



DENVER'S FORECLOSURE TASK FORCE

Assessment and Recommendations Report

Denver City Council
July 2007

TABLE OF CONTENTS

EXECUTIVE SUMMARY	3
IDENTIFYING THE ISSUES	5
NATIONAL BEST PRACTICES	8
PARTNERSHIPS - WHAT IS DENVER DOING	12
TASK FORCE RECOMMENDATIONS:	
FORECLOSURE GOAL #1 - STABLIZATION CONTINUUM	16
FORECLOSURE GOAL #2 - EDUCATION	17
FORECLOSURE GOAL #3 - PREVENTION/INTERVENTION	19
FORECLOSURE GOAL #4 - LEGISLATION/POLICY/ENFORCEMENT	20
ACKNOWLEDGEMENT	22

EXECUTIVE SUMMARY

The City and County of Denver has been particularly hit hard by high rates of foreclosure. Since 2002, the City has experienced an estimated 400% increase in the number of foreclosures occurring in Denver. In 2006, a total of 5,162 foreclosures were reported, a 14% increase from the prior year. Primarily, the number of foreclosures per square mile has increased dramatically in two quadrants of the City - Northeast and Southwest Denver - over the past three years.¹

On January 16, 2007 a local reporter from The Rocky Mountain News, stated that, “Colorado reclaimed the nation’s top spot for foreclosure rates in December (2006)”. The problem of foreclosures is escalating nationally due to many factors and in 2006 the State of Colorado reported a total of 21,782 foreclosures (Colorado Division of Housing, 2006 Statewide Foreclosure Statistics).

As a result of these staggering issues, on January 25, 2007, Michael Hancock, President of the Denver City Council and District 11 Representative (Northeast Denver), announced the formation of a Foreclosure Task Force that would focus on best practices, community impacts, and education to effectuate changes to Denver’s increasing foreclosure rates. The Councilman convened community representatives including legislators and industry experts in the areas of housing, banking, real estate, mortgage lending, immigration and other market professionals to evaluate foreclosure issues and to provide recommendations. Councilman Rick Garcia, Denver District #1 and Mr. Joshua Widoff, Real Estate Attorney, Brownstein Hyatt Farber Schreck, P.C. were appointed co-chairs of the Task Force. The Foreclosure Task Force committed to finding solutions and established the following objectives to lead them in their mission to create healthy, sustainable strategies. The Task Force began its deliberations on Thursday, January 25 and completed its assessment of the issues on March 1, 2007.

TASK FORCE OBJECTIVES

- I. Develop recommendations and strategies for protecting Denver’s communities and their economic vitality, quality of life, schools, and small businesses during this critical phase of higher rates of foreclosure.
- II. Inform potential buyers and current homeowners on how foreclosure situations occur and how to avoid the pitfalls.
- III. Collaborate and partner with state and federal legislators to better protect consumers and communities, and to restore integrity in those industries impacted by foreclosure problems.

¹ Denver’s Public Trustee Office and Denver Office of Economic Development, Foreclosure Task Force Report, February 1, 2007.

TASK FORCE MEMBERS

Councilmember Rick Garcia, District #1 - Co Chair
Joshua Widoff, Real Estate Attorney, Brownstein Hyatt Farber Schreck, P.C. - Co Chair
Councilmember Michael Hancock, District #11
Milroy Alexander, Executive Director, Colorado Housing and Finance Authority (CHFA)
Karen Benz, Special Agents Supervisor, FBI
Beverly Cribari, Executive Director, Colorado Association of Hispanic Real Estate Professionals (CAHREP)
Diane Evans, Vice-President Regulatory Liaison, Land Title Guarantee
Nikki Floyd, Senator Groff's Office, Administrative Aide
Nancy Ford, Consultant
J. Miles Gooderham, Special Agent, FBI
Tony Hernandez, Executive Director, Fannie Mae
Chris Holbert, President, Colorado Mortgage Lenders Association
Kelly Huber, Special Agent, U.S. Secret Service
Tracy Huggins, Executive Director, DURA
Shelley Marquez, Vice President, Wells Fargo Bank
Jacky Morales-Ferrand, Economic Development, Mayor's Office
Rachel Nance Vice-President of Public Policy, Colorado Association of Realtors
Richard Poole, Area Director, Senator Allard's Office
Wendell Pryor, Director, Colorado Civil Rights Division
Chris Streiff, Director, SMART Professionals
Zachary Urban, Director of Housing Counseling, Brothers Redevelopment, Inc.
Kathi Williams, Division of Housing Director, State of Colorado
Jan Zavislan, Deputy Attorney General, State of Colorado

IDENTIFYING THE ISSUES

The high incidences of foreclosure has had negative impacts on many of Denver's communities which are evidenced in neighborhoods by abandoned and derelict buildings, lack of attendance and sporadic involvement of children and their families in the public school system, the lack of stability and leadership in faith communities, noticeable changes in crime that are attributable to a stagnant economy, depressed home values, and a general decline in neighborhood morale in the City.

