

American Progress Action Fund



# State Responses to the Housing Crisis

Working Locally to Protect Families  
and Neighborhoods

November 12, 2008

Progress through Action



## Foreclosure Prevention: Massachusetts

- 90-day right to cure
  - Previously:
    - 30-day notice required
    - No obligation to offer opportunity to pay arrearage
  - Breathing room for borrowers and lenders
- Online database of foreclosure notices (Division of Banks)
  - Help identify lenders and brokers with riskiest loans
  - Track who is responsible for foreclosed properties
- Licensing of all mortgage loan originators, not just companies
- Mandatory counseling for first-time homebuyers who take subprime ARMs
- \$2 million in grants for 11 foreclosure education centers around state
- Went into effect May 1<sup>st</sup>, saw marked drop-off in foreclosures
  - And jump up again late summer



## Foreclosure Prevention: New Jersey

- Save New Jersey Homes Act of 2008
  - Protect against payment spikes on ARMs
    - Adjustments of more than 3% on any loan
    - More than 2% for subprimes
  - Fixes payment at introductory rate for 3 years after date of reset
    - Lender/servicer must notify borrowers of eligibility 30 and 60 days before reset
  - Deferred interest due on sale or refinancing
  - Applies to borrowers notified of intent to foreclose also
    - Reinstate loan at introductory rate
    - Suspend foreclosure proceedings for 3 years



## Foreclosure Prevention: California

- Notice of intent to file for default must be given 30 days in advance
  - NOD is first step in non-judicial foreclosure filing in CA
  - Borrower has right to request meeting within 14 days
  - NOD filing must certify efforts to contact borrower
- Creates “safe harbor” for servicers who modify loans in default or reasonably foreseeable default
  - Where modification is more profitable than foreclosure recovery
- Renters given 60-days notice to vacate foreclosed property
- \$1,000/day fine for failure to maintain foreclosed properties



## Neighborhood Stabilization Program

- \$3.92 Billion allocated to states and localities
  - [www.hud.gov/nsp](http://www.hud.gov/nsp)
  - Plans due December 1<sup>st</sup>
  - Must obligate funds within 18 months of receipt
    - Expenditures within 4 years
- Eligible uses for funds: “CDBG plus land banking”
  - Acquisition and Rehab
  - Financing
  - Demolition and redevelopment



## Neighborhood Stabilization Program

- Acquisition issues
  - Identifying properties for purchase
  - “Discount” requirement
- Capacity concerns
  - Joint submissions
  - Critical role of states in supporting local actors

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