Overview

• According to the Mortgage Bankers Association (MBA), Georgia ranked 5th in mortgage loan delinquencies and 10th in foreclosure starts in the 3rd quarter of 2008.

• The % of loans on which foreclosure was started during the 3rd quarter climbed 2 basis points to 1.02%

• The % of loans in the foreclosure process increased by 9 basis points to 2.27%. Nationally, the number fell slightly by 1 basis point.
Foreclosure Picture in Georgia
What is the foreclosure picture in your community?

**Freshmen**
- Hawkinsville-Pulaski-4 1 in 1,057
- Rome-Floyd-60-1 in 665
- Sandersville/Tennille-Washington-1 1 in 8,537
- Vienna-Dooly-1 1 in 4,571

**Sophomores**
- Calhoun-Gordon-15 1 in 1,394
- Cordele-Crisp-1 1 in 10,125
- Douglas-Coffee-2 1 in 8,346
- Griffin-Spalding-97 1 in 270
- Toccoa-Stephens-23 1 in 538

**Juniors**
- Colquitt-Miller-4 1 in 701
- Metter-Candler-2 1 in 1980
- Milledgeville-Baldwin-2 1 in 9,555
- Newnan-Coweta-121 1 in 380
- Tifton-Tift-21 1 in 777
State Legislation Related to Housing

SB 57 Georgia Fair Lending Act Amendments-Senator Hamrick

- Limits FHA and VA fees that can be excluded from the 5% High Cost Loan Calculation.
- Prohibits prepayment penalties.
- Compensation cannot be based on the terms of a sub-prime loan.
- “Reasonable creditor” test on ability to make payments.
- Mortgage broker is an agent of the borrower.
- Penalty for failure to file foreclosure deed in a timely manner.
- Allows a tenant to remain in the home for 60 days after foreclosure.
- Provide 30 day notice to occupant prior to foreclosure.
- Judicial foreclosure provided when fraudulent acts have been perpetrated.
State Legislation Related to Housing

SB 55 Ad Valorem Taxation-Senator Pearson
• Directs assessors to count foreclosure sales when setting tax values

HB 113 Housing Authorities Law-Representative Holt
• Prohibits housing authorities from disqualifying a prospective tenant with a misdemeanor conviction 5 or more years prior to application.
State Legislation Related to Housing

HB 340 Representative Kaiser and SB 140 Senator Hamrick
• Requires at least 30 days notification before tenants or debtors could be evicted after foreclosure (must notify both).

HB 460 Representative Glanton
• Requires landlords, property managers or owners first publish their intent to use specific properties, identifying the number of units and addresses, along with their own contact information in the county newspaper of record at least two weeks prior to qualifying.
Federal Legislation Related to Housing

- July 2008
- Housing and Economic Recovery Act (HERA)
  - Signed by President Bush on July 30, 2008
Housing and Economic Recovery Act (HERA)

- An $11 billion 2008 Housing Bond cap increase
- A 10 percent Housing Credit cap increase in 2008 and 2009
- Permanent Alternative Minimum Tax (AMT) relief for Bonds and Credits
- Temporary Mortgage Revenue Bond (MRB) refinancing authority
- Numerous Housing Bond and Credit modernization provisions
- Government Sponsored Enterprise (GSE) reform establishing a state-administered affordable housing fund
- Temporary authority for Treasury to lend money to and purchase equity in Fannie Mae and Freddie Mac
Housing and Economic Recovery Act (HERA)

• A new Federal Housing Administration (FHA) foreclosure prevention refinancing program
• $180 million for foreclosure mitigation counseling and legal assistance
• $3.92 billion in neighborhood stabilization funding to help states and localities turn around foreclosed properties (NSP)
• A new first-time homebuyer credit worth up to $7,500 for purchases on or after April 9, 2008 and before July 1, 2009.
Credit Market Broken

• Unable to sell tax exempt mortgage revenue bonds at a favorable rate
  ▪ Bond Cap Increase/AMT Relief/Refinancing Authority

• Difficulty syndicating tax credits—only the most feasible/least risky
  ▪ AMT Relief/Cap Increase

• No establishment of Affordable Housing Fund
  ▪ Based on profitability of Fannie Mae and Freddie Mac

• Under utilized First-time Homebuyer Credit
  ▪ Repayable over 15 years
  ▪ Cannot combine with Mortgage Revenue Bond loans
Neighborhood Stabilization Funding

Georgia’s share of the $3.92 Billion NSP

- $77  State Program (Direct Pool and Flexible Pool)
- $18.5  DeKalb County
- $12.3  Atlanta
- $10.5  Gwinnett County
- $10.3  Fulton County
- $9.7  Clayton County
- $6.9  Cobb County
- $3.1  Columbus-Muscogee
- $2.4  Augusta
- $2.0  Savannah
- $153 million to Georgia
Neighborhood Stabilization Funding

- Received 23 applications for the Direct Pool Allocation $54,440,358

- Remaining funds allocated to Flexible Pool $19.5 million
Direct Applications (GICH Communities)

- **Freshmen**
  - Brunswick (Glynn)—Part of Fitzgerald Regional Application
  - Rome (Floyd)—Part of Coosa Valley RDC Regional Application

