosions of vector populations, accumulations and dispersals of pollutants and target-organ toxins, degradation of air quality; and conditions that adversely impact the quality of life for Oakland residents; and

WHEREAS, defaulted and foreclosed properties throughout the City also have been and continue to be significant and unnecessary attractors for trespassers and transient occupants that foster and enable criminal activities, including theft, vandalism, prostitution, and the sale and use of narcotics and other controlled substances; and

WHEREAS, defaulted and foreclosed properties throughout the City also have been and continue to be a significant and unnecessary discourager to economic development and contributor to the decline of property values in neighborhoods; and

WHEREAS, the City has expended and continues to expend vast and unnecessary amounts of limited resources and scarce funds investigating defaulted and foreclosed properties, mitigating the detrimental effects of neglected maintenance, curtailing associated criminal activity, and monitoring the recurrence of nuisance activities; and

WHEREAS, historically, the resource requirements for monitoring defaulted or foreclosed properties increases with the time that building remains vacant or occupied by involving an escalating commitment from Code Enforcement administrative, fiscal, and supervisory staff, and involving a proliferating interaction with other City departments and agencies, including Real Estate, Finance, City Attorney, Fire, and Police and by City officers and officials; and

WHEREAS, historically, there are additional citywide costs of said resource requirements in areas of real estate divestiture and acquisition, fire prevention and suppression, neighborhood revitalization, nuisance and criminal activities, hazardous material identification and disposal, litigation, liens and collections, degradation of the general tax levy, and public notification and hearings; and

WHEREAS, defaulted and foreclosed properties impose additional financial burdens on neighbors, prospective purchasers, and the business community in the City of Oakland; and

WHEREAS, the City has received Neighborhood Stabilization Program (NSP) grants from the federal Housing and Urban Development Agency, including \$8.2 million for the NSP1 and over \$2 million for the NSP3 allocations; and

WHEREAS, the Council in June 2012 dedicated the use of penalty funds recovered from the City's defaulted and foreclosed properties blight program to fund foreclosure prevention efforts (penalty funds); and

WHEREAS, City staff has engaged in planning efforts with multiple State and community organizations working on foreclosure prevention and mitigation efforts and developed an integrated approach including community outreach, housing counseling, legal advocacy, tenant counseling, referral to the State Attorney General's office, a new foreclosure mitigation loan fund program (ROOT Loan Fund), and City coordination; and

WHEREAS, City staff has engaged in appropriate outreach and procedures in order to provide community outreach grants to service providers who are skilled at community outreach activities and provided prior City-funded and effective community outreach, namely Causa Justa: Just Cause for \$50,000; OCCUR for \$25,000; Family Bridges for \$25,000; Allen Temple Economic Development Corporation for \$25,000; and the Martin Luther King Jr. Freedom Center for \$25,000. These funds are from the City's penalty funds and will provide outreach and referral services for 3,500 residents; and

WHEREAS, City staff has engaged in appropriate outreach and procedures in order to provide a grant of \$50,000 to Community Housing Development Corporation (CHDC), a housing counseling agency with an effective track record of negotiating loan modifications for homeowners in foreclosure. These funds are from the City's penalty funds and will provide housing counseling and loan modification negotiations for 67 residents; and

WHEREAS, City staff has engaged in appropriate outreach and procedures in order to expand existing City funds for tenant counseling and legal services for tenant families in properties in foreclosure through grants to existing City providers, namely Causa Justa: Just Cause for \$16,700, East Bay Community Law Center for \$16,700, and Centro Legal de la Raza for \$16,700. These funds are from the City's penalty funds and will serve 300 tenant families in properties in foreclosure, including keeping 35 families in their homes, providing a hotline for tenants, and tenant counseling and legal services; and

WHEREAS, City staff has engaged in appropriate outreach and procedures in order to provide a grant of \$100,000 to Housing Economic Rights Advocates (HERA), a housing legal advocacy organization with an effective track record of negotiating loan modifications for homeowners in foreclosure. These funds are from the City's penalty funds and will serve 300 homeowners in foreclosure through a hotline service, direct advocacy for 100 homeowners, workshops for 100 homeowners, and technical assistance and training for City partners; and

WHEREAS, City staff has been working with CHDC, Enterprise Community Partners, LISC, One Pacific Coast Bank, East Bay Housing Organizations, and other organizations to establish a foreclosure mitigation loan fund program to be administered by CHDC with technical assistance to be provided by Enterprise and LISC, called the ROOT Loan Fund program; and

WHEREAS, City funds of \$1.2 million from its NSP allocation for the ROOT loan fund will leverage an additional \$7-9 million of funds from Enterprise, LISC, One Pacific Coast Bank, and the California Housing and Finance Agency; and

WHEREAS, the ROOT Loan Fund is anticipated to serve 20-25 Oakland homeowners in the pilot year as well as expand its ability to serve additional Oakland and Bay Area residents; and

WHEREAS, the requirements of the California Environmental Quality Act (CEQA), the Guidelines as prescribed by the Secretary of Resources, and the provisions of the Statement of Objectives, Criteria and Procedures for Implementation of the California Environmental Quality Act: City of Oakland, have been satisfied, and that in accordance with CEQA Guidelines Section 15301 (existing facilities) this project is categorically exempted; now, therefore,

RESOLVED, that up to \$1.2 million be allocated from City NSP funds to CHDC with up to \$1 million for the loan loss reserve, mortgages, and/or other capital support needs; and up to \$200,000 for CHDC operational support in the pilot year; and be it

FURTHER RESOLVED, that \$50,000 be allocated to CJC for community outreach coordination and data management services to be funded from the City's defaulted and foreclosed properties registration and blight abatement penalty funds and \$25,000 each to be allocated to Family Bridges, OCCUR, Allen Temple Economic Development Agency, and the Martin Luther King Jr. Freedom Center for targeted community outreach services from special revenue Development Services Fund (2415), Neighborhood Preservation Inspections Organization (84454), Foreclosed Registration Project (A456210), Livable Neighborhood Code Enforcement Services Program (NB31); and be it

