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, increasing the cost of municipal service delivery, and affecting the vibrancy and safety of neighborhoods).

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, refinancing, or arrange other types of resolutions, such as forbearance.
to avoid foreclosure. Foreclosure prevention programs can also support legal services agencies to 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. In markets where tax delinquency is a significant source of foreclosure, income-based tax abatements, exemptions, and payment plans can assist with homeowner stability although such changes may require changes in tax law. Finally, jurisdictions can use foreclosure prevention programs to 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.
- *Do local and state property tax policies affect foreclosure?* In certain markets, property tax delinquency policies, including escalating fees and interest rates, can decrease housing affordability and contribute to both public and private property 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](http://www.newyorkcityneighborhoods.org) 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](http://www.sustainingurbanneigh.org) 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.

- In **Detroit**, the [United Community Housing Coalition](http://www.uchc.org) in partnership with the City and Wayne County, provides tax foreclosure prevention services including counseling, assistance with applications for income-based property tax exemptions, and purchase support for tenants of single-family homes in property tax foreclosure.

- **Alameda County** in California offers the [Alameda County Housing Secure](http://www.alamedahousingsecure.org) program to prevent displacement by providing free legal services and emergency financial assistance to low-income tenants and homeowners.

Related resources

- [Making Home Affordable](http://www.hud.gov/foreclosure), a resource website run by HUD, has information that can help homeowners find assistance to avoid foreclosure.

- [NeighborWorks America](http://www.neighborworks.org) is an organization that collaborates with private and government entities to support community-based groups that assist homeowners and revitalize 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

**See also:**
- [Tax relief and circuit breaker programs](#)
  - Policy objective: Increasing housing stability for renters and owners
- [Property tax relief for income-qualified homeowners](#)