

# Recovery from Foreclosure

Focus Group Summary for the  
Housing Options Committee  
Governor's Foreclosure Prevention Task Force

July 2007

## Community Research Partners

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Strengthening Ohio communities through data, information, and knowledge.

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# 1. Introduction

In June 2007, the Ohio Housing Finance Agency (OHFA) asked Community Research Partners (CRP) to conduct two focus groups on strategies and resources for individuals and communities to recover from Ohio's foreclosure crisis.

The focus groups were hosted by the Housing Options Committee of the Governor's Foreclosure Prevention Task Force chaired by Bill Faith, Executive Director of the Coalition on Homelessness and Housing in Ohio. The other members of the committee are Doug Garver, Executive Director of OHFA; Lou Tisler, Executive Director of Neighborhood Housing Services of Greater Cleveland; and Eric McFadden, Director of the Governor's Office of Faith Based and Community Initiatives.

Housing Options is one of five committees operating under the Governor's Foreclosure Prevention Task Force, chaired by Department of Commerce Director, Kimberly Zurz. The other committees are Legislative Proposals, Legal Barriers, Education & Outreach, and Responsible Lending.

Community Research Partners is a nonprofit research center that strengthens Ohio communities through data, information, and knowledge. CRP's partner organizations are the City of Columbus, United Way of Central Ohio, the John Glenn School of Public Affairs at The Ohio State University, and the Franklin County Commissioners.

The focus groups met on July 11<sup>th</sup> and 19<sup>th</sup>. There were 20 attendees at the July 11<sup>th</sup> focus group and 12 at the July 19<sup>th</sup> group, representing a diverse group of stakeholders from across the state identified by OHFA (see Appendix). This report includes focus group comments and a summary of the major points and themes to emerge from the two meetings. In conjunction with the other committees, Housing Options will present the findings and recommendations of the focus groups to the full task force in early August.

## Methodology

Each focus group was approximately two and half hours long. After introductions, Committee Chairman Bill Faith framed the discussion of foreclosure recovery (as opposed to prevention) in the context of the overall initiative and amidst Ohio's ongoing struggle with foreclosure and vacancy. Over the next 60-90 minutes, Roberta Garber, CRP Executive Director, facilitated the focus group, asking attendees to respond to the following questions:

1. How do you define "recovery" from foreclosure - from both an individual consumer and community perspective?
2. What do individuals need in order to recover from foreclosure?
3. What do communities need in order to recover from foreclosure?
4. What actions should the state - Governor or Legislature - take to address these needs?

The final question generated a list of ideas for state actions that were posted on large note pads at front of the room. Through "dot voting," each attendee indicated the three most urgent actions for individual recovery from foreclosure and the three most urgent

actions for community recovery. The facilitator tallied votes, ranked ideas accordingly, and then prompted attendees for any reactions to the voting results.

Two CRP staff took notes during each focus groups, and OHFA staff wrote responses to question #4 on flip chart paper in preparation for the dot voting. For this report, the notes for questions 1-3 from the two groups were combined to reduce duplication.

## 2. Responses to Questions 1-3

The following is the summary of responses from both focus groups to questions 1-3.

### Q#1: How do you define “recovery” from foreclosure?

#### Defining recovery for individuals

Individuals have recovered from foreclosure when:

- In the short-term, a person has decent, affordable housing. Individuals cannot concentrate on higher level recovery without a secure place to live.
- In the longer-term, when a person is able to re-establish good credit, or further, when a person returns to pre-foreclosure financial/credit status (assuming prior status was decent).
- A person meets the two conditions above *and* has an understanding of how to avoid repeat situations. This is full recovery and a foundation for future success.
- *Question:* Should this focus group and the full task force broaden the definition of “foreclosure” to include events when foreclosure is avoided through emergency sale or bankruptcy?

#### Defining recovery for communities

Communities have recovered from foreclosure when:

- They find good (re)uses of foreclosed properties that have fallen vacant and abandoned, and moreover, when a system is in place to expedite the acquisition/disposition necessary for property resolution.
- Moderate, middle, and higher income residents have confidence in the housing market and stability of neighborhoods.

### Q#2: What do individuals need in order to recover from foreclosure?

Individuals need:

- **Housing:** To secure housing. They may also need financial/logistical assistance in carrying out the move (special considerations for senior population) and protections against renter discrimination because of their history of foreclosure or the “foreclosure inevitable” label.
- **Counseling:** Loss mitigation counseling, credit counseling, and general financial literacy education. They need a trustworthy source for this information, preferably delivered in an in-person, interactive manner and potentially through peer-to-peer consultation. Individuals need counseling resources available at (or referred by) the institutions they already frequent, i.e. churches, community centers, and unions. Services should be local -Zanesville sends people to Columbus for homeownership counseling.