FURTHER RESOLVED, that \$100,000 be allocated to HERA for housing legal advocacy to be funded from the City's defaulted and foreclosed properties registration and blight abatement penalty funds, from special revenue Development Services Fund (2415), Neighborhood

Preservation Inspections Organization (84454), Foreclosed Registration Project (A456210), Livable Neighborhood Code Enforcement Services Program (NB31); and be it

FURTHER RESOLVED, that \$50,000 be allocated to CHDC for housing counseling services to be funded from the City's defaulted and foreclosed properties registration and blight abatement penalty funds, from special revenue Development Services Fund (2415), Neighborhood Preservation Inspections Organization (84454), Foreclosed Registration Project (A456210), Livable Neighborhood Code Enforcement Services Program (NB31); and be it

FURTHER RESOLVED, that existing City contracts for tenant counseling and legal services be expanded for CJC for \$16,700; EBCLC for \$16,700; and Centro Legal for \$16,700 to be funded from the City's defaulted and foreclosed properties registration and blight abatement penalty funds, from special revenue Development Services Fund (2415), Neighborhood Preservation Inspections Organization (84454), Foreclosed Registration Project (A456210), Livable Neighborhood Code Enforcement Services Program (NB31); and be it

FURTHER RESOLVED, that should collected data and program information show that lenders are failing to comply with the new State requirements in Oakland, City staff will review the possibility of developing a local foreclosure mediation program for Council consideration.

IN COUNCIL, OAKLAND, CALIFORNIA, _____, 2012

PASSED BY THE FOLLOWING VOTE:

AYES - BRUNNER, BROOKS, DE LA FUENTE, KAPLAN, KERNIGHAN, NADEL,
SCHAAF AND PRESIDENT REID

NOES -

ABSENT -

ABSTENTION -

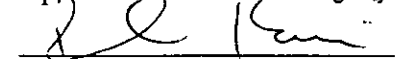
ATTEST: _____

LATONDA SIMMONS
City Clerk and Clerk of the Council
of the City of Oakland, California

DATE OF ATTESTATION: _____

12 SEP 26 AM 11:22 2012 SEP 27 AM 11:50

Approved as to Form and Legality:


Deputy City Attorney

OAKLAND CITY COUNCIL

Ordinance No. _____ C.M.S.

AN ORDINANCE AMENDING OAKLAND MUNICIPAL CODE SECTION 15.68.100 (AFFORDABLE HOUSING TRUST FUND) TO (1) PERMIT FINES AND PENALTIES RECEIVED PURSUANT TO SECTION 8.54.620 (FORECLOSED AND DEFAULTED RESIDENTIAL PROPERTY REGISTRATION PROGRAM) AND SIMILAR PROGRAMS TO BE USED FOR FORECLOSURE PREVENTION AND MITIGATION ACTIVITIES, (2) AUTHORIZE THE CITY ADMINISTRATOR TO MAKE GRANTS OR SERVICE CONTRACTS UNDER THE PROGRAM OF UP TO \$100,000 WITHOUT RETURNING TO COUNCIL, AND (3) ALLOW AFFORDABLE HOUSING TRUST FUNDS TO BE USED TO ASSIST AFFORABLE HOUSING PROJECTS AT RISK DUE TO MORTGAGE DEFAULT OR FORECLOSURE

WHEREAS, Chapter 8.54 of the Oakland Municipal Code, governing the Foreclosed and Defaulted Residential Property Registration Program, was amended in June 2012 to include properties throughout the City of Oakland where lenders have recorded a Notice of Default (defaulted) or have taken ownership through a Deed of Trust (foreclosed); and

WHEREAS, the June 2012 amendment specified that fines and penalties, subsequent to covering program administration costs, be deposited into the Affordable Housing Trust Fund, established under Section 15.68.100 of the Oakland Municipal Code, to fund foreclosure prevention programs; and

WHEREAS, other programs may designate the use of fines, penalties, or other funds deposited into the Affordable Housing Trust Fund for foreclosure prevention or mitigation purposes; and

WHEREAS, the Affordable Housing Trust Fund currently limits the use of the Fund to only acquisition and development of affordable housing units; and

WHEREAS, the City would like to support foreclosure prevention and mitigation efforts beyond affordable housing acquisition and development purposes; now, therefore,

THE COUNCIL OF THE CITY OF OAKLAND DOES ORDAIN AS FOLLOWS:

SECTION 1. Section 15.68.100 of the Oakland Municipal Code is hereby amended to read as

follows (deletions are indicated with strikethrough text, and additions with underlining):

15.68.100 - Affordable Housing Trust Fund.

The City Manager-~~Administrator~~ shall establish an Affordable Housing Trust Fund to provide assistance in developing and maintaining affordable housing in the City of Oakland. The Affordable Housing Trust Fund shall receive all monies contributed pursuant to Sections 15.68.050 and 15.68.060 of this chapter. The Affordable Housing Trust Fund may also receive funds from any other source.

Funds deposited into the Affordable Housing Trust Fund, and all interest and investment earnings thereon, shall be used to increase, improve, and preserve the supply of affordable housing in the City of Oakland, with priority given to housing for very low income households. For purposes of this paragraph, to "preserve" affordable housing means to acquire, finance, refinance, or rehabilitate housing that is at imminent risk of loss to the affordable housing supply due to termination of use restrictions, non-renewal of subsidy contract, mortgage default or foreclosure, or physical conditions that are likely to result in vacation of the property.

Funds may also be used to cover reasonable administrative or related expenses of the city not reimbursed through processing fees. No portion of the Affordable Housing Trust Fund may be diverted to other purposes by way of loan or otherwise.

