



## 2012 Progress Report

### for the Massachusetts Foreclosed Properties Initiative



CITIZENS' HOUSING AND PLANNING ASSOCIATION

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CHAPA

## The Massachusetts Foreclosed Properties Initiative

When Natalie fled from a domestic violence situation with her young daughter, teenaged sister, and diabetic mother, she had very few options: “I was in a spot and had nowhere to go.” Natalie was able to connect with a homeless coalition, which then referred her to Catholic Social Services (CSS). A housing specialist at CSS found her family temporary placement at a shelter and then assisted Natalie with finding a permanent solution. In February 2010, Natalie and her family moved into a newly-renovated rental apartment in Fall River. This apartment was one of five foreclosed properties that a non-profit housing developer, Community Action for Better Housing (CABH), acquired through the Massachusetts Foreclosed Property Initiative.

Created by Citizens’ Housing and Planning Association (CHAPA), the Massachusetts Foreclosed Property Initiative assists communities with acquiring foreclosed properties and rehabilitating these properties into homes for low- and moderate-income families. The experience of Natalie and CABH highlight the two-pronged approach of the Initiative: transform foreclosed properties, which are negatively impacting neighborhoods and are often magnets for vandalism and crime into well-maintained, affordable homes for families in Massachusetts who are struggling to find stable housing.

To date, 127 properties—comprised of 217 single-family homes, apartments and townhomes—have been purchased through the Initiative (20 of the 127 properties are currently under agreement). This report highlights the need, the program operations, and the outcomes of the Massachusetts Foreclosed Properties Initiative. As one of many of individuals helped through this Initiative, Natalie reflects that “nothing beats home. Maybe we’re on our way to finally trying to build something new.”

## The Need

Throughout the United States, the foreclosure crisis continues to disrupt the lives of homeowners and their families, destabilize entire neighborhoods, and erode the nation’s housing market. While Massachusetts does not share the same infamy as hardest-hit states such as California and Nevada, the number of foreclosures in the state is still staggering. Since 2007, the annual number of foreclosures ranges from 7,685 to 12,233—its peak in 2008. According to The Warren Group, the number of foreclosures in Massachusetts totaled 49,264 from January 2007 to November 2012.

Both the public and non-profit sectors have developed strategies aimed at the individual and the neighborhood and municipal level to mitigate the negative impacts of the foreclosure crisis. By modifying the loan terms of individual mortgages to more affordable monthly payments, the Home Affordable Modification Program (HAMP), has helped 830,971 homeowners in the United States and 20,240 homeowners in Massachusetts stay in their homes. However, HAMP has not been able to save all homes from foreclosure. These homes enter into a lengthy foreclosure process (which typically takes over a year in Massachusetts), and during this time, the ownership of these properties are in legal limbo while the property falls into disrepair.

For these foreclosed properties, a neighborhood and municipal strategy is required. In response to this need, Congress created the Neighborhood Stabilization Program (NSP) to purchase, rehabilitate, and resell foreclosed and abandoned homes. Massachusetts received over \$82 million in NSP funding (three rounds of funding were authorized by the Housing and Economic Recovery Act of 2008, the American Recovery and Reinvestment Act of 2009 and the Dodd-Frank Wall Street Reform and Consumer Protection Act), which was distributed to the municipalities with the highest number of foreclosed properties in the state.

With NSP funds available, municipalities and community-based organizations began the work of identifying key



*7 Maverick in Chelsea was purchased and rehabilitated by Chelsea Neighborhood Developers in 2010.*

foreclosed properties for acquisition; however, this task proved difficult. The REO divisions of the major banks and servicers were disorganized: they were not necessarily aware of their holdings or prepared to sell. It was not uncommon to hear stories of community-based organizations spending hours navigating an inscrutable system only to find out the property is not even owned by a particular bank. Furthermore, many communities reported that speculators were purchasing properties without upgrading or improving them, which lead to further declining neighborhoods.

With these roadblocks to acquisition, CHAPA recognized a need for a clearinghouse that connects banks that own foreclosed properties with the organizations that can purchase foreclosed properties and upgrade them. CHAPA also recognized a need for transparency in the acquisition process. In July 2009, the Massachusetts Foreclosed Properties Initiative was created to address these issues.

## The Initiative’s Goals and Program Operations

CHAPA designed the Massachusetts Foreclosed Properties Initiative in coordination with the Patrick-Murray Administration and a broad-based advisory committee that includes non-profit housing organizations, municipal representatives, and funders. The program’s partners include over 40 organizations that have been selected based on their track record of building and managing affordable housing. The program operates in 36 NSP communities throughout the state (see below for qualified purchasers and NSP communities). The goals of the program are to:

- Stabilize neighborhoods by reducing vacant and abandoned units;
- Provide affordable housing opportunities—both homeownership and rental—to low- and moderate-income residents;
- Help responsible renters who are living in foreclosed properties avoid eviction and displacement;
- Ensure that the sale of foreclosed properties is done in a sustainable manner that does not set the stage for a future cycle of foreclosures and property decline.