The Task Force scheduled discussions with various community partners and industry experts over a six week period to identify neighborhood, church, school, and economic impacts resulting from home foreclosure. The Task Force sought to answer various questions: what problems were causing the high rates of foreclosures, were there national findings correlated to community problems, and what were other cities doing to slow down or eradicate the problem of foreclosures, especially in communities at risk. In Colorado, the top reasons given for foreclosure include: employment and income, inflation, mortgage fraud, and lack of education regarding mortgage products. Economic cycles relative to housing, interest rates, employment, and political goals impact how the nation and its local communities address problems that affect the quality of life of its constituents. The Task Force heard many reports and looked at information provided by national organizations to help them identify what the problems were and their source. Many problems were associated with mortgage products, lack of education, and language barriers.

The New York Federal Reserve Bank reported that incidences of foreclosures can be tracked by loan types. Traditional fixed rate mortgages are no longer the majority of loans being sought. The Joint Center for Housing Studies of Harvard University reported that one in five mortgages is subprime. A national delinquency survey conducted by Mortgage Bankers Association showed that subprime fixed rates and subprime adjustable rate mortgages (ARMs) were the highest incidences of foreclosures by loan types.²

In seven of its targeted (low-income) neighborhoods in New York City, the NYC Neighborhood Housing Services found that foreclosure rates were more than twice the overall city rate and reported an increase of 60% in the number of subprime loans originated in those areas. According to ACORN, a national advocacy group, there were an estimated 100,000 subprime loans in 1993 compared to more than a million subprime loans in 2001.³ Subprime lending increased 77% between 1996 and 2001, and increased an additional 235% by the year 2003.⁴ Subprime mortgage loans tend to be geographically concentrated in minority and low-income neighborhoods, further impacting communities at risk. How does this happen? Based on a published article in TIME, a 1992 study showed that mortgage lenders systematically discriminated against people of color (communities at risk).⁵ Those findings led to new legislation and regulations that were passed by Congress to pressure banks to increase their presence in

² Federal Reserve Bank of New York, Delinquency and Foreclosure A National Framework, November 2, 2006.

³ Neighborhood Works America, Effective Community Based Strategies for Preventing Foreclosures, September 2005.

⁴ Freddie Mac, 2004

⁵ Justin Fox, Subprimes Silver Lining, TIME in partnership with CNN, March 22, 2007

those neighborhoods. In part, because of this pressure from Congress lenders developed alternative mortgage products, many of which are problematic today. By 2004, only 26.8% of black applicants were denied assistance compared to 57% reported in 1998, and mortgage denials for low-income applicants went from 44.3% in 1998 to 19.8% in 2003. Unfortunately, many borrowers in these communities were reflective of the uneducated borrower or impacted by language barriers that resulted in the lack of understanding about how certain mortgage products would affect them in the future. There is evidence that predatory lending practices are associated more prominently in subprime mortgage markets. These practices also occur in prime markets, but such practices are generally deterred by competition among lenders and the greater familiarity with complex financial transactions in these markets.

Predatory lending involves engaging in deception or fraud, manipulating the borrower through aggressive sales tactics, or taking unfair advantage of a borrower's lack of understanding about loan terms. Often the effects of these predatory tactics are worsened by language barriers. Lending practices contributing to the "predatory" subprime environment include: subprime borrowers are more easily manipulated and/or misled by certain mortgage lenders, subprime borrowers primarily serve low-income and minority communities where they are underserved by traditional prime lenders, and subprime and finance organizations are not subject to the same level of federal oversight as their prime market counterparts. In the 2001 joint report between the U.S. Department of Housing and Urban Development (HUD) and the Treasury Department a task force determined that more funding directed towards foreclosure counseling, fair housing initiatives, legal services, and regulatory enforcement would help to lower foreclosure rates, especially for low-income and minority communities.⁶