Funds in the Affordable Housing Trust Fund shall be used in accordance with the adopted housing element to the City's General Plan, the Consolidated Plan, and subsequent housing plans adopted by the City Council, to subsidize or assist the city, other government entities, nonprofit organizations, private organizations or firms, or individuals in the construction, preservation or substantial rehabilitation of affordable housing. Monies in the Affordable Housing Trust Fund may be disbursed, hypothecated, collateralized or otherwise employed for these purposes from time to time as the City Manager Administrator so determines is appropriate to accomplish the purposes of the Affordable Housing Trust Fund. Eligible uses include, but are not limited to, assistance with staff costs or other administrative costs attributable to a specific affordable housing project, equity participation in affordable housing projects, loans and grants (including, predevelopment loans or grants) to affordable housing projects, or other public/private partnership arrangements. Monies from the Affordable Housing Trust Fund may be extended for the benefit of rental housing, owner occupied housing, limited equity cooperatives, mutual housing developments, or other types of affordable housing projects.

Notwithstanding the above, funds deposited into the Affordable Housing Trust Fund from fines and penalties received under the Foreclosed and Defaulted Residential Property Registration Program pursuant to Section 8.54.620 of the Oakland Municipal Code, or from fines, penalties, or other funds under other programs that designate the use of funds deposited into the Affordable Housing Trust Fund for foreclosure prevention or mitigation purposes, may

be used for foreclosure prevention and mitigation activities, including but not limited to homebuyer or tenant assistance, rehabilitation, housing counseling, education, outreach, and advocacy activities, along with staff costs or other administrative costs attributable to such activities. Upon a finding by the City Council or the City Administrator that funds are no longer needed for foreclosure prevention or mitigation activities, such funds may also be used for other eligible Affordable Housing Trust Fund uses or for other low income or very low income tenant or homebuyer assistance. Funds received pursuant to Section 8.54.620 shall be appropriated to a separate project. For funds received under the Foreclosed and Defaulted Residential Property Registration Program or other programs that designate the use of funds for foreclosure prevention or mitigation purposes, the City Administrator or his or her designee is authorized to award grants and enter into grant contracts or service contracts without returning to the City Council in amounts not to exceed \$100,000.

The Affordable Housing Trust Fund shall be administered by the City ~~Manager~~ Administrator, who shall have the authority to govern the Affordable Housing Trust Fund consistent with this section and to prescribe regulations for the administration and use of the Affordable Housing Trust Fund. Funds deposited to the Affordable Housing Trust Fund shall be appropriated on a continuous basis to projects to be established consistent with this section. Notwithstanding the foregoing, all allocations of funds from the Affordable Housing Trust Fund, except as provided for above with respect to grants or service contracts from funds received under the Foreclosed and Defaulted Residential Property Registration Program or other programs, shall be approved by the City Council. An annual report showing impact fees imposed, revenues collected, funds committed, expenditures made, and any decisions made as to requests for reductions or exceptions shall be forwarded by the City ~~Manager~~ Administrator to the City Council.

SECTION 2. This Ordinance shall be in full force and effect immediately upon its passage as provided by Section 216 of the City Charter if adopted by at least six members of Council, or upon the seventh day after final adoption if adopted by fewer votes.

IN COUNCIL, OAKLAND, CALIFORNIA, _____, 2012

PASSED BY THE FOLLOWING VOTE:

AYES- BROOKS, BRUNNER, DE LA FUENTE, KAPLAN, KERNIGHAN, NADEL,
 SCHAAF, AND PRESIDENT REID

NOES-

ABSENT-

ABSTENTION-

ATTEST: _____
 LATONDA SIMMONS
 City Clerk and Clerk of the Council
 of the City of Oakland, California