The program operates as follows: CHAPA obtains foreclosed property listings from the National Community Stabilization Trust—a national non-profit organization specifically created to help local communities acquire foreclosed properties—and disseminates the listings to the program’s qualified purchasers. Participating banks and servicers include: Bank of America (including Countrywide), Chase (including Washington Mutual), Citi, Fannie Mae, Freddie Mac, and Wells Fargo.

A key feature of this program is the five-day “first look” period, which provides CHAPA’s qualified purchasers access to foreclosed properties prior to being listed on the market. Once the foreclosed property is inspected by the qualified purchaser, the bank or servicer provides an adjusted sale price that accounts for holding costs, maintenance, and brokerage fees. The qualified purchaser then determines within 24-hours whether to acquire the property. While the constrained timeline can be difficult for the qualified purchasers, the process addresses the challenges of working with the banks and servicers in acquiring foreclosed properties. Participating banks and servicers provide up-to-date listings of foreclosed properties, property access, and an adjusted price.

## The Initiative’s Outcomes

Through the Initiative, 127 properties—comprised of 217 single-family homes, apartments and townhomes —have been purchased throughout the state’s NSP communities (20 of the 127 properties are currently under agreement). The municipalities that have the highest number of properties purchased through the program include Boston, Brockton, and Worcester (see Table 1 for more details).

The vast majority of the acquisitions have been purchased by the program’s qualified purchasers: 75 of the properties were purchased by non-profits, 46 by for-profits, and 6 by homeowners. The majority of the properties have required significant

**Table 1: Properties by Municipality**

Municipality	Properties
Barnstable	3
Boston	14
Brockton	29
Chelsea	4
Chicopee	2
Fall River	4
Falmouth	2
Fitchburg	4
Framingham	5
Haverhill	1
Lawrence	8
Lynn	6
Marlborough	4
Marshfield	1
New Bedford	4
Plymouth	1
Quincy	2
Randolph	4
Springfield	4
Stoughton	3
Taunton	1
Worcester	11
Yarmouth	10
<b>TOTAL</b>	<b>127</b>

rehabilitation—the systems of the building need to be replaced, the copper has been stripped, and mold and structural issues are significant. These upgrades are best suited for a developer who after rehabilitation can then sell the properties to a homeowner or include the properties in their rental portfolio.

Of the 127 properties, 107 of the properties—184 units—have either begun or completed rehabilitation, and the remaining 20 properties are under agreement for acquisition. The information below pertains to the 107 properties that begun or completed rehabilitation.

The total rehabilitation cost for the 107 properties amounts to \$11,913,588 with an average cost of \$67,674 per unit. In terms of acquisition and rehabilitation funding, 55 of the properties used NSP funds, 27 used other public funds such as HOME or CDBG, and the remaining 25 properties were acquired and rehabilitated using private funds.

In terms of housing type, 46 of the properties are single-family homes, 30 are homes that include rental units (i.e two- or three-family homes), and 25 are rental apartments (the housing type is unknown for 6 of the properties since these properties are in construction). In regards to occupancy, 60% of the properties (64 properties) are occupied while the remaining 40% (43 properties) are either in construction or seeking tenants (if rental apartments) and homeowners (if for sale). The 184 units will provide housing opportunities for both low- and moderate-income families. This includes: 107 units for low-income households (in many cases, very low-income) and 66 units for moderate-income households (the income target is unknown for 11 of the units at this time).

Through the Initiative, 47 first-time homebuyers have either purchased a single-family home or a home that includes rental units. For the 55 properties that have sold (21 remain on the market), Table 2 summarizes the average sales price.

**Table 2: Number of Properties by Sales Price and Housing Type**

Average Sales Price	Housing Type	Number of Properties
\$186,905	1-family	37
\$206,900	2-family	13
\$195,060	3-family	5

## The Initiative’s Impact

Beyond the numbers, the Initiative has helped many families to improve their lives. For many years, Yessenia and Albert lived at Curwin Circle, a 283-unit family public housing development owned and operated by Lynn Housing Authority and Neighborhood Development (LHAND). It was here that Yessenia and Albert began to lay the groundwork for a new life of self-sufficiency.

HUD’s Family Self-Sufficiency (FSS) program helped Yessenia and Albert create their new life. The program assisted Yessenia and Albert with finding employment with higher pay. The FSS program then held their increased earnings in an escrow account. Through the escrow account, Yessenia and Albert were able to save enough money for a down payment on a home while they prepared for homeownership through counseling classes offered by LHAND.