The Federal Bureau of Investigation (FBI) in December 2005 released its response to an ongoing initiative to fight the growing threat of mortgage fraud. Operation Quick Flip was created to provide additional law enforcement to combat the fastest growing type of white collar crime in the United States. The agency identified two types of fraud: mortgage fraud and housing fraud involving a borrower on a single loan. Fraud for property/housing accounts for 20% of all fraud, reported the FBI. Federal law enforcement is working with regulators, legislators, and the financial industry to combat the problem. Of special note, in 2004, the FBI reported the ten top hot spots per capita for mortgage fraud activities were California, Nevada, Utah, Arizona, Colorado, Missouri, Illinois, Maryland, Georgia, and Florida (not listed in any particular ascending or descending order).⁷ Kelly Huber, U.S. Secret Service Special Agent and Foreclosure Task Force Member, reported fraudulent activities include: overstating income, false income reporting, identity theft, and inappropriate closings of transactions. She noted that the perpetrators were individuals conspiring together for profit and involves mortgage brokers, appraisers, real estate agents, real estate investors, CPAs, and notaries (Task Force, February 1, 2007).

After hearing testimony from various constituency groups the Task Force determined that mortgage fraud activities were a problem in the City and needed to be addressed. The Task

⁶ U.S. Department of Housing and Urban Development (HUD) -Department of Treasury Joint Recommendations Report on Predatory Lending, February 16, 2001.

⁷ Federal Bureau of Investigation, Press Release, December 14, 2005

Force concluded that public education regarding mortgage products and lending, multi-language assistance, and regulatory measures were lacking. The Task Force evaluated national best practices and analyzed measures proposed at this year's 2007 General Assembly.

NATIONAL BEST PRACTICES

The Foreclosure Task Force was charged with seeking solutions to help curb the high rates of foreclosures in the City. Concerns were raised by community advocates, legislators, and industry partners regarding the negative impact of foreclosures to schools, churches, and neighborhoods.

National trends indicate that issues related to consumer financing develops through cycles. Because cities continue to experience the effects of the current market cycle, especially at the neighborhood level, many cities have created an array of programs and approaches to reduce foreclosure trends which include: foreclosure prevention, foreclosure intervention, homeownership networks, anti-predatory lending task forces, lending loan review committees, home saver programs, hotlines, and others.

Highlights from the various case studies include:

- 1) Foreclosure prevention: one-on-one pre-purchase and post-purchase counseling, early warning identifiers, intervention/delinquency counseling.
- 2) Gap financing: financing that provides funding to borrowers who face a temporary interruption of income.
- 3) Property transfer: in lieu of foreclosure, a bank/mortgage company would work with community organizations interested in revitalizing property for use as affordable rental housing, cooperative housing, etc.⁸
- 4) Public notification: institutional (bank, mortgage companies, etc.) provide regular notification to community groups regarding foreclosure proceedings in order to approach and work with borrowers to address needs and options.
- 5) Consumer education: identify suitable loan products and programs to avoid deceptive practices.
- 6) Partnerships among all communities that includes shared funding and building trust.

The aforementioned best practices touch briefly on strategies that could be implemented, but do not constitute a comprehensive look at what other alternatives are available to build capacity for resources and programs required to address the foreclosure problem.

Neighborhood Works America, a national non-profit organization created by Congress to provide financial support, technical assistance, and training for community-based revitalization efforts, have identified various programmatic strategies from national cities. Although some of the

⁸ Enterprise Community Partners, Denver 2006 market analysis showed that by the year 2015 Denver will have a gap of approximately 26,000 affordable rental units.

programs have dissolved, policy papers regarding lessons learned have been written to assist others to avoid pitfalls and to not re-invent the wheel. The following summaries from national cities provide a snapshot of various case studies and programs designed to decrease foreclosures. Information on what other cities are doing to address foreclosure issues can be located on the Neighborhood Works America website at www.nw2.org.

- 1) **Home Headquarters Foreclosure Prevention Program; Syracuse, New York:**
Home Headquarters, established in 1996, is a partnership among residents, local business, and government to improve the quality of housing in Syracuse, New York. The organization conducted surveys in 2003 and found that the primary reason homes went into foreclosure was due to predatory lending. Job loss and/or insufficient income were secondary causes. Based on this information, the organization focused on counseling and loan modifications which also included financial assistance. The organization created a Foreclosure Advisory Committee to support the prevention program and provides advice for clients of the program. The Foreclosure Program includes a comprehensive educational component that includes post-purchase counseling. Lessons learned include: prevention programs are time and labor intensive, staff must be skilled in negotiation, clients must get in the door early-on, and advocacy is critical.