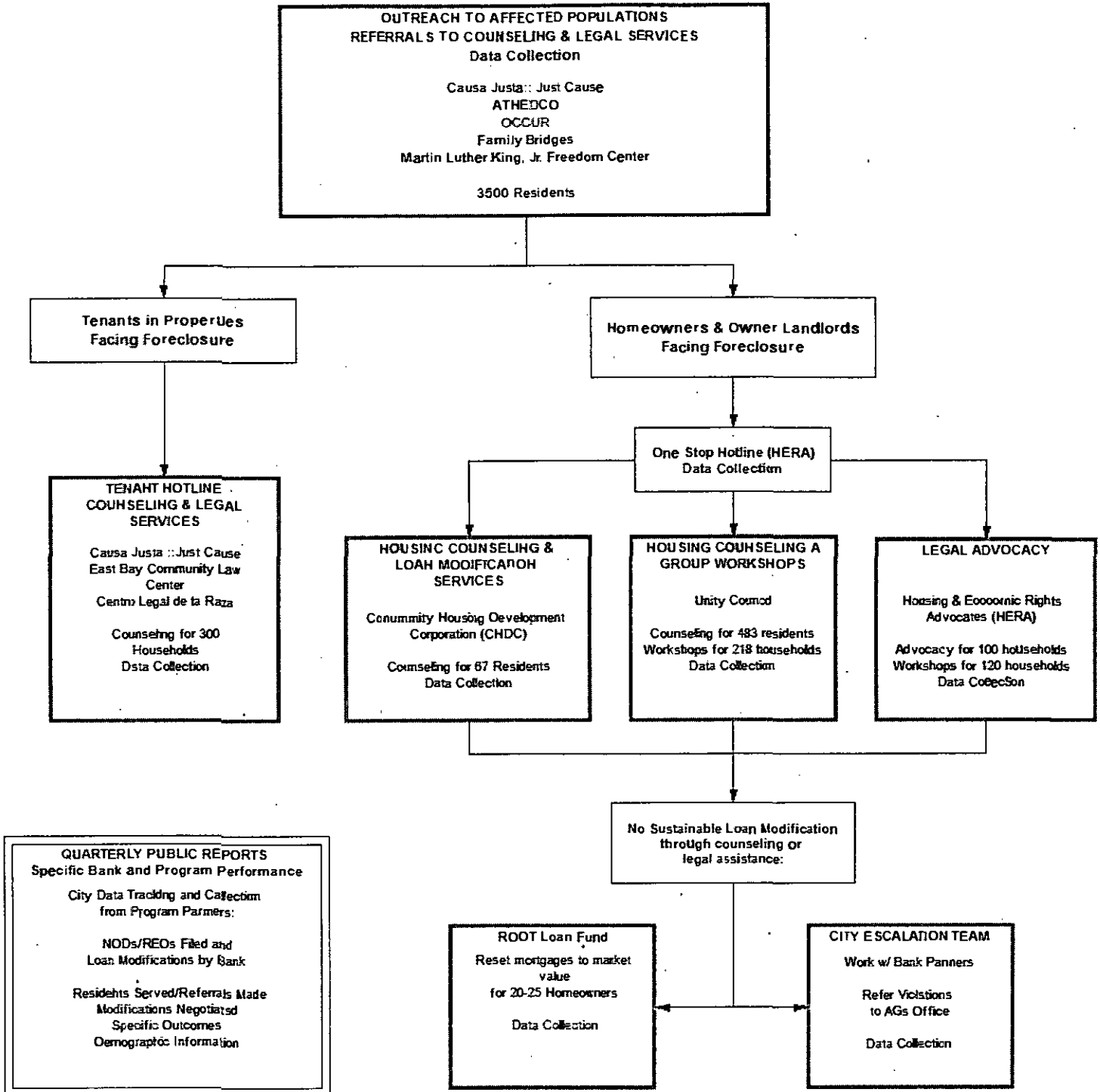
NOTICE AND DIGEST

AN ORDINANCE AMENDING OAKLAND MUNICIPAL CODE SECTION 15.68.100 (AFFORDABLE HOUSING TRUST FUND) TO (1) PERMIT FINES AND PENALTIES RECEIVED PURSUANT TO SECTION 8.54.620 (FORECLOSED AND DEFAULTED RESIDENTIAL PROPERTY REGISTRATION PROGRAM) AND SIMILAR PROGRAMS TO BE USED FOR FORECLOSURE PREVENTION AND MITIGATION ACTIVITIES, (2) AUTHORIZE THE CITY ADMINISTRATOR TO MAKE GRANTS AND SERVICE CONTRACTS UNDER THE PROGRAM OF UP TO \$100,000 WITHOUT RETURNING TO COUNCIL, AND (3) ALLOW AFFORDABLE HOUSING TRUST FUNDS TO BE USED TO ASSIST AFFORDABLE HOUSING PROJECTS AT RISK DUE TO MORTGAGE DEFAULT OR FORECLOSURE

This amendment to the provisions governing the Affordable Housing Trust Fund specifies that funds received into the tmst fund from fines and penalties collected under the Foreclosed and Defaulted Residential Property Registration Program or other similar programs may be used for foreclosure prevention and mitigation activities, including but not limited to homebuyer or tenant assistance, rehabilitation, housing counseling, education, outreach, and advocacy. The City Administrator or his or her designee would be authorized to make grants or service contracts of up to \$100,000 from these funds. This amendment would also allow the use of Affordable Housing Tmst Funds to acquire, finance, refinance, or rehabilitate affordable housing that is at imminent risk of loss due to mortgage default or foreclosure.

Attachment A

City of Oakland Comprehensive Foreclosure Prevention and Mitigation Plan



OAKLAND FORECLOSURE PREVENTION/MITIGATION PARTNER ORGANIZATIONAL
EXPERIENCE

Community Outreach Team

The Allen Temple Housing and Economic Development Corporation (ATHEDCO) is a nonprofit organization whose mission is to address the pressing economic issues facing the residents and neighborhood of East Oakland and beyond. In addition to developing and operating affordable housing for seniors and disabled residents, ATHEDCO also operates a training academy to provide comprehensive services enabling formerly incarcerated individuals to gain and retain living wage employment and avoid recidivism. ATHEDCO's community outreach and education experience includes the City of Oakland's Weatherization and Energy Retrofit Loan Program and Weatherization Assistance Program and PG&E's Energy Savings Assistance program. ATHEDCO's extensive community network includes the congregation of Allen Temple Baptist Church, and other nonprofit, faith-based and community organizations throughout Oakland. ATHEDCO's outreach strategy includes Spanish bilingual outreach and focuses on creating job opportunities for those experiencing barriers to employment. ATHEDCO's recent door-to-door outreach efforts promoting the City's energy efficiency resources for low- and moderate-income households reached approximately 6,000 Oakland households.

Causa **J**usta :: **J**ust Cause (CJJC) is a multiracial, multi-generational grassroots organization building community leadership to increase housing access and immigrant rights for low-income Oakland and San Francisco residents. CJJC's vast experience in effective community outreach in Oakland includes organizing and deploying teams of outreach workers in the following recent efforts: studying the health impacts of foreclosure in East Oakland; conducting community outreach and education around Ranked Choice Voting under a City contract; and leading a coalition of outreach organizations to promote a health fair at Laney College on the opportunities presented by the Affordable Care Act that drew over 1,100 participants. CJJC's outreach strategy includes Spanish bilingual outreach.

Family Bridges, Inc. was formed in 1968 as a storefront information and referral service to serve the growing Chinese immigrant population in the Oakland area. The mission of Family Bridges is to empower the most vulnerable -- the young, the elderly, immigrants, those with health conditions, and those with limited English proficiency, especially in the Asian community -- to lead self-sufficient, independent lives. Family Bridges' most recent large-scale community outreach experiences include the City of Oakland Ranked-Choice Voting Education Outreach in 2010 and the Asian Pacific Fund's U.S. Census 2010 Asian Outreach. In addition to staff, Family Bridges has previously worked with community volunteers, youth and students in conducting outreach activities. Family Bridges' outreach strategy will focus on Mandarin and Cantonese bilingual outreach.