- **Job Training:** Financial counseling could be coupled with job training or continuing education.
- **To Address Root Causes:** An understanding of the specific conditions and actions that led them to foreclosure in order to address the root of the problem in their case. Individuals may also need specialized consultation (mental, substance, gambling) to help them through their financial loss and to avoid repeat troubles.
- **Advocates:** Advocates working on their behalf to uphold borrower rights and protections.

**Examples of models and existing programs cited by focus group participants:** Northern Ohio Redevelopment Agency; State of Colorado public-lender partnership; Working in Neighborhoods – Citizens Against Loan Sharks; Bridges Out of Poverty; Ohio CDC Association – Assets for Independence (an IDA program); Toledo Rescue Loan Fund; Cincinnati Rescue Funds Program; NHSA partnership with banks; OHFA’s current program

**Q#3: What do communities need in order to recover from foreclosure?**

The following are the responses to Question #3, grouped under general themes.

**Large scale/comprehensive redevelopment**

Communities need:

- To pursue “higher altitude strategies” to establish stability, quality, and sense of place in neighborhoods ravaged by foreclosure and vacancy. Comprehensive planning is necessary along with transaction-level reforms to achieve recovery.
- In some cases, the scale and immediacy of funding that only accompanies a federal declaration of “Disaster Area.” The scale of financing needs to fit the scale of the problem. Whole blocks may need to be rehabbed or demolished to make a dent. Suggestion: Coordinate with Michigan and Indiana to approach the federal government for emergency assistance.
- “Catalytic investment,” such as that in Cleveland’s Model Neighborhoods.
- Assistance in bolstering the job base and civic institutions which can hedge against the foreclosure crisis. Communities need economic vitality and a reasonable percentage of jobs with compensation sufficient for responsible homeownership. Communities need high quality schools as incentive to keep people in city even after the loss of a job or home.

**Flexible funding**

Communities need:

- Funding that allows local stakeholders to assess honestly whether structures and whole residential areas are appropriate for rehab or more drastic redevelopment measures.

- Funding that allows for per structure or per unit subsidy that is in line with the cost of rehabilitation necessary to make units viable. Older structures tend to cost more to rehab because of deterioration and environmental concerns.
- Housing subsidies that are flexible enough to target moderate to middle income households and create mixed-income, mixed-use neighborhoods (OHTF might already have some applicable programs; HOME does not).

### **Legal tools**

Communities need:

- Some control over physically and fiscally neglected properties, including the appropriate “sticks and carrots” to force or incentivize owner action and the ability to take over vacant property after a certain amount of time.
- The prerogative and resources to demolish properties, acquire and dispose of lots, and otherwise “re-footprint” drastically declining neighborhoods.
- Legislation that makes it easier to land bank (and perhaps building bank).
- Some means of incentivizing (for the selling agent) the sale of lender-held properties to owner-occupants rather than investors.
- The prerogative and resources to cut grass, remove waste, board openings, or otherwise preserve the appearance of normality in neighborhoods.
- Legislation that would bring all lenders to the table in an effort to lower the cost of capital for redevelopment, renovation, and assistance to keep owners in place.

### **Enhanced non-profit capacity**

Communities need:

- Better lines of communication (and systematized communication) between government, CDC's, and lenders.
- Vehicles for encouraging redevelopment and involving interested CDC's. Communities might design acquisition/disposition programs that offer land (after demolition) to adjacent neighbors at low cost, thus accomplishing goals of stewardship, existing property enhancement, and permanent density relief.
- A well-informed non-profit counseling industry to assist residents through foreclosure and improve the financial literacy of the home-buying public. Communities need to identify why the people who need these services are not accessing them at all or soon enough. (There was some concern about the expectation that existing organizations could take on new or broader services that might be outside their specialization or resources.)

### **Access to information**

Communities need:

- To take advantage of the prerogatives and staff/monetary resources already available to them. They need to “take ownership” of the foreclosure and vacancy issue and prioritize it according to its broad impact on the community.

- Good and current information on what properties are falling into abandonment and who are the responsible parties for those properties. It was suggested that there be some incentive for lenders to provide their REO lists to local governments or to a state clearinghouse. Early identification can enable a community to secure a building before it becomes a crime target. Identification means little, however, unless programs are in place to address the issues.
- To understand the root causes of foreclosure in their city and individual neighborhoods: job decline vs. troublesome mortgage products vs. fraud vs. something else. There is not a one size fits all answer to the problem.
- To understand which foreclosures are “good and reasonable,” i.e. expedient action on absentee investors. Suggestion: Communities should recognize other circumstances, such as changes in bankruptcy law or increased restrictions on mainstream lenders, which may have inadvertently contributed to the rise in foreclosures.