- 2) **Neighborhood Housing Services (NHS) Phoenix Anti-Predatory Lending Loan Reviews Program; Phoenix, Arizona:**
The City began to see signs of aggressive subprime lending in Phoenix. The City's Neighborhood Services Department found that loan terms were unfavorable and asked the City's Neighborhood Housing Services (NHS) of Phoenix to require a review of all loans and to provide appropriate counseling to loan applicants. A subordination request is attached to loans. This type of request is a petition made to the city by a lender that wishes to be placed in a first-lien position on a client's loan. The subordination request process permits the city to automatically move into the first position on a lien if a new lender attempts to refinance the first mortgage. The Subordination-Request Review Program has helped people from entering into bad loans and has provided them with appropriate homeownership advice. Increased services for Spanish-speaking people were implemented and staff reported that approximately 20% of counselor's time were spent utilizing these skills. The City reported that the low cost and time commitment of the program has made the implementation and operation of the program easy.

- 3) **Neighborhood Housing Services (NHS) of Cleveland Foreclosure Prevention Loan Program; Cleveland, Ohio:**
The NHS of Cleveland created the foreclosure-prevention program to protect families and to preserve homeownership. The program provides pre-purchase and post-purchase classes and services. Foreclosure-prevention loans are available for city residents whose income does not exceed 115 percent of the area median and who are members of the NHS's Homebuyers Club. The maximum loan amount is \$2,500.

Funds are provided at market rate and the terms range between three to 60 months. NHS charges a \$300 fee for document preparation, and the client must attend a post-purchase program. The post-purchase program includes education for managing finances, prepayment techniques, homeowners insurance, and maintenance suggestions. The City of Cleveland has found that homeownership education is vital to foreclosure prevention.

4) Neighborhood Housing Services (NHS) of Minneapolis Home Saver Program; Minneapolis, Minnesota:

The NHS of Minneapolis developed the Home Saver Program to help residents avoid predatory lending situations. In 2003, NHS estimated that 83% of its loan subordination requests were due to refinancing from unfair subprime or predatory lenders. The program includes homebuyer education and counseling services. Emergency counseling sessions are available for customers who are in the process of obtaining a loan to make sure it is safe and affordable. The agency became a mortgage broker in 2003 and now offers affordable loans that save borrowers at least \$400 to \$500 per month. The agency also offers affordable home improvement financing through its Community Fix-Up Fund, but borrowers must show income at or below 100 percent of the area median. NHS acknowledged that successful measures include increased outreach and education on predatory lending. In addition, alternative financing is also needed to help individuals recover from difficult situations and to help others avoid dangerous loans.

5) Neighborhood Housing Services (NHS) of Chicago Neighborhood Ownership-Recovery Mortgage Assistance Loan (NORMAL-SM):

The NORMAL(SM) loan fund program provides counseling, foreclosure prevention and financial resources for homeowners. In 1999, a task force was convened to address the rising foreclosures tied to subprime loans in its targeted neighborhoods. New policies and procedures were established by the city agency and a loan participation pool was created to offer borrowers various mortgage and refinancing tools to prevent home loss and to avoid property abandonment. The lending products are developed collaboratively with industry partners such as Fannie Mae and Freddie Mac. The City of Chicago also operates an anti-predatory loan and consumer campaign encouraging victims of predatory lending or individuals seeking assistance to call 1-800-SAVE HOME. Program advocates note that loan programs must be tied to a full range of counseling and intervention services, and that sustainability is created by various partners, including political support.

6) Los Angeles Neighborhood Housing Services (NHS) - "Stop! Predatory Lending Fund":

Los Angeles developed the Stop Predatory Lending Fund program to help victims of predatory lending, especially in targeted neighborhoods. The program provides home loan and refinance opportunities to help people fix their credit problems and excessive debt. The agency pulled together \$70 million from partnering lenders utilizing its

revolving loan fund. Some lenders received Community Reinvestment Act credit by participating. Resources for some of the loan products also included participation from various banking partners, including joining Freddie Mac's program "Don't Borrow Trouble" campaign. As part of "Don't Borrow Trouble" campaign, the NHS division provides credit counseling, financial-management counseling, homebuyer education and legal help, in addition to lending opportunities. Advocacy and anti-predatory lending legislation are on-going measures. The agency indicated in lessons learned that it was important to recognize poor credit decisions of a borrower versus predatory-lending situations.