Attachment B

The Martin Luther King Jr. Freedom Center (FC) carries out ongoing Democracy Education Classes; organizes events dedicated to justice, equality and democracy; and provides human development classes and trainings. The FC's most recent community outreach and organizing experience includes the following: organizing the participation of 52 community groups from public schools and community based organizations in the F.C.-produced Barbara Lee and Elihu Harris Lecture Series; home visits to approximately 400 FC students every year; door-to-door outreach at approximately 10,000 East and West Oakland homes to recruit new students for the Peralta Community College District; door-to-door outreach encouraging voter registration and participation under the Shoulder the Vote campaign; and outreach and education to over 6,000 homes about Ranked Choice Voting under a City contract. The FC's outreach strategy includes Spanish bilingual outreach and focuses on outreach involving youth leaders.

OCCUR is a 58-year old community-building and direct service organization that has extensive experience in consumer outreach/education, civic engagement, nonprofit capacity building, technology training and public policy advocacy. OCCUR has provided community outreach and education, particularly in low- to moderate-income neighborhoods and communities of color in Oakland, under the following government and utility programs: City's of Oakland's Weatherization and Energy Retrofit Loan Program and Weatherization Assistance Program; various State of California telecommunications accessibility programs, PG&E's CARE and Energy Savings Assistance Programs; and the State Public Utilities Commission's Get Connected internet accessibility/affordability campaign. In addition to this extensive consumer and community outreach experience, OCCUR also maintains close working relationships with a significant network of nonprofit, community-based, faith-based, direct service and public policy organizations. OCCUR's outreach strategy includes Spanish bilingual outreach. OCCUR's recent door-to-door and faith-based outreach efforts promoting the City's energy efficiency resources for low- and moderate-income households reached approximately over 10,000 Oakland households.

Housing Counseling & Loan Modifications

The mission of Community Housing Development Corporation (CHDC) is to create and sustain vibrant communities that make a positive impact in people's lives, by providing high-quality affordable housing and neighborhood services. CHDC was incorporated as a community-based nonprofit affordable housing developer in 1990. Today CHDC has developed 664 affordable units for rental and homeownership, has over 500 units in its development pipeline, and sponsors 692 rental units. CHDC has also provided financing for 52 first-time home buyers and offered pre-purchase housing counseling services to nearly 2,000 families resulting in more than 500 first-time, low-income buyers purchasing homes. Additionally, since 2006 CHDC has helped over 400 clients with mortgage problems successfully avoid foreclosure.

Attachment B

Since 2007, CHDC also began participating, along with the county District Attorney, the private bar, other housing counseling groups and real estate brokers, in anti-predatory lending activities. This history gives CHDC a high level of experience and skill in mortgage modifications, combating mortgage loan scams, and educating the public about how to protect home equity, especially in low-income communities. CHDC remains in high demand across the San Francisco Bay Area to assist individuals and educate the community on these issues.

CHDC retains a Program Director and Senior Housing Counselor with many years of experience in all aspects of pre- and post-purchase counseling. The Senior Counselor who is assigned full time to mortgage modification and scams assistance has served in this capacity since 2006. Her experience, ongoing training, and active involvement in policy development as a board member of the California Reinvestment Coalition, enables CHDC to stay ahead of the curve in seeking the best available solutions for each client. New counselors are typically hired with significant experience, or may be promoted from within. In total, since mid-2009, CHDC mortgage modification counseling staff has completed approximately 680 hours of current training. All CHDC housing and financial fitness counselors are certified in the specialty areas relevant to their duties, and in many cases support staff is also certified. CHDC strives to cross-train and certify all housing counselors. Currently, all 4 counselors are certified in both pre-purchase counseling and foreclosure intervention. CHDC adopted the National Industry Standards for Homeownership Education and Counseling in 2009.

As part of all one-on-one counseling, counselors receive on-going technical assistance from Housing and Economic Rights Advocates (HERA) in the area of loan document review. HERA attorneys read and discuss loan documents, assist CHDC staff in identifying predatory lending practices in loan documents as well as loan scam red flags. HERA provides valuable checklists that help staff identify predatory practices. They provide further resources to CHDC to disseminate to clients at risk of predatory lending practices and loan scams. In addition to providing quarterly trainings to CHDC staff, HERA's legal staff is also "on-call" for CHDC counseling staff to assist with loan document review questions as they arise.

Homeowner Legal Advocacy

HERA is a 501(c)(3), not-for-profit, California statewide, legal services and advocacy organization whose mission is to ensure that minority, elderly, and other vulnerable persons of low-and-moderate income are protected from abusive and discriminatory treatment in the realm of housing. To achieve this, HERA provides services which prevent or reduce predatory or unfair lending and related practices that result in homeownership loss or equity stripping for homeowners. Related practices include but are not limited to abusive or improper servicing of the mortgage loan, foreclosure rescue scams and homeowner association problems. Two years ago, HERA also added legal advocacy to address wrongful debt collections and credit reporting activity to its menu of services for people in need.

Attachment B

HERA's activities include (1) educating individual consumers and communities of vulnerable residents who are targeted for predatory practices, (2) providing legal services to individuals, (3) training attorneys, housing counselors, governmental staff and other professionals on how to identify and handle predatory lending, abusive mortgage servicing and related issues, (4) researching the scope and impact of abusive lending and related practices; (5) support for community organizing to fight predatory lending and abusive servicing; and (6) policy work.

The majority of HERA's work is in the nine counties of the Greater Bay Area, but it also provides services statewide with an emphasis on California's rural areas. Since its founding in 2005, HERA has provided legal advice to over 9,000 homeowners throughout the State of California, in-person, over the phone and at workshops. HERA has provided legal information to hundreds more at large-scale foreclosure education seminars and has reached many thousands more in the past three years through use of the media- articles, radio, television—in both Spanish and English. HERA's services are available in Tagalog, Russian, Portuguese and French and the organization utilizes interpreters for other key languages as needed to serve its diverse clientele.

