

**CITY OF OAKLAND**  
**AGENDA REPORT**

FILED  
OFFICE OF THE CITY CLERK  
OAKLAND

2007 DEC 13 PM 5:50

TO: Office of the City Administrator  
ATTN: Deborah A. Edgerly  
FROM: Community and Economic Development Agency  
DATE: December 18, 2007

RE: **A Supplemental Report Regarding Possible Action on Activities Initiated in Response to Subprime Lending and Foreclosure Activity**

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**BACKGROUND**

On November 6, 2007, the City Council adopted a resolution endorsing proposed federal legislation to address the growing foreclosure crisis. As part of that resolution, the City Council also directed staff to analyze and report back on possible actions that could be implemented at the local level to address this issue. At the November 8, 2007 Rules Committee meeting, staff was directed to prepare a report for the December 11, 2007 Community and Economic Development Committee to discuss actions that could be immediately implemented.

At the December 11, 2007 Community and Economic Development Committee, staff was directed to provide information that was gathered from other cities that were providing foreclosure assistance.

**INFORMATION REQUESTED**

Staff obtained information on foreclosure prevention and mitigation efforts for the following jurisdictions:

- Chicago
- Boston
- Denver
- New York City
- Detroit
- Antioch
- Pittsburg
- Contra Costa County.

The following is a summary of actions being undertaken in other jurisdictions that have been surveyed by City staff.

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## **I. Foreclosure Education and Outreach**

All of the cities surveyed are engaged in expanded efforts to provide some level of information to homeowners regarding resources available to assist with foreclosure situations. Many have placed this information on their websites, and others are engaged in other kinds of marketing and public information efforts.

All Cities surveyed are referring residents facing foreclosure to the Neighborworks hotline (1-888-995-HOPE) or to city-sponsored homebuyer counseling services that now include foreclosure prevention and triage as part of their services.

Among the specific services being offered are educational workshops, referrals to housing counseling agencies, access to legal information, and referrals to financial literacy programs.

Some cities are also engaged in public information campaigns to warn homebuyers of potential scams involving offers to refinance loans in default with new predatory loan products.

In Contra Costa County, the District Attorney's office has been sending letters to the owners of single family residential units who have had notices of default recorded on their property. Those letters provide referral information to counseling agencies.

*Staff is working on similar efforts in Oakland.*

## **II. Homebuyer Counseling**

Most cities reviewed have some form of homebuyer counseling for first-time buyers, and are now planning to increase their counseling budgets to expand the scope of services to include foreclosure education and prevention.

*Staff is working on similar efforts in Oakland. Some counseling agencies have also redirected their focus from pre-purchase counseling to default and delinquency counseling.*

## **III. Tenant Assistance**

None of the cities reviewed have any policy proposals that address providing assistance to tenants of foreclosed properties.

*Staff is preparing informational materials to ensure that Oakland tenants are aware that foreclosures do not invalidate their leases, and under Oakland's Just Cause Ordinance, foreclosure is not a valid reason for eviction.*

#### **IV. Urging Banks to Restructure Loans**

Some cities are engaged in efforts to get lenders to restructure or refinance existing loans. For example, the City of Boston is urging several leading Boston-based banks to establish a consortium of refinancing products of up to \$100 million aimed at helping to refinance homeowners into more stable and secure mortgages. Lenders are also committing to adhere to a common set of lending practices aimed at placing homeowners in a more sustainable mortgage, according to the borrower's income level. Banks are also being urged to provide monetary support for counseling and education efforts and some emergency financial assistance.

*Efforts to engage the banking industry often need to be addressed to senior corporate officers, where the authority to make change resides, as local branches often do not have authority to make these kinds of decisions. In addition, in many instances the lenders do not actually own the loans, having sold them in the secondary mortgage market, and therefore may not have authority to modify the terms of existing loans.*

*The Oakland Mayor's Office is working to set meetings with lenders to get them to commit to similar restructuring or refinancing practices.*

#### **V. One-Time Financial Assistance**

A few cities have created or are considering creating small loan programs to provide one-time "bridge loans" to help delinquent borrowers get current on their mortgage payments.