### **To take the lead**

Communities need:

- To take advantage of the prerogatives and staff/monetary resources already available to them. They need to “take ownership” of the foreclosure and vacancy issue and prioritize it according to its broad impact on the community.

### **Examples of models and existing programs cited by focus group participants:**

Home Again (Columbus); OHFA pilot program for rehab of HUD homes -ACA Program; New Schools New Neighborhoods (Toledo); Save Our Homes (Franklin County); Neighborhoods in Bloom (Richmond, VA); Neighborhood Progress Inc. (Cleveland)

### 3. Recommended state actions

After generating a list of actions that the state should take to address foreclosure recovery for individuals and communities, participants voted for actions they thought were most urgent (i.e. should happen first). Participants selected the three most urgent items for recovery of individuals and for recovery of communities. The groups did not consolidate related or complementary ideas before voting.

#### State Actions to Address the Needs of Individuals

July 11 Focus Group (n=20)	Votes
1. Money for financial counseling for individuals, preferably in person.	13
2. Fund non-profits to purchase properties in short sale and then lease back to former owner with intent of eventual transfer back to former owner.	11
3. Special assistance for seniors to relocate and rent.	7
4. Require housing counseling through third party prior to foreclosure.	6
5. Money for peer-to-peer counseling programs.	4
6. Fund staff training for counseling organizations - better training on loss mitigation.	4
7. "Public defender" for foreclosure.	4
8. Advocate/educate landlords about foreclosure crisis and credit to increase access to rental housing by victims of foreclosure -research on risk to landlords.	3
9. Title companies maintain documents and make them available (timetable should sync with RESPA).	3
10. More magistrates and staff (case mgmt.) funded through foreclosure fee increase. State guidance on implementation. System to get direct access to loss mitigation.	3
11. "Section 8"-like voucher program for victims of foreclosure funded by lifting cap on Ohio Housing Trust Fund (or HOME) - look at income targeting restrictions.	3
12. Rebuild your credit workshops (see Franklin County model) including how to reestablish bank accounts.	2
13. Access to affordable housing.	2
14. Law prohibiting discrimination in rental housing solely on basis of prior foreclosure.	2
15. Expand IDA programs and provide state match dollars.	1
16. Drop Mandamus appeal on SB 117.	1
17. Enforce the requirement of notification of tenants (renters) when foreclosure is filed.	0

<b>July 19 Focus Group (n=12)</b>	<b>Votes</b>
1. Increase resources for individuals to access to counseling and financial literacy.	9
2. Offer more financial tools/assistance for people to refinance. [more so foreclosure prevention than recovery]	8
3. Expand available housing and have more transitional housing.	5
4. Encourage/coordinate existing services and resources.	3
5. Prevent abusive lending.	2
6. Stabilize home values by addressing vacant housing issues.	2
7. Require homebuyer's education for those using state housing programs.	2
8. Define standards for housing counseling.	2
9. Support Federal legislation to eliminate penalty on loan forgiveness.	1
10. Increase homeowner exemption for garnishment/attachment.	1
11. Provide proactive outreach to borrowers in ARM's nearing reset and provide clear direction on who to contact.	1
12. Increase resources for other support services: mental health, social services, energy assistance, etc.	0
13. Improve public education to provide reasons for family to stay.	0
14. Expand assistance programs to address people of medium/moderate income to help protect the first-ring suburbs.	0
15. Provide for individualized service plans for case management for people who are victims.	0

## State Actions to Address the Needs of Communities

<b>July 11 Focus Group (n=20)</b>	<b>Votes</b>
1. Money to cities for demolition, relocation assistance, and property maintenance.	11
2. Require faster disposition of properties after foreclosure.	11
3. Increase cost of carrying vacant property.	9
4. Make land banking easier for cities, as well as resources to maintain/redevelop.	8
5. Create a “weak market” funding initiative through competitive process.	7
6. Funds to purchase vacant properties (rehab/renovate) and sell to owner occupants.	6
7. Adopt comprehensive focus to develop programs - entire neighborhood revitalization (may include demolition).	5
8. Funding for housing counseling programs in tandem with development.	4
9. Streamline process for acquisition of properties by cities.	3
10. Educate communities on models, research, strategies that cities can use.	2
11. Review method for valuing properties.	2
12. Make money available for redevelopment at targets greater than HUD income limits.	1