Tenant Counseling and Advocacy

Causa Justa :: Just Cause's Housing Services Program employs a comprehensive, multi-faceted approach to assist low- and moderate-income Oakland renters to retain their homes, reach positive results in negotiations with their landlords, and prevent displacement and homelessness. CJ/JC maintains offices in Elmhurst/East Oakland and West Oakland and provides all of its services in both Spanish and English. CJJCs tenant services include intake, assessment, brief counseling and referrals to call- and drop-in tenants; case management/ongoing counseling services to households who are having tenant/landlord issues; and outreach and education at community events.

Centro Legal De La Raza, founded in 1969, provides free, bilingual, culturally sensitive legal aid for Latino residents of Oakland, including recent immigrants from Mexico and Central and South America. Centro provides information, referrals and legal counseling and representation services to tenants facing legal problems, including harassment, discrimination and eviction. Centro is located in the Fruitvale/San Antonio District of Oakland and primarily, although not exclusively, serves Spanish-speaking residents of Oakland.

East Bay Community Law Center is the legal community clinic for Berkeley Law School (Boalt Hall), with over 23 years of experience providing legal information and services to low-income residents of Alameda County. EBCLC's Housing Practice provides housing information, referrals, counseling and legal representation services to low-income individuals and families, with the goal of maintaining housing stability for clients at risk of eviction and homelessness. EBCLC provides extensive services to Oakland residents.

The chart below sets forth each organization's caseload and outcomes for foreclosure-related cases in FY 2011-12.

Attachment B

FY	Tenant Case Volume By Service Level	Foreclosure Cases	Favorable Outcomes
11-12			
EBCLC	1556 unduplicated clients <ul style="list-style-type: none"> ▪ 2766 limited scope services ▪ 256 full legal rep 	172 clients <ul style="list-style-type: none"> ▪ 38 pre-litigation ▪ 51 pro per eviction assistance ▪ 30 brief services and referral for eviction assistance ▪ 53 full legal rep 	100% of full representation cases for clients in foreclosed properties were favorably resolved.
Centro Legal	573 unduplicated clients <ul style="list-style-type: none"> ▪ 499 limited scope rep ▪ 74 full legal rep 	145 clients <ul style="list-style-type: none"> ▪ 84 limited scope rep. ▪ 51 clients full rep. (non-UD) ▪ 10 clients full rep. (UD) 	99% (non-UD) – 100% (UD) of full representation cases for clients in foreclosed properties were favorably resolved.
CJJC	600 unduplicated clients <ul style="list-style-type: none"> ▪ 600 info and referrals ▪ 540 brief counseling ▪ 200 case management clients 	150 clients	70-80% case management clients stay in homes for at least 3 months or receive acceptable compensation for negotiated move-out; 80% successful outcomes for tenants in properties in foreclosure
Bay Legal	553 <ul style="list-style-type: none"> ▪ 496 limited scope rep ▪ 45 full legal rep ▪ 12 extensive services 	62 (55 tenant, 7 owner) <ul style="list-style-type: none"> ▪ 60 limited scope rep. ▪ 2 full rep. 	100% of all full representation cases were favorably resolved.
TOTALS	3282 total clients	529 clients	99-100% of full legal representation cases favorably resolved 70-80% of non-legal managed cases favorably resolved

ROOT Loan Fund

CHDC has significant experience in affordable homeownership and particular expertise in single family, scattered site acquisition-rehab projects. It is unique in the East Bay in offering 1) affordable home purchase opportunities developed in partnership with large developers, 2) a robust HUD-approved housing counseling and foreclosure intervention program and 3) a down payment assistance and first mortgage lending program - all under one roof

Attachment B

Homeownership Including Acquisition/Rehabilitation: CHDC has completed well over 200 single family homes sold to new, low-moderate income homeowners - ranging from acquisition/rehab projects and scattered sites to large tract developments. We are currently conducting the NSP for both the City of Richmond and Contra Costa County, with a total of 15 units acquired so far, two sold, 4 in escrow and 6 in construction. Additionally, CHDC is working in collaboration with SelfHelp and the East Bay Community Foundation on a private project similar to NSP and has facilitated the sale of two homes under this program with 2 more in construction. Staff is skilled in selecting homes that can be completed feasibly with a high impact in neighborhood revitalization; short sale negotiations; rehab budgeting; and making improvements that are energy-efficient and environmentally sound. In addition to public support our NSP program has received support from Wells Fargo, Citi and Enterprise.

HUD-Approved Housing Counseling: CHDC is an experienced HUD certified housing counselor with about 20% of our client base in Oakland. As part of CHDC's homeownership counseling experience it has also developed an effective working relationship with the Unity Council. The two organizations have worked together closely on numerous outreach events, advocacy efforts and home loan workout events. Together, our experience will facilitate an efficient, thorough and client-centered program.

Lending: CHDC's down payment assistance lending program has two components: the Individual Development Account (IDA) program in operation since 2005 and its CalHOME portfolio of second mortgages. Under CalHOME, CHDC has made 44 loans since 2007 averaging \$40,000 each with a default rate (so far) of zero. The total amount loaned out to date is \$1,468,547. CHDC staff underwrites these loans following all federal and state SAFE Act requirements. The IDA program provides match funding of up to \$15,000 per borrower which converts to a grant after 5 years of successful owner occupancy. To date, CHDC has packaged and underwritten 70 of these loans on behalf of Mechanics Bank. Both these programs require HUD-approved homeownership education and counseling and the IDA program requires financial fitness education and counseling as well. This high level of homeowner education and individualized counseling coupled with selective yet flexible and fair lending guidelines contributes significantly to the low default rate.

