

Massachusetts Alliance Against Predatory Lending

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<u>Type of strategy</u> (check as many as appropriate)		<u>Type of Respondent</u> (check as many as appropriate)	
<input checked="" type="checkbox"/>	Outright purchase	<input type="checkbox"/>	Private capital
<input type="checkbox"/>	Joint-venture	<input type="checkbox"/>	Real estate company
<input checked="" type="checkbox"/>	Rent-and-hold	<input type="checkbox"/>	Rental property management
<input checked="" type="checkbox"/>	Lease-to-own	<input type="checkbox"/>	Asset management
<input type="checkbox"/>	Other (specify)	<input checked="" type="checkbox"/>	Nonprofit
<input type="checkbox"/>		<input checked="" type="checkbox"/>	Other (specify)

September 15, 2011

Massachusetts Alliance Against Predatory Lending
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Founded: 2007

1.5 FTE

Non-profit Coalition of over 65 member and supporting organizations

Representing over 550,000 Massachusetts residents

The impact of vacating foreclosed properties is devastating to residents, our neighborhoods and our overall economy in addition to the impact on Fannie Mae's and Freddie Mac's portfolios – all of these impacts are hurting the tax payers!

We therefore, demand the following in response to your Request for Information:

- 1) Immediate end to all no-fault post-foreclosure evictions.
 - a. As Fannie and Freddie have established agencies to collect rent from former tenants already, they already have the means to extend this to former homeowners who are prepared to pay market rent and be responsible tenants. This must be and is already possible to implement.
 - b. Actuarial data from the property insurance industry shows that the degradation of unoccupied properties is greatly accelerated. Anecdotal evidence from burst pipes to theft of copper merely exemplify the issues.
 - c. The degradation of the value of neighboring properties, impact on municipal services and tax base, etc, continues to lower the value of even bank-maintained vacant properties – so collateral economic impacts of pro-actively emptying properties on value of Fannie or Freddie owned properties continue. (*Vacant spaces, Simon, 2011; Wassmer, 2010, Apgar & Duda, 2005*)

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- d. Similarly, banks that have rented REO properties demonstrate a positive revenue stream – as Fannie and Freddie’s own experience with renting to former tenants must show
 - e. In fact, post foreclosure, there is absolutely no differential impact between renting to former tenants or former home-owners. So the economic incentives for renting to former home-owners are the same as for renting to former tenants so Fannie & Freddie’s present policy of not renting to former home-owners is only self-defeating.
 - f. Rent to own options at present day values for both former owners and former tenants is economically viable and one of the best paths to long-term neighborhood stabilization. Since studies show that it is length of occupancy not ownership status that best predicts upkeep and commitment to a property. (*Immergluck & Smith, 2005*)
- 2) In all cases where Fannie or Freddie holds an interest in the mortgage before foreclosure, all homes values should immediately be written down to present day value and mortgages converted to standard fixed mortgages at affordable rates without balloon payments.
- a. This has already been proven fiscally beneficial in most cases by the FDIC.
 - b. This policy is the only avenue guaranteed to stabilize housing markets still being torn apart by the early 2000s run-away overpricing of home values which continues to destabilize local, national and the world’s economies.
 - c. This is the only protective measure Fannie & Freddie can take to stop the likely over-correction in housing prices which will in fact bring prices below actual value before they stabilize.
 - d. This is the only strategy which will stabilize neighborhoods now – stop the huge upswing in unprecedented numbers of homeless, especially families, stop the staggering health impacts of foreclosure (*Currie & Tekin, 2011*), stop the increase in rents and scarcity of rental housing which are harming our long term future of communities (*ElBoghdady, 2011, Lewis, Selma, Second Quarter 2010*).
- 3) Post-foreclosure, Fannie and Freddie should be an immediate market analysis and assess the former home-owner’s financial capacity to meet the obligation of a standard fixed mortgage without a balloon at the present value. If financial feasible, immediately sell the property back to the former home-owner and expedite securitization through a local lender.
- a. See 2a, 2b, 2c, 2d above
- 4) Where neither former tenants, nor former owners can afford rent or long term ownership at present day values, sell property to local initiatives such as land trusts and housing cooperatives.
- a. The only examples of working class, low-income or middle-class neighborhoods where foreclosure activity has been markedly minimal have been in land trusted

- and other home-ownership cooperative neighborhoods – for instance, Dudley Street Neighborhood Initiative in Boston.
- b. These ownership vehicles have a stronger history of training new owners in skills around maintenance, management and financial stewardship than any other forms of ownership for new home-owners
 - c. These forms of ownership have a proven track record of great economic stability and therefore support for sustainable local economies.
- 5) Where the only option is sale of homes to new owners, focus needs to be on owner-occupancy where mortgages are obtained locally through financial institutions not brokers.
- a. Such re-sales are the only increase in protection of Fannie or Freddie's other local investments.
 - b. Studies show that owner occupancy has the highest average stability and maintenance of property
 - c. Wide spread owner occupancy is correlated with improved local economic activity and participation (*Housing Wealth & Consumer Spending, 2010*).
 - d. Studies show that local mortgages have been more stable throughout this period.
 - e. Mortgages written by local institutions were much more likely to remain local and face much lower foreclosure rates – partly because the portfolio of local institutions is much more interdependent upon the success of all their investment.
 - f. Mortgages written by actual staff of financial institutions had much lower foreclosure rates than mortgages written by brokers.
 - g. Subprime mortgages and other now proven predatory and unstable financial instruments were overwhelmingly written by brokers and large mortgage companies not regulated like banks
 - h. Local banks and credit unions by charter have to re-invest locally and they are regulated by Community Reinvestment Act and so improve local economic performance

MAAPL MEMBERS/SUPPORTING ORGANIZATIONS: *Action for Boston Community Development, Inc., Association for Community Organizing for Reform Now (ACORN), Action for Regional Equity, ARISE for Social Justice, Arlington Community Trabajando, Boston Tenants Coalition, Brazilian Women's Group, Carpenters Local 40, Carpenters Local 107, Charles Hamilton Houston Institute For Race & Justice, Chelsea Collaborative, Chinese Progressive Association, City Life/Vida Urbana, Coalition for Social Justice, Community Economic Development Ctr of S.E. MA, Community Labor United, Democratic Socialists of America, Dorchester People for Peace, Era Key Realty Services, ESAC, Fair Housing*

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Center of Greater Boston, Greater Boston Legal Services, Greater Four Corners Action Coalition, Green-Rainbow Party of MA, Harvard Legal Aid Bureau, Homeowner Options for MA Elders, Jewish Alliance for Law and Social Action, Lawrence Community Works, Lawyers' Committee for Civil Rights Under Law, Mass Advocates for Children, Mass AFL-CIO, Mass Coalition for the Homeless, Mass Community Action Network, Massachusetts Fair Housing Center, Mass Jobs With Justice, Mass Law Reform Institute, Mass Welfare Rights Union, Merrimack Valley Labor Council, NAACP N.E. Area Council, National Community Reinvestment Coalition, National Consumer Law Center, National Lawyers Guild, Neighbor-to-Neighbor, Neighborhood Legal Services, North Shore Labor Council, Oiste?, Organization for a New Equality, Painters District Council 35, Pleasant St. Neighborhood Network Center, Southbridge Community Connections, Survivors Inc., Tri-City Community Action Program, UE Northeast Region, Union of Minority Neighborhoods, United Auto Workers Mass CAP, United Food & Commercial Workers 1445, United For a Fair Economy, United Steel Workers Local 5696, Volunteer Lawyers Project.