*These are of use in only limited situations where there is the prospect for working out a long-term solution. For example, borrowers who can afford some adjustment in their payment amounts may benefit from restructuring their loans into fixed rate mortgages, and would therefore benefit from bridge loans that prevent default and foreclosure pending a restructuring.*

*Governor Schwarzenegger held a press conference on December 7, 2007 at the Unity Council in the Fruitvale District and announced a \$1 million donation from OneCalifornia Foundation to establish a bridge loan fund, to be administered by the foundation, in Oakland. He expressed his hope that other foundations and members of the philanthropic community will join the effort.*

#### **VI. City-Funded Refinancing**

None of the cities reviewed have any policy proposals that address providing City-funded refinance assistance.

*The cost of providing such loans would be enormous. Full refinancing by the City could entail costs that range as high as \$500,000 or more per household, depending on the outstanding*

*balance on the loans. If lenders were to refinance a portion of the outstanding debt, the balance could be provided in the form of deferred loans similar to the First-Time Homebuyer Program. However, even loans of \$50,000 to \$100,000 would overwhelm the City's existing resources. Providing assistance to 1,000 borrowers (a small fraction of the total affected) would require \$50 to \$100 million. Furthermore, in many instances there would be no security for these loans if the outstanding debt exceeds the current market value of the property, as is the case for some borrowers.*

## **VII. Blight Abatement**

Many cities are looking at ways to strengthen local code enforcement requirements to make sure that foreclosed properties are properly maintained and secured after a foreclosure has occurred.

*CEDA staff and the City Attorney's Office are exploring strategies to achieve the same objective in Oakland.*

## **VIII. Acquisition, Rehab and Resale of Foreclosed Homes**

Some cities are exploring possible programs to ensure that foreclosed homes are returned to the housing supply as quickly as possible, to prevent neighborhood deterioration and further declines in property values. For example, some cities are considering programs to acquire, rehabilitate and resell properties after they have been foreclosed, possibly placing the properties under long-term resale controls to ensure that those homes are permanently affordable to low and moderate income purchasers without resorting to sub-prime loan products.

*CEDA staff and the Mayor's Office have had preliminary conversations with community groups and are exploring possible programs along these lines.*

## **IX. Support State and Federal Legislation**

Most jurisdictions are engaged in some level of advocacy for State and Federal legislation to deal with the current crisis and to reform lending practices to prevent future abuses. Local legislation is generally pre-empted by State and Federal law; the City's Predatory Lending Ordinance was invalidated after a protracted appeal process.

Advocacy efforts have also been directed to ensuring the lenders do not get credit under the Community Reinvestment Act for making predatory and subprime loans that ultimately end up in foreclosure.

*CEDA staff and the City Attorney's Office have both advanced proposals for new legislation at the State and Federal level, and will continue to monitor legislative developments and return to the City Council to support new legislation.*

A chart that summarizes each city's efforts by category is included as Attachment A.

Respectfully submitted,



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Claudia Cappio, Development Director  
Community and Economic Development Agency

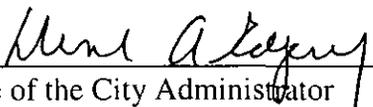
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Attachment A

**APPROVED AND FORWARDED TO THE  
CITY COUNCIL**

  
\_\_\_\_\_  
Office of the City Administrator

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### Foreclosure Prevention and Mitigation Efforts in Selected Jurisdictions

	Chicago	Boston	Denver	New York City	Detroit	Antioch	Pittsburg	Contra Costa County
Foreclosure Education and Outreach	X	X	X	X	X	X	X	X
Homebuyer Counseling	X	X		X	X			
Tenant Assistance								
Urging Banks to Restructure Loans	X	X		X	X			
One-Time Financial Assistance	X	X						
City-Funded Refinancing								
Blight Abatement	X							
Acquisition, Rehab and Resale of Foreclosed Homes	X						X	
Support State and Federal Legislation	X	X	X	X				