Enterprise is a national nonprofit with nearly 30 years of experience in the community development and affordable housing field. Since 1982, Enterprise has invested more than \$11 billion in equity, grants and loans to help build or preserve nearly 300,000 affordable rental and for-sale homes to create vibrant communities and more than 410,000 jobs nationwide. Enterprise takes a multi-pronged approach to address the housing needs of low income families and help to stabilize distressed communities by (1) raising and leveraging capital and other financial resources to build and preserve affordable homes, (2) exercising a leading role in shaping affordable housing policy both nationally and at the local level, and (3) by developing and providing solutions to the biggest problems facing our field – including community revitalization, public housing revitalization, organizational sustainability, developing housing solutions to meet the needs of the homeless, veterans, seniors and other vulnerable populations, and working to integrate equitable housing solutions alongside the build-out of regional transit systems in communities across the country.

Attachment B

In Northern California Enterprise has created more than 3,500 affordable homes for 7,500 people through more than \$400 million of investment. In 2008 Enterprise launched the Enterprise Community Partners' Community Stabilization and Foreclosure Response Initiative we work closely with our partners to comprehensively address community stabilization and revitalization in the wake of the housing market and economic crisis in Oakland and in other communities throughout Northern California.

Local Initiatives Support Corporation (LISC) is a national organization with over 30 years of experience developing strategies and programs for local community organizations to develop affordable housing and create strong, equitable, and sustainable neighborhoods. Its mission is to support the neighborhood revitalization efforts led by communities by providing organizations with financing, technical and management assistance, training opportunities, and policy support. For three decades, Bay Area LISC has helped local community development organizations develop strong, stable neighborhoods where diverse groups of residents choose to live and take part in local leadership and life. Bay Area LISC has worked on a broad range of community development activities in Oakland from the creation and preservation of affordable housing to supporting neighborhood economic development. It has a long-standing commitment to partner with the City of Oakland, community residents and stakeholders to create vibrant neighborhoods in Oakland. Bay Area LSC has provided over \$10 million in grants and financing, and invested more than \$67 million to support community building and physical development activities in Oakland.

ATTACHMENT C

ROOT

Program Type: Purchase
Program Name: Restoring Ownership
Opportunities Together

General Information

Agency: Community Housing
Development
Corporation (CHDC)
Contact Name: Maria Benjamin
E-mail: Mbenjamin@chdcnr.com
Phone: 510-412-9290 x221
Fax: 510-215-9276
Address: 1535A Fred Jackson
Way, Richmond, CA
94801
Website: www.chdcnr.org

Administrator: Community First
Lending (CFL)
Contact Name: Lisa Weathers
E-mail: Lweathers@chdcnr.com
Phone: 510-412-9290 x 229
Address: 1535C Fred Jackson
Way, Richmond, CA
94801
Fax: 510-221-2598

Buyer / Owner Qualifications

Loan type(s): 30 year fixed
First Mtg Restrictions: Owner Occupant
Full doc
Subordinate Financing: Allowed if available

Existing Homeowner: Required
Hardship: Must be documented
Mortgage Delinquency: Required. Minimum 60 days

Income Limits: 120% AMI
Minimum Borrower Investment: None
Credit Score: No minimum
LTV: 100%
CLTV: 100% / improved value
Reserves: 3 months

ROOT Ratios: Maximum 33% Front
Maximum 45% Back
Maximum Expense to income TBD

HUD Approved Homebuyer Education and Counseling: Required.
Post Purchase, Financial, and Credit Counseling: Required
Employment History: 6 months minimum

Property Requirement

Location: Oakland, California
(Target TBD)
Purchase Price Limit: \$250,000
Property Type: Existing /Minor Rehab;
under \$10k
Max Units: 1

ROOT Terms

Loan Amount: 100% of purchase price
plus rehab costs up to
limit
7-8.5% based on
current interest rate for
ROOT Interest Rate Range: similar programs and
tied to borrowers credit
worthiness
Max Term (mo): 360 months
Amortization: Fully Amortizing
Acceptable Use of Funds: Purchase and rehab
Shared Appreciation: No
Resale / Deed Restrictions: None

Assumptions

Purchase Discount: 20%
Sale Price: 100% full market value
Loan Loss Reserves: 10-20%

Processing / Closing

Application accepted by Agency / Administrator: Yes.
GFE/TIL(s) provided by Agency/Administrator: Yes.
Approved by Agency / Administrator: Yes.
Docs Drawn by Agency / Administrator: Yes.
Funds Provided by Agency / Administrator: Yes.

Servicing: Retained.

Supplementary Details

- Affordability: Fully documented income must be sufficient to support new mortgage payment.
- Ratios: Back end up to 45% - up to 50% considered on an exception basis- with documented compensating factors and loan committee approval.
 - Expense to Income ratio – to be determined (this will be traditional underwriting of the monthly household expense in comparison to income).
- Credit : Prior credit history (based on tri-merged credit report and/or alternate/non-traditional credit history) will be analyzed to determine eligibility/likelihood of success.
 - Hardship must play a significant role in past credit issues
 - All late or missed payments will require borrower explanation in file.
 - All applicants will be required to attend post purchase and credit counseling to resolve/rehab delinquencies within 6 to 12 months.

CHDC will supplement traditional underwriting by review of credit report, bank statements, pay stubs and tax returns to understand the participant financial history, confirm financial situation, determine financial hardship, willingness to pay and ability to restore former creditworthiness.

- Employment History –Permanent employment for at least 6 months and verification from employer required.
 - Unearned income allowed (soc sec, SSI, pension, child support, disability etc).
- Reserves : 3 months PITI reserves required deposited at escrow in restricted account; held for 12 months.
- Down payment : None required. Homeowner pays closing costs and establishes reserves.
- Credit Reporting: Post closing CHDC will report monthly payment history to credit bureaus to document positive credit history.
- Interest Rate: cost of funds + spread ~ (for example: 7% + 150 basis points).