7) **Responding to Foreclosures in Cuyahoga County - an assessment of progress; Report dated: November 20, 2006, Cleveland, Ohio:**

The Cuyahoga County report reflects a call to action from fifteen suburban mayors (First Suburbs Consortium/Council of Government) regarding long foreclosure proceedings and a growing number of vacant and abandoned properties in communities. An assessment was conducted from August through November 2006 to evaluate the problems and to make recommendations to address the foreclosure problems. A three-year pilot program was initiated in 2006 focusing on two major goals: 1) Make foreclosure proceedings faster and fairer, and 2) Create an early intervention program to help residents prevent foreclosure. The Foreclosure Prevention Program is operational and includes assistance from many industry partners and governmental agencies. The Council of Government in Cleveland initiative is an excellent example of working collaboratively on legislative issues, programmatic work, and funding commitments.

PARTNERSHIPS - WHAT IS DENVER DOING

The creation of Denver's Foreclosure Task Force was the first step locally to begin a comprehensive and collaborative evaluation on foreclosure problems. The Colorado Division of Housing 2006 Foreclosure Report stated that Denver along with Adams, Weld, Arapahoe, and Boulder Counties reported the highest foreclosure filings per household. Denver alone reported 1 in 47 households in foreclosure. Statewide, there were approximately 1 in 58 households in foreclosure compared to 1 in 75 in 2005. From 2005 through 2006 foreclosures increased 31% from 21,782 to 28,435 and between 2003 and 2006, foreclosures increased by 110% from 13,575.⁹ From 2005 to 2006, Denver's foreclosure rate increased by 14%. In the first quarter of 2007, Denver reported a total of 1,940 foreclosures, a foreclosure rate of 1 in 127; and the City is anticipating a total of 7,760 foreclosures by the end of the year. As reported by Colorado's Foreclosure Hotline, 2,500 calls from Denver were generated to the hotline by citizens regarding foreclosure issues. The Foreclosure Task Force reviewed what Denver and the State of Colorado had already begun to do in order to identify other foreclosure measures and to support the progress of programs already in place. In 2005, the state concentrated on foreclosure fraud and began steps to legislate against mortgage fraud activities and to create enhanced consumer protections.

In July 2005, Colorado Attorney General John Suthers formed a Foreclosure Fraud Task Force to remove Colorado from the FBI's list of top ten hot spot states for mortgage fraud activities. The state task force focused on public awareness, outreach, and key legislation during the 2006 General Assembly. The following bills were signed by Governor Owens, enacting new regulations and consumer protections:

- **House Bill 06-1387:** Sponsors of the bill were Representative Garcia and Senator Veiga. The bill modified and clarified law governing real estate foreclosures, including issues related to public trustees and foreclosure processes, including foreclosure proceedings, notice, cure periods, sales, withdrawal and termination, and redemption timelines.
- **House Bill 06-1161:** Sponsors of the bill were Representatives Vigil and Massey and Senator Veiga. The bill established regulatory requirements which include mandatory mortgage broker registration including recordkeeping of complaints and disciplinary actions against mortgage brokers. In addition, the legislation created the Mortgage Broker Registration Cash Fund to collect fee revenue.
- **Senate Bill 06-71:** Sponsors of the bill were Representative Massey and Senator Veiga. The legislation established the Colorado Foreclosure Protection Act and prohibits certain deceptive business practices and provides homeowners with additional protection measures from losing their home to predatory investors.

The Colorado Foreclosure Prevention Task Force created and launched the Foreclosure Hotline (1-877-601-HOPE) on October 12, 2006. The hotline connects borrowers with non-profit

⁹ 2006 Colorado Division of Housing Foreclosure Report

housing counselors to provide individuals with options when facing foreclosures. Counselors also facilitate communications between lenders and borrowers.

The Denver Public Trustee's Office partners with public and private organizations to address foreclosure impacts, including participation and support of the statewide hotline. This office processes foreclosure actions on real estate properties, provides foreclosure cure information, and provides assistance to property owners or lien holders prior to an auction sale. Currently, the Public Trustee is implementing new guidelines to extend cure periods from 60 days to approximately 130 days and begin owner redemptions after the 130 day cure period. The intent of the changes would allow earlier contact with delinquent borrowers and to identify needs. In addition, this agency is revising its materials to be more user-friendly and available by all diverse communities.

