Foreclosure prevention programs

Overview

Foreclosures can be devastating and destabilizing for the households they affect. When there is a concentration of foreclosures in a specific area or at a specific point in time, they can also have serious consequences for neighborhoods and localities (e.g., eroding property taxes, increasing blight if homes are abandoned, and affecting the vibrancy and safety of neighborhoods).

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Approach
Foreclosure prevention programs provide assistance to homeowners at risk of losing their homes to foreclosure, and are often targeted to low- and moderate-income owners. Among other approaches, localities can provide funding to support HUD-approved housing counseling agencies that help homeowners apply for loan modifications or arrange other types of resolutions to avoid foreclosure. They can also support legal services agencies that help homeowners with foreclosure defense or assist homeowners who have been victims of predatory lending, deed-theft schemes, or other unscrupulous behaviors that put them at risk of foreclosure. Some jurisdictions also offer emergency loan programs for borrowers facing a temporary financial hardship. Such assistance generally is intended to bridge the gap until a borrower’s circumstances stabilize, and may come in the form of a low- or no-interest deferred loan payable upon sale or refinancing of the home. Finally, jurisdictions can play an important role in educating homeowners about their rights and obligations, as well as available assistance.

Coverage
Foreclosure prevention programs vary by jurisdiction and the types of services offered. In most cases local jurisdictions partner with a non-profit organization to administer the services of the program. While some local governments put resources into foreclosure prevention programs, there are also federal and, in some cases state, resources available for foreclosure prevention programs.

Eligibility
Typically to be eligible for foreclosure prevention services, the home at risk of foreclosure must be the program participant’s primary residence. Many programs require proof of reduction of income, unemployment, or financial hardship to participate.

Other considerations
- Should foreclosure prevention resources be geographically targeted? Research has shown that concentrated foreclosures can have negative consequences for neighborhoods and neighbors. Jurisdictions may consider targeting resources to neighborhoods that have a high number or rate of foreclosure, in order to maximize the benefits of the services by helping to avoid neighborhood-based consequences as well as the individual consequences of foreclosures.
Examples

- Philadelphia’s Division of Housing and Community Development administers a foreclosure prevention program that has served as a model for other cities and states. A judicial order that no owner-occupied residential property in Philadelphia can be foreclosed without a court-supervised conciliation process between owner and lender paved the way for the city to allocate resources to those eligible to take advantage of the opportunity to negotiate with their lender. The Residential Foreclosure Prevention Program provides residents a hotline, housing counseling, and legal assistance for homeowners negotiating with the lender.

- In New York City, the Center for New York City Neighborhoods is an umbrella organization for the network of housing counseling and legal services agencies in the city that provide foreclosure prevention services—housing counseling and legal services. The Center administers city and state funds, funneling money to network partners to support their foreclosure-prevention programs.

- Boston Community Capital’s Sustaining Urban Neighborhoods program purchases foreclosed properties before the former owners are evicted and then resells the home to the former owners at an affordable price to help stabilize that household and the surrounding neighborhood.

Related resources

Making Home Affordable, a resource website run by HUD, has information that can help homeowners find assistance to avoid foreclosure.

NeighborWorks America is an organization that collaborates with private and government entities to support community-based groups that assist homeowners and revitalize distressed cities, towns, and counties. The NeighborWorks America network includes over 245 organizations across the country.

This policy brief summarizes research from the NYU Furman Center exploring the relationship between foreclosures and neighborhood crime. NYU Furman Center, Do Foreclosures Cause Crime? NYU Furman Center, February 2013.

This report from the Urban Institute synthesizes the lessons from research and other reports about the impact of foreclosures on families and communities. G. Thomas Kingsley, Robin Smith, and David Price. The Impacts of Foreclosures on Families and Communities, The Urban Institute, May 2009.

See also:

Tax relief and circuit breaker programs
Policy objective: Increasing housing stability for renters and owners
Property tax relief for income-qualified homeowners