

Hutchinson Housing & Redevelopment Authority
Foreclosure Prevention and Remediation Plan
 March 26, 2010

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. There were 159 foreclosure sales in McLeod County in 2008 and 135 foreclosure sales in McLeod County in 2009, a decrease of 15% from 2008. At the end of 2008, there were 42 foreclosure sales in the City of Hutchinson and in 2009 there were fifty foreclosure sales in the City of Hutchinson, an increase of 19% from 2008. (An additional 27 foreclosure sales were scheduled in 2009 but were subsequently cancelled.) A map of the fifty foreclosure sales in Hutchinson shows that the majority of foreclosure sales are in the older areas of the city bordering the downtown area and to the northeast. As of March 2010, there were thirty one homes on the foreclosure list that had their water, electric or gas turned off and therefore considered vacant, compared to twenty-nine vacant homes on the foreclosure list in 2009. In 2010, there are thirty-one homes in Hutchinson with sheriff's sales scheduled through April 30, 2010. At that rate, we may see up to 90 foreclosure sales during 2010; however it is difficult to predict how many of these will be averted. According to information from McLeod County, the median bank owned sale price in 2009 was \$79,000 and the average was \$80, 636. The median home sale price in 2009 excluding bank sales was \$127,407 and the average was \$135,604. The median sale price in 2009 for all sales combined was \$117,750 and the average for all sales combined was \$125,171. According to data from Minnesota Housing Finance, residential foreclosures overall in Minnesota have shifted from a subprime to a prime crisis. McLeod County has a substantial number of loans in delinquency and pre-sale foreclosure status. The greatest challenge to the Hutchinson housing market in 2009 continuing into 2010 is unemployment and underemployment.

HOME RESALES CITY OF HUTCHINSON 1999 through 2009																						
Year	2009		2008		2007		2006		2005		2004		2003		2002		2001		2000		1999	
Price Range	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.
Under \$50,000	9	4.2	6	2.7	5	1.8	6	1.6	2	0.5	1	0.3	2	0.7	0	0.0	8	2.2	8	2.4	9	3.8
\$50,000 to \$74,999	27	12.5	11	4.9	6	2.2	10	2.6	8	2.1	9	3.0	9	3.2	20	6.3	24	6.6	24	7.3	26	10.9
\$75,000 to \$99,999	36	16.7	23	10.2	17	6.1	22	5.8	28	7.3	25	8.3	33	11.8	58	18.3	80	22.1	108	32.8	76	31.8
\$100,000 to \$124,999	47	21.8	43	19.0	39	14.0	56	14.8	56	14.7	50	16.7	62	22.1	82	25.9	102	28.2	89	27.1	52	21.8
\$125,000 to \$149,999	46	21.3	34	15.0	63	22.6	67	17.7	86	22.6	88	29.3	83	29.6	76	24.0	73	20.2	51	15.5	41	17.2
\$150,000 to \$174,999	20	9.3	51	22.6	59	21.1	88	23.2	83	21.8	50	16.7	39	13.9	36	11.4	38	10.5	24	7.3	17	7.1
\$175,000 to \$199,999	12	5.6	22	9.7	36	12.9	45	11.9	46	12.1	28	9.3	24	8.6	21	6.6	16	4.4	15	4.6	7	2.9
\$200,000 +	19	8.8	36	15.9	54	19.4	85	22.4	72	18.9	49	16.3	28	10.0	24	7.6	21	5.8	10	3.0	11	4.6
Total	216	100.0	226	100.0	279	100.0	379	100.0	381	100.0	300	100.0	280	100.0	317	100.0	362	100.0	329	100.0	239	100.0
Median	\$117,750		\$146,750		\$157,900		\$158,000		\$152,000		\$138,000		\$135,000		\$124,600		\$119,900		\$107,000		\$104,000	
* 2004 resale breakdown numbers includes some sales not included in median calc.																						
Sources: Peterson-Paulsen Associates Inc. Realty Maxfield Research Inc. McLeod County Assessor's Office																						

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 or 1-800-992-1710. Another website to help people avoid predatory lending is www.dontborrowtrouble.com
- Homeowners at risk of foreclosure will be referred to Heartland Community Action Agency, www.heartlandcaa.org at 1-800-992-1710 or Lutheran Social Services, 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) Foreclosure Prevention link.
 - Hutchinson HRA (www.hutchinsonhra.com) Foreclosure Prevention link.
 - Homeownership Center of MN (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”.
 - Minnesota Housing Finance Agency (www.mnhousing.gov)

Foreclosure Prevention:

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.

Foreclosure Prevention Counseling

The Minnesota Home Ownership Center has reported that 6,001 households in Greater Minnesota were served in 2009 with 58% or 2,766 Foreclosures averted. Foreclosures were averted through a variety of actions including: brought mortgage current, modified mortgage, forbearance agreement, filed bankruptcy, refinanced mortgage, received second mortgage, debt management plan, short sale, sold property, or deed in lieu of foreclosure.

Foreclosure Process in Minnesota

There were changes to MN State law requiring lenders to notify homeowners of the availability of foreclosure counseling services prior to scheduling The Sheriff's sale. The Lender also provides homeowner contact information to counseling agency. (Lutheran Social Services or Heartland Community Action Agency.) Minnesota State law now allows homeowners to delay foreclosure sale by five months to allow the Homeowner five more months to bring their mortgage current. Homeowners must file for postponement between the first publication of sale and 15 days prior to sale. This postponement, however, reduces the redemption period to five weeks if a foreclosure sale goes through.

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 \$10,000 available to eligible homebuyers. 70% of the HOME HELP homebuyer loan is forgiven after

- six years, the remaining 30% is due upon maturity of the first mortgage, the property is sold, or the home is not longer owner-occupied.
- The HRA has received funding for foreclosure remediation through the Greater Minnesota Housing Fund and Minnesota Housing Finance Agency for the purchase/rehab/resale of four (4) foreclosed or risk of foreclosed properties. The HRA purchased a vacant, short sale house at 1116 Lewis Ave and is partnering with the school district to rehab the house. The rehab is estimated to be complete in June 2010 and will then be sold. Homebuyer entry cost and affordability gap is available.
 - An acquisition/rehab loan program, Minnesota Housing FHA 203 Streamlined (K) is available, 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. Acquisition + rehab cannot exceed 110% expected market value.
 - Refundable tax credits for qualified first-time homebuyers will expire soon; buyers must sign a purchase agreement by April 30, 2010 and must close on the property by June 30, 2010. The tax credit amount is 10% of the purchase price or \$8,000. First-time homebuyers with adjusted gross 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 \$5,000 in entry cost assistance available to eligible borrowers.
 - Federal funding for the Neighborhood Stabilization Program (NSP) became available in 2009. 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 received \$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, Brownnton, Winsted and Silver Lake. Therefore, no federal funding is available to Hutchinson through the NSP program.
 - A new, federally financed pilot program is being launched in Arizona, California, Florida, Michigan and Nevada (hardest hit housing markets) with \$1.5 billion from the federal banking rescue. These states will develop programs to avert foreclosures in homes that are worth less than the value of their mortgages.