

**Hutchinson Housing & Redevelopment Authority**  
**Foreclosure Prevention and Remediation Plan**  
March 10, 2009

The Hutchinson HRA is committed to working with the City of Hutchinson and other partners to prevent foreclosures whenever possible, and to use key strategies to lessen the impact of foreclosures when they do occur. The data for 2007 foreclosure rates shows that the number of foreclosure sales doubled from 2006 to 2007 in McLeod County, for a total of 142 mortgage foreclosure sales in 2007. There were 159 foreclosure sales in McLeod County in 2008. Hutchinson had forty mortgage foreclosure sales in 2007, about three times the number in 2006. At the end of 2008, there were 42 foreclosure sales in the City of Hutchinson. A map of the forty two foreclosure sales in Hutchinson shows that the foreclosure sales are fairly evenly distributed with the highest concentration in the older areas of the city bordering the downtown area and to the northeast. As of February 20, 2009 there were twenty nine homes on the foreclosure list from January 1, 2007 through April 2, 2009 that had their water, electric or gas turned off and are therefore considered vacant. There are twenty-one homes in Hutchinson with sheriff's sales scheduled through April 30, 2009; at this rate an estimated 63 homes will be in foreclosure in 2009 (a 43% increase from 2008). If these homes can't be absorbed by the market, the number of vacant homes may also increase in 2009; estimating an increase of 43% vacant homes in 2009 will result in forty vacant homes. There are many variables to look at in estimating foreclosures:

1. If the new federal plan called "Making Home Affordable" accomplishes its goals of helping homeowners avoid foreclosure, this number may decrease.
2. 2009 HTI layoffs may cause an increase in the foreclosure and vacant home rate.
3. If additional jobs are created in Hutchinson, the number of vacant homes may decrease.

### **Strategy 1: Preventing Foreclosures**

#### **Education and Outreach:**

- First-time homebuyers will be referred to Home Stretch, an education course for first time home-buyers. The Home Stretch course is administered by Heartland Community Action Agency, [www.heartlandcaa.org](http://www.heartlandcaa.org) or 1-800-992-1710. Another website to help people avoid predatory lending is [www.dontborrowtrouble.com](http://www.dontborrowtrouble.com)
- Homeowners at risk of foreclosure will be referred to Heartland Community Action Agency, [www.heartlandcaa.org](http://www.heartlandcaa.org) at 1-800-992-1710 or Lutheran Social Services, [www.lssmn.org/debt](http://www.lssmn.org/debt) at 1-888-577-2227.
- The HRA has compiled a list of helpful resources and made them available on the City or HRA website. These resources include:
  - City of Hutchinson ([www.ci.hutchinson.mn.us](http://www.ci.hutchinson.mn.us)) Foreclosure Prevention link.
  - Hutchinson HRA ([www.hutchinsonhra.com](http://www.hutchinsonhra.com)) Foreclosure Prevention link.
  - Homeownership Center of MN ([www.hocmn.org](http://www.hocmn.org)) Numerous publications are available including "Understanding Workout Options", "Tips for Talking with Your Lender", "Homeowner Rights During the Redemption Period" and "Foreclosure Process in Minnesota". In addition, dates and times are listed for

Homeowner Seminars, including the newest outreach technique, Telephone Seminars Outreach to the media regarding Foreclosure Prevention strategies.

- Minnesota Housing Finance Agency ([www.mnhousing.gov](http://www.mnhousing.gov))
- Other Outreach Efforts:
  - Letter to the Editor, Hutchinson Leader regarding foreclosure prevention.
  - News brief regarding Telephone Seminars, foreclosure prevention.
  - Presentation to Hutchinson City Council on January 13, 2009 by Rhonda Otteson on Heartland's Foreclosure Prevention Program.

### **Foreclosure Prevention Programs:**

#### ***Making Home Affordable Program***

This federal plan offers a loan refinancing program and loan restructuring program to make mortgages more affordable so that at-risk homeowners can stay in their homes.

Affordability through Low Cost Financing applies to borrowers who are current on their mortgage payments but have been unable to refinance because their homes have decreased in value.

- Low cost refinancing provides a lower interest rate refinance option to qualified borrowers who are current on their mortgage, but do not have access to existing refinance options. This plan is only available to homeowners whose first mortgage is owned or securitized by Fannie Mae or Freddie Mac. The loan to value ratio limit is 105%.