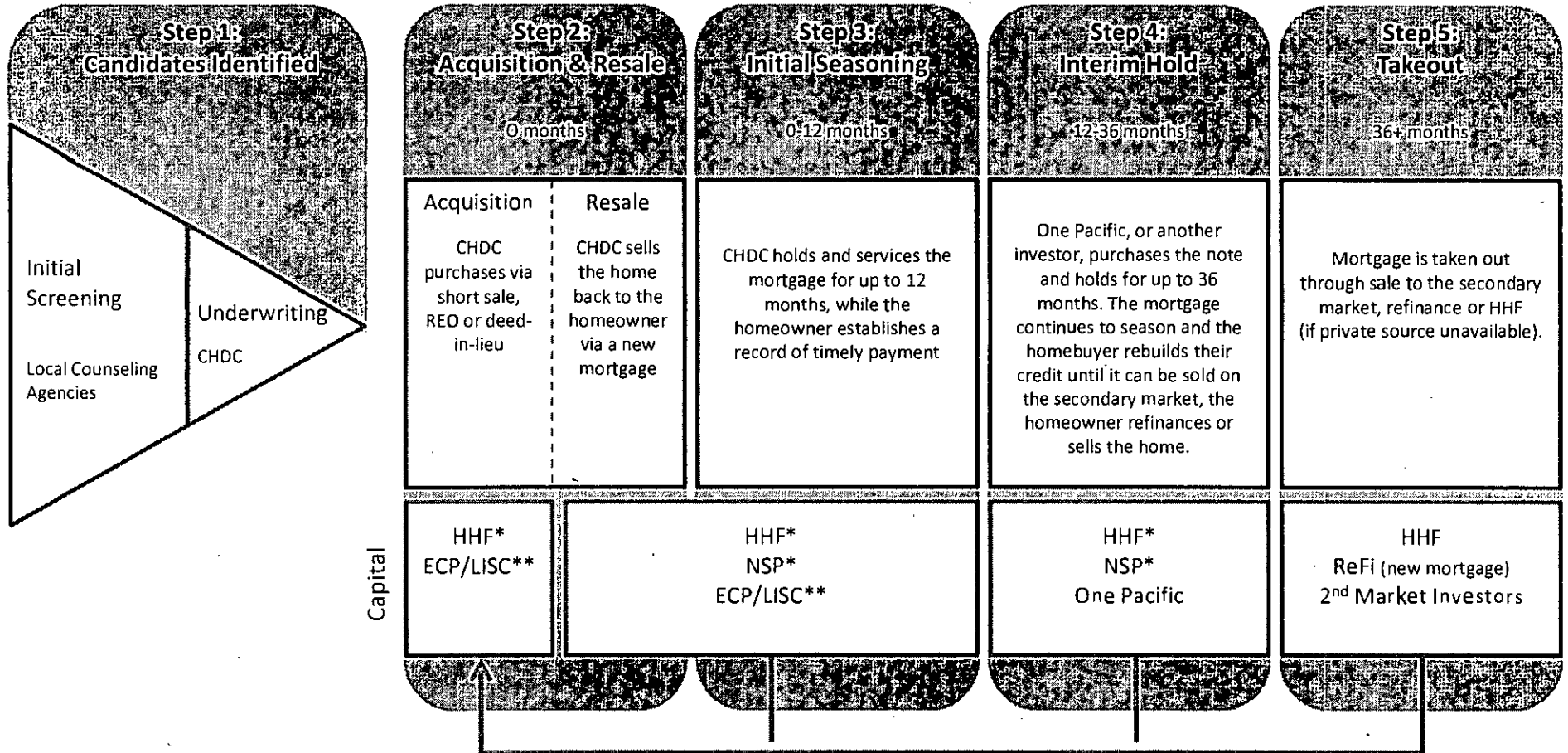
- **Loan Origination Fee: Not less than 1.5%**

**Restore Ownership Opportunities Together (ROOT)
Oakland Pilot
Note Sale to One Pacific Coast Bank**

Below is a draft of the terms under which Community Housing Development Corporation would sell mortgage notes originated through the ROOT program to One Pacific Coast Bank. These terms are intended as a starting place for an agreement between OPCB and CHDC memorializing the terms of note sales.

- **Payment History:** 6-12 months of consecutive timely loan payments; borrower in good standing
 - **Interest Rate:** ~ 7.5% to be finalized
 - **Borrower Underwriting:** Meet initial ROOT underwriting standards to qualify for the program and meets payment history requirements
 - **Servicing Rights/Fees:** Servicing rights would be sold to OPCB with the note, and CHDC or designee would continue servicing.
 - **Valuation of Mortgage:** OPCB and CHDC will use face value of mortgage notes as the sale price.
 - **Total Value of Mortgages:** \$5 million or the maximum based on reserves available, whichever is less.
 - **Reserve Amount:** 10% of the outstanding principal balance in an escrow account.
 - **Reserve Coverage:** 100% of losses to principal resulting from the liquidation (foreclosure).
-
-

Oakland ROOT Pilot Process



Funds recycle as they are taken out by other capital sources

*HHF and NSP could serve as reserve or direct capital

**Enterprise Community Partners and Local Initiatives Support Corporation



Sample ROOT Transaction

	Value	Notes
Peak Property Value	\$323,807	Average of available comps from zip 94621
Current Market Value	\$147,078	55% decline
Fair Market "Distressed Value"	\$117,662	Additional 20% discount
ROOT-Oakland Resale price to client	\$148,000	20% loan loss reserve
Mortgage principal	\$148,000	Assumes 100% LTV
Interest Rate	7%	30-year-term
Monthly Payment (PITI)	\$1,255	Includes taxes (1.25%) Hazard insurance (.33%)
Minimum Monthly income needed	\$3,765	33% front-end ratio
Down payment	\$0	No down payment required
Closing costs	\$5700	Includes 30 days mtg interest; 12 months insurance; 6 months of pre-paid taxes; 1.5% origination fee; \$1000 in title/escrow costs.
<i>Minimum</i> annual income required	\$45,180	Assuming 33% front-end ratio (CHDC's standard)
Percent AMI (assuming 2-person household – median is \$74,800 in Oakland)	60%	Low-income
Post Closing Reserves	\$2500-\$3800	2-3 months PITI