The next step was finding a home. In 2010, Lynn’s housing market was similar to many communities in Massachusetts where starter homes were difficult to find because homeowners were competing with cash-only, investor purchases. It was through the Massachusetts Foreclosed Properties Initiative that a home became available to Neighborhood Development Associates (NDA), an affiliate of LHAND. NDA acquired the home and used the Massachusetts HousingPartnership’s Fund for Fixer-Upper program, which combined a soft-second mortgage with up to \$20,000 in grant funding, to rehabilitate the home.



*Yessenia, Albert, and their two daughters in their home acquired through the Massachusetts Foreclosed Properties Initiative.*

Yessenia and Albert exemplify how the Initiative has helped families, but the Initiative's impact goes beyond the families it helps. Communities throughout the Commonwealth have used the program to acquire targeted properties in the neighborhoods hardest-hit by foreclosures.

Since 2008, Brockton has had the highest rate of foreclosures of any city in Massachusetts. Kevin Harriman, Director of Housing Programs and Neighborhood Revitalization at the Brockton Housing Authority (BHA), reflects that "when the foreclosure crisis hit, we had already seen Brockton go through the same cycle in the late 80s and early 90s. We knew what worked to address the negative impacts so we were better equipped this time around." The BHA was indeed quick to respond. In 2008, the BHA partnered with the Southeastern Massachusetts Affordable Housing Corporation (SMAHC) and received a \$600,000 grant from the Paul and Phyllis Fireman Foundation, which was matched by \$600,000 in public funds from the Department of Housing and Community Development.

Equipped with \$1.2 million, BHA and SMAHC acquired properties in the three neighborhoods that were hardest hit with foreclosures: Pleasant Prospect, Campello, and Highland Newbury. "We started out driving through neighborhoods and painstakingly cataloging all of the foreclosed properties block-by-block. We initially acquired 18 units in targeted properties. This public investment attracted private investors—a double edge sword," explains Harriman. While some of these investors upgraded properties and invested in the neighborhood, several were speculators, and they minimally invested in the properties.

The first-look feature of the Initiative was critical to Brockton's stabilization efforts. The option to purchase the foreclosed properties by BHA, SMAHC and six additional qualified purchasers helped Brockton access properties before the speculators. When NSP funds were allocated to the city, BHA and SMAHC continued their partnership and successfully purchased and rehabilitated six first-look properties through the Initiative.

## Going Forward

Experts predict the housing market will not recover until at least 2014, and that the number of foreclosures will continue to rise in the United State and Massachusetts. With 127 properties—comprised of 217 single-family homes, apartments and townhomes—and counting, the Massachusetts Foreclosed Properties Initiative has proven to be a successful strategy in mitigating the negative impacts of the foreclosure crisis.

## Qualified Purchasers

Affordable Housing Associates of Lynn  
Barnstable Housing Authority  
Boston Community Capital  
Boston Home Center  
Bread and Roses Housing  
Brockton Housing Authority  
Charles Hope Companies  
Chelsea Neighborhood Developers  
Chicopee Neighborhood Development Corp.  
Citizens for Adequate Housing  
Coalition for a Better Acre  
Codman Square Neighborhood Development Corp.  
Combined Resources Company  
Common Ground Development Corp.  
Community Action for Better Housing  
Dorchester Bay Economic Development Corp.  
East Boston Community Development Corp.  
Emmaus  
Fairfield Real Estate Development Corp.  
Fall River Community Housing Resource Board  
Framingham Housing Development Corp.  
HAP  
Housing Assistance Corp.  
Lynn Housing Authority and Neighborhood Development  
Main South Community Development Corp.  
Marlborough Community Development Authority  
Martins and Associates Real Estate  
Mattapan Housing Initiative  
Neighborhood Development Associates  
Neighborhood Housing Services of the South Shore  
Nuestra Comunidad Development Corp.  
Oak Hill Community Development Corp.  
Second Generation Trust  
Self Help  
Southwest Boston Community Development Corp.  
Springfield Neighborhood Housing Services  
The 1810 Realty Group  
The Resources Incorporated for Community and Economic Development  
The Rosebrook Group  
Twin Cities Community Development Corp.  
Urban LandWorks  
Urban Neighborhood Homes

Veterans Northeast Outreach Center  
Wabash Construction  
Worcester Common Ground  
Worcester Community Housing Resources  
Worcester East Side Community Development Corp.

## NSP Communities

Barnstable  
Billerica  
Boston  
Brockton  
Chelsea  
Chicopee  
Dracut  
Everett  
Fall River  
Falmouth  
Fitchburg  
Framingham  
Haverhill  
Lawrence  
Leominster  
Lowell  
Lynn  
Marlborough  
Marshfield  
Methuen  
Milford  
New Bedford  
Peabody  
Plymouth  
Quincy  
Randolph  
Revere  
Salem  
Somerville  
Springfield  
Stoughton  
Taunton  
Wareham  
Weymouth  
Worcester  
Yarmouth