Loan Modification is targeted at borrowers who are at risk of foreclosure because their incomes are not sufficient to make their mortgage payments. This program seeks to bring monthly payments to sustainable levels for homeowners who are already behind in their payments, or "at risk" homeowners facing default. This program will offer cash incentives to lenders and mortgage servicers to modify loans to an income ratio of 38% of income and provide a further subsidy to homeowners so that they will pay no more than 31% of income. This program is available to homeowners who have sufficient income and commit to making payments to stay in their home. It will not aid investors.

#### ***MHFA Foreclosure Prevention Assistance Program***

MHFA Foreclosure Prevention Assistance Program Loan Fund Up offers up to a \$9500 deferred loan at 0 percent interest. Lutheran Social Services administers very limited funding with less than 100 loans originated per year statewide and an estimated 3 loans originated in McLeod County.

### **Strategy 2: Monitoring Foreclosed Homes**

- Notices of Mortgage Foreclosure Sales within the City of Hutchinson are forwarded by the McLeod County Sheriff's Office to the Hutchinson PD and Hutchinson HRA for tracking.
- A quarterly listing of actual Hutchinson Mortgage Foreclosure Sales is provided by the Sheriff's office to the Hutchinson HRA for tracking.

- The City/HRA maps the Hutchinson Mortgage Foreclosure Sale addresses to determine if the sales are concentrated in any particular neighborhood.
- The City Building Department provides a list of properties that have water, gas or electric shutoffs; the HRA cross references this list with the foreclosure list to identify vacant properties due to foreclosure.

### **Strategy 3: Foreclosure Remediation**

#### **Homebuyer Funding to Stimulate Sales of Foreclosures:**

- The HRA has received funding for foreclosure remediation within the City of Hutchinson through MHFA via the CASA Workforce Initiative and the HOME HELP program. The goal of these funds is to assist first time homebuyers in buying homes including foreclosed homes, thereby reducing the number of vacant houses, stabilizing home values and preventing housing blight. HOME HELP is an entry cost/closing cost assistance program with up to \$14,999 available to eligible homebuyers. 70% of the HOME HELP homebuyer loan is forgiven after five years.
- An acquisition/rehab loan program, Minnesota Housing FHA 203 Streamlined (K) is now available in Hutchinson, as part of the CASA Workforce Housing Foreclosure Remediation initiative. This program combines rehab costs with acquisition costs to assist the sale of existing homes needing rehab and also offers the HOME HELP entry cost/closing cost program.
- Federal Programs have been authorized recently that may help struggling homeowners; these include “Hope for Homeowners Act of 2008” and “The Emergency Economic Stabilization Act of 2008”.
- A First-time Homebuyer Tax Credit authorized through the American Recovery and Reinvestment Act of 2009 is for first-time homebuyers that purchase a principal residence between January 1, 2009 and November 30, 2009. The tax credit amount is 10% of the purchase price or \$8,000. The tax credit is fully refundable (no repayment requirements); however, there is recapture during the first three years. First-time homebuyers with incomes of up to \$75,000 and married couples with incomes of up to \$150,000 qualify for the full tax credit. This tax credit can be combined with the following Minnesota Housing programs: Minnesota Mortgage Program with up to \$3,000 in entry cost assistance available to Targeted Borrowers and the Community Activity Set Aside Program with \$3,000 - \$14,999 in entry cost assistance available to eligible borrowers.
- Neighborhood Stabilization Program (NSP). This program is established by Title III of Division B of the recently enacted Housing and Economic Recovery Act of 2008 (HERA). HERA provides emergency Community Development Block Grant (CDBG) funding to support state and local efforts to stabilize neighborhoods with high numbers of vacant and foreclosed-upon homes. Minnesota Housing Finance Agency will receive \$38,849,929 for the Minnesota

State Program. McLeod County was not listed as a high need county according to the statistical model identifying eligible applicants for the NSP funds, even though there were some zip codes within McLeod County showing a high number of foreclosures-these areas include the cities of Lester Prairie, Brownton, Winsted and Silver Lake. Therefore, no federal funding will be available to Hutchinson through the NSP program.

- The Spring RFP funding round for the Community Revitalization (CRV) Program was cancelled by MHFA because of the recent state budget cuts. There may be funding available through MHFA in the summer RFP.
- Other potential funding sources such as Greater MN Housing Fund and the Southwest Minnesota Housing Partnership will be monitored for availability of funds helpful to the City of Hutchinson.