<b>July 19 Focus Group (n=12)</b>	<b>Votes</b>
1. Support cities use of land banks through funding, bonding, and guarantees.	7
2. Provide financing for renovation/demolition – larger scale projects for comprehensive strategies and catalytic investments.	7
3. Provide state tax credits for lenders who will make REO properties known.	6
4. Match city funds for comprehensive initiatives tailored to communities.	3
5. Develop alternative housing for people who are displaced.	3
6. Partners with banks using state funds to bring down the cost of capital for redevelopment.	3
7. Expedite communities getting clear title to properties.	1
8. Provide more funding for homeowner counseling (above \$2 million).	1
9. Assess holders of vacant properties for holding costs by local government and/or registration fee.	1
10. Provide funding source to deal with lead and environmental issues.	0
11. Support SB-119 Fast Track Land Banking. First improve it.	0
12. Prioritize municipal liens.	0
13. Support city efforts to do early warning on vacant housing.	0

## Summary of voting

CRP combined the voting results from both focus groups, consolidating suggested state actions as appropriate, to arrive at a list of the top three most urgent actions for individuals and for communities recommended by focus group participants.

### Recovery for individuals

- **Counseling.** Fund enhanced housing and financial literacy counseling services for individuals who have gone through, or are approaching, foreclosure. Support the creation and expansion of counseling programs that include case management components and potentially peer-to-peer components. Require that counseling be provided through a third party agency before foreclosure proceedings are complete. Fund staff training for counseling organizations and define standards for the housing counseling industry. Coordinate existing services.
- **Lease-back programs.** Fund non-profits to purchase properties in short sale and then lease back to the former owner with intent of eventual transfer back to former owner.
- **Short-term housing assistance.** Fund transitional and alternative housing options and relocation assistance for those displaced by foreclosure, with special considerations for elderly persons.

### Recovery for communities

- **Large scale redevelopment.** Fund the planning and execution of larger scale/catalytic redevelop plans, targeted to “weak markets.” Fund the demolition, relocation assistance, and property maintenance necessary within comprehensive neighborhood housing/redevelopment plans. Partner with banks to bring down the cost of capital for redevelopment.
- **Land banking.** Support the use of municipal land banking through state legislation that streamlines the city’s acquisition process and expedites attainment of clear title. Provide resources to help cities maintain land bank properties and support programs for viable resale to owner-occupants.
- **Property disposition.** Enact legislation that leads to faster disposition of properties after foreclosure, potentially by enabling cities to increase the cost of carrying vacant properties. Give state tax credits to lenders who will periodically provide a list of their REO property holdings to cities or a state clearinghouse.

## Appendix: Focus Group Participants

### July 11, 2007

- Wendy Boortz - Ohio CDC Association
- Sr. Barbara Busch - Working in Neighborhoods (Cincinnati)
- Brian Carnahan - OHFA
- Don Corley - WSOS (Fremont)
- Matt Erickson - United Way of Central Ohio
- Steve Gladman - Columbus and Franklin County Housing Trust
- Hugh Grefe - Toledo LISC
- Patti Griffiths - CAC of Fayette County
- Carla and Gary King - Russell Real Estate Services (Amherst)
- Mark Lawson - Legal Aid Society of Cincinnati
- Debbie Leasure - OHFA
- Roy Lowenstein - Buckeye Community Hope Foundation (Columbus)
- Joe Maskovyak - Ohio State Legal Services
- Jeanne Morton - Cleveland Housing Network
- Rita Parise - City of Columbus
- Mark Siefert - ESOP (Cleveland)
- Amanda Stark - Chase Homeownership Preservation Office (Columbus)
- Robie Suggs - National City Bank (Cincinnati)
- Les Warner - ODOD, Housing and Community Partnerships
- Mark Wise - Cuyahoga County Foreclosure Prevention Program

### July 19, 2007

- Michael Badik - Toledo Dept. of Neighborhoods
- Karen Banyai - OHFA
- Patricia Barnes - Ohio CDC Association
- Lavea Brachman - Greater Ohio/Rebuild Ohio
- Kaye Britton - Homeownership Center (Cincinnati)
- Linda Cook - Ohio State Legal Services

- Meg Deedrick - City of Zanesville
- Matt Erickson - United Way of Central Ohio
- Paul Haggard - Columbus Housing Partnership
- Roger McCauley - COAD (Athens)
- John Slebodnik - City of Canton
- Lou Tisler - NHS of Greater Cleveland