

NCSHA 2009 Annual Program Awards
Executive Summary
Category: Special Achievement
Name of Entry: Minnesota Housing Statewide Foreclosure Crisis Response

Minnesota ranks 12th nationally in the percentage of first lien mortgages in foreclosure. Between the years 2005 and 2008, the number of mortgage foreclosures in Minnesota increased by 320 percent. During this same time period, the State's *metro* area foreclosures increased by 430 percent. In fact, 1 of every 30 Minnesota households has now entered foreclosure.

This scenario is similar to the crisis many other states are presently facing. What may distinguish Minnesota from other states, however, is the rapid and coordinated response to this crisis by Minnesota Housing and its many partners. Had it not been for this response, the situation would be even more severe.

For sixteen years, Minnesota Housing and key partners have assisted homeowners facing default and foreclosures to resolve mortgage delinquencies. In 1993, the Minnesota Legislature created a program which is now known as the Homeowner Education, Counseling and Training Fund (HECAT). The Program offers foreclosure prevention counseling and rescue/reinstatement loans for qualifying households. It is funded by a consortium of public, philanthropic and private organizations, including Minnesota Housing. While the Program is administered by Minnesota Housing, it has been successful because of its unique implementation model. The Minnesota Home Ownership Center, with its significant expertise in providing training and ongoing technical assistance to foreclosure counselors, plays a key role in implementing the Program. The counseling portion of the Program is implemented by a network of counseling agencies throughout Minnesota.

Minnesota Housing's long-standing experience in working with homeowners facing default and foreclosures created a framework that well positioned it to respond when it became evident that the rate of mortgage foreclosure was heading toward crisis level. This framework enabled Minnesota Housing to work in tandem with existing and new partners to enhance its current strategies, and to develop new ones.

Expanded and New Partnerships

Recognizing the need for a rapid, coordinated and broad-based response to the mortgage foreclosure crisis, Minnesota Housing became a charter member of the Minnesota Foreclosure Partners Council. The Partners Council is a cross-sector collaborative of local, state and federal government entities; lenders /servicers; elected officials; non-profit/community development organizations; housing advocates; legal assistance providers; and other industry professionals. For nearly 3 years the Partners Council has convened monthly to identify, fund and implement coordinated policies and programs that effectively address the impact of the recent surge in foreclosures on families, neighborhoods and communities in Minnesota. Since its inception, Minnesota Housing has maintained a critical role on the Partners Council.

Coordinated and targeted funding investment

Early on, members of the Partners Council recognized that understanding the nature of the existing foreclosure crisis, and being able to forecast where the crisis would shift, was key to developing a coordinated response to the crisis. Accordingly, the Council undertook a series of steps to ensure that accurate and updated data was readily available to all involved in the response. The Council collected and analyzed statewide foreclosure data and expanded data sharing between cities and counties. Diverse sectors partnered to pass new legislation to make more information readily available in the published information required for non-judicial foreclosures. Ultimately, a statewide legislative task force formed to make recommendations on the development of a platform to improve and expand predictive and analytical data collection.

An improved ability to understand and predict the foreclosure crisis enabled the Partners Council to develop broad coordinated policies and approaches, and to strategically target resulting programs and resources. The Partners Council identified the following overarching priorities to address Minnesota's foreclosure crisis:

- (a.) Prevent the increase of mortgage foreclosures through aggressive education, outreach and counseling;
- (b.) Focus on the hardest hit areas with targeted remediation activities; and,
- (c.) Undertake policy work to address problems associated with foreclosure, homeowner and tenant protections, utilities and predatory lending practices.