- **Sophomores**
  - Calhoun (Gordon)—Part of Coosa Valley RDC Regional Application
  - Griffin (Spalding)

- **Juniors**
  - Newnan (Coweta)
Flexible Pool

- Georgia Dream NSP ($5 million)
- Request for Proposals Issued 2/18/09
- Permanent Supportive Housing NSP
- Tax Credit Program
- Responses Due March 27th
Eligible GICH Communities

- **Freshmen**
  - Brunswick
  - Rome

- **Sophomores**
  - Calhoun
  - Cordele
  - Douglas
  - Griffin
  - Toccoa

- **Juniors**
  - Milledgeville
  - Newnan
Foreclosure Mitigation Counseling

• Competitive funding available through NeighborWorks® America
• State (DCA) and other entities received funding
  ▪ First round--$887,000
  ▪ Second (maybe final) round--$1.5 million
  ▪ Includes legal assistance funds--$500K
• Over 2,100 individuals and families have been served through the State’s program
Fast Forward

February 2009

- American Recovery and Reinvestment Act (ARRA)—Stimulus Bill
- Signed by President Obama on February 17, 2009
More help for housing………

- $2.25 billion in HOME funds to State Housing Credit Allocating Agencies (DCA) for filling equity gaps in developments awarded Credits in federal fiscal years 2007, 2008, and 2009.
- Approximately $54 million to Georgia
- A Housing Credit exchange provision allowing State Housing Credit Allocating Agencies (DCA) to trade in up to 40 percent of their 2009 Credit authority and up to 100 percent of any unused or returned 2008 Credits for 85 cents on the dollar to fill funding gaps in otherwise “ready to go” developments.
- $75-$250 million to Georgia
Home Buyer Tax Credit

• The first-time home buyer credit increased to $8,000, extends its expiration date from July 1, 2009 to December 1, 2009, eliminates its repayment requirement, and lifts the prohibition against combining it with Mortgage Revenue Bonds.

• These provisions are effective for home purchases after December 31, 2008.
Housing Spending

- $4 billion for the public housing capital fund
- $2 billion for full-year payments to owners receiving Section 8 project-based rental assistance
- $2 billion for the Neighborhood Stabilization Program
- $1.5 billion for homeless prevention activities
- $1 billion for CDBG
Housing Spending (cont.)

- $200 million for rural housing to support an additional $1 billion in Section 502 direct loans and $10.5 billion in Section 502 guaranteed loans
- $100 million for lead paint hazard control
- $5 billion for weatherization
Homeless Prevention Activities

- $33.5 will come to Georgia
- We anticipate that approximately $19 million will be administered by the State (DCA-GHFA-State Housing Trust Fund for the Homeless)
- $19 million is 9X our normal federal allocation.
Funds can be used for:

- Short or medium term rental assistance
- Housing relocation and stabilization services:
  - Housing Search
  - Mediation or outreach to property owners
  - Credit Repair
  - Security or utility deposits
  - Rental assistance for a final month at location
  - Moving cost assistance
  - Case Management
  - Other appropriate activities for homelessness prevention and rapid re-housing of persons who have become homeless.
Homeowner Affordability and Stability Plan

- One part of the 6-Part Financial Stability Plan Referenced by Treasury Secretary Geitner

Targets:

- Responsible families who make their monthly payments and fulfill their obligations but are unable to refinance at lower mortgage rates due to the fall in property values.
  - Loans owned or guaranteed by Fannie Mae or Freddie Mac
  - Reduce monthly payment for 4 to 5 million homeowners
Homeowner Affordability and Stability Plan (cont.)

Targets:

• Workers who have lost their jobs or had their hours cut and are struggling to stay current on their mortgage payments.
  ▪ Loan modifications-reduce the amount homeowners pay each month not to exceed 31% of income
  ▪ Low rates stay in place for 5 years then gradually increase
  ▪ Assist 3 to 4 million at-risk homeowners.
Carrot and Stick Approach

Incentives – Carrot

• “Pay for Success” incentives to servicers
  ▪ Up front fee of $1,000 for each modification—monthly fees for each month the borrower stays current—up to $1,000 a year for 3 years.
Carrot and Stick Approach

• Incentive to help borrowers stay current.
  ▪ Provides a monthly balance reduction payment that goes straight toward reducing the principal balance as long as current—up to $1,000 a year for 5 years.

• Reaching borrowers early
  ▪ Provides $500 to servicers and $1,500 to mortgage holders if an at risk loan is modified before it becomes delinquent.
Carrot and Stick Approach

• Home price decline reserve payments
  ▪ A partial guarantee insurance fund to discourage lenders from foreclosing on loans that could be viable out of fear of home price declines.
Carrot and Stick Approach

Disincentives – Stick

- Allow judicial modifications of home mortgages during bankruptcy for borrowers who have run out of options
- Also known as “cram downs”
- Major disincentive for lenders, investors, and servicers
Outside the Box

• DCA is working with our industry partners to “reinvent” programs that are stalled in this current economic environment.

• New challenges, New resources, New solutions

Housing is a part of our state’s prosperity…
PUT HOUSING TO WORK