In accord with the priorities developed by the Partners Council, before federal foreclosure-related funds became available, Minnesota Housing strategically invested substantial resources into the development and implementation of strategies and programs designed to prevent the increase of mortgage foreclosures, alleviate the negative impact of foreclosures, and support ongoing foreclosure-related data gathering and analysis. Specifically, the Agency:

- Increased existing *Foreclosure Prevention and Assistance Program* funding.
- Partnered with the Minnesota Department of Commerce in the development and funding of two external *Early Intervention Programs* designed to support intense early outreach and education activities (\$500,000).
- Developed and funded a *Statewide Capacity Building initiative* designed to enable Minnesota's network of foreclosure counseling organizations to hire, train and certify additional foreclosure prevention counselors. (\$1 million).
- Targeted existing *Community Revitalization Fund* resources toward foreclosure remediation projects. (The Community Revitalization Fund are very flexible resources appropriated by the state legislature to provide housing subsidies for a variety of purposes.)
- Established a \$6 million line of credit to be used as interim financing by a private developer in the acquisition, rehabilitation and re-sale of foreclosed homes.
- Provided \$10 million in interim loan financing for the acquisition, rehabilitation and re-sale of foreclosed homes.
- Targeted \$9.2 million in Federal HOME funds for entry cost assistance to borrowers purchasing homes in areas affected by foreclosures.
- Created and implemented the *Homeownership Opportunity Program* to provide a bridge loan to homeowners to acquire and rehabilitate either foreclosed homes or homes in danger of foreclosure (\$10 million made available).
- Invested funds into ongoing data gathering and analysis.

Most of the programs developed by Minnesota Housing were (or currently are) implemented by partner organizations, many of whom are Partners Council members. The programs and resources are used in coordination with other strategically developed local programs that were developed by Minnesota Housing's partners in accordance with the Partner Council's priorities.

When the National Foreclosure Mitigation Council (NFMC) and Neighborhood Stabilization Program (NSP) funding sources were unveiled, Minnesota Housing was well positioned to secure and implement these program funds. Because of the State's overall need and existing expertise in foreclosure prevention, Minnesota Housing received the second highest NFMC grant awards of housing finance agencies in the Country (roughly \$9 million over two Rounds). The NFMC Program is currently being implemented using the HECAT Model, with the Minnesota Home Ownership Center providing ongoing training and technical assistance to counseling agencies, and counseling agencies throughout the State providing the

direct services to households. Additionally, because of its existing experience with foreclosure remediation programs, the Agency already had a network of partners in place to be able to respond promptly and effectively when granted \$38 million in NSP funds. Minnesota Housing presently partners with 21 communities in the implementation of the NSP program. Finally, Minnesota Housing's Board recently approved an additional \$10 million in interim financing in order to increase the number of foreclosed properties that can be quickly treated through NSP.

Successes

While the State's foreclosure crisis and its devastating effects still exist, the impacts would have been far more severe without the aggressive response taken by Minnesota Housing and its partners. Through their efforts, the following outcomes were realized:

- 500,000 households were directly contacted through a comprehensive foreclosure prevention outreach and education campaign. Many more households were indirectly reached through the aggressive statewide engagement of multiple forms of media.
- Minnesota's network of foreclosure prevention counselors increased from 19 to 74.
- Homeowners have begun seeking foreclosure prevention services earlier. In 2008, 64% of homeowners were less than 60 days late on their mortgage when they contacted a foreclosure prevention counselor, compared to 37% in 2007.
- Between April 2008 and May 2009, nearly 15,500 households received foreclosure prevention counseling through Minnesota's network of counselors. Funding has been secured to serve nearly as many households in the coming year.
- Nearly 5,000 homeowners avoided foreclosure as a result of the counseling services, which translates into an estimated savings of up to \$300 million for Minnesota homeowners, lenders, neighborhoods and local governments in 2008 alone.
- More than 316 foreclosed homes have been purchased using Minnesota Housing programs.
- Of these homes, 160 are already occupied by new homeowners and nearly 112 will be rehabilitated for resale to low and moderate income households. The remainder will be demolished or land banked for future treatment.
- Funding is in place for the purchase and/or treatment of 975 additional foreclosed homes.