Denver's Office of Economic Development organized an internal working group from various City agencies to evaluate foreclosure impacts to City neighborhoods and services. Between 2002 and 2006, Denver experienced an estimated 400% increase in foreclosure rates. The most heavily concentrated areas of foreclosures are located primarily in the northeast and southwest quadrants of the City. The office partnered with Enterprise Community Partners to create a 40-member Housing Task Force in 2005 to evaluate the City's housing needs. Affordable housing, workforce housing, and neighborhood revitalization were all issues tackled by the task force. The task force recognized the growing trend of questionable industry products at the same time market data revealed that by the year 2015 there will be a gap of approximately 26,000 affordable rental units available, and the opportunity for individuals to purchase units for homeownership at the area median income (AMI) range would be below 18%. The analysis showed that 41% of Denver workers live in Denver, but 72% of Denver wages fall between low to moderate income and results in limited choices for housing. Affordable housing and available housing need to be considered when solving for foreclosure.

Employment and wages are important factors impacting home foreclosures, as noted by Mr. Tom Clark, Executive Director of the Metro Denver Economic Development Corporation. A strong economy, solid employment growth, moderate construction activity, and modest home appreciation would help to decrease foreclosure rates. In his discussion with the Denver Foreclosure Task Force, he noted that today's borrower comes from a different perspective, which makes them a risk in today's mortgage product market.¹⁰ He explained that today's borrower is starting younger and participates in the purchase now and pay later philosophy, unlike past generations that believed you save money first then consider home ownership.

Other City agencies such as Neighborhood Inspection Services, City Attorney's Office, and the Department of Safety are also partnering in this endeavor to address neighborhood safety and property values. In 2006, Neighborhood Inspection Services received a total of 15,000 complaints of which 2,000 were attributable to vacant or derelict properties and 10,000 for

¹⁰ Denver Foreclosure Task Force, January 25, 2007. See Metro Denver Housing Update, 2006 Third Quarter, Development Research Partners.

unattended properties. Denver's Zoning Administrator indicated that part of the problem is that City personnel cannot respond quickly and do not have the means to identify responsible parties for property conditions.¹¹ Findings from the Homeownership Foundation show that it can cost a municipality an average cost of \$6,937 per foreclosure and costs as high as \$34,199 for extreme property conditions.¹²

The 2007 General Assembly considered new legislation to enact tighter regulatory controls in the various industries including banking, mortgage and real estate. The City and County of Denver determined that foreclosure is a priority and actively lobbied and supported elected officials during the 2007 General Session. On June 1, 2007, the following bills were signed into law by Governor Ritter:

- **House Bill 07-1157:** Sponsored by Representative Garcia and Senator Veiga. Tightens real estate foreclosure processes and entitles public trustees to receive fees for processing rescissions.
- **House Bill 07-1322:** Sponsored by Senator Groff and Representative Marshall. Provides measures to prevent mortgage fraud that pertains to various individuals (real estate, lenders, appraisers, closing agents, etc.), making it a Class 1 Misdemeanor to broker without a valid registration, and changing the mental state required to be proven as an element of a violation.
- **Senate Bill 07-085:** Sponsored by Senator Veiga and Representative Massey. Adds additional consumer protections related to real estate transactions and adds "influencing a real estate appraiser" to the Consumer Protection Act (CPA) as a deceptive trade practice.
- **Senate Bill 07-203:** Sponsored by Senator Groff and Representative Marshall. Strengthens regulations of individuals participating in mortgage loan transactions and requires licensing of mortgage brokers, and specifies prohibited grounds for discipline of licensees.
- **Senate Bill 07-216:** Sponsored by Senator Veiga. Adds consumer protections in mortgage loan transactions and requires refinancing transactions to have tangible net benefits to borrowers.
- **Senate Bill 07-249:** Sponsored by Senator Veiga and Representative Rice. Establishes a fund to enhance enforcement statutes and requires periodic examinations of real estate services and titling entities.

¹¹ Denver Foreclosure Task Force, January 25, 2007.

¹² Homeownership Preservation Foundation, 2005; William Apgar et al, "Collateral Damage".

TASK FORCE RECOMMENDATIONS

The Foreclosure Task Force Members recognize there are many influences contributing to the national foreclosure trends; the American dream to homeownership that moves people to get in over their heads to own a home or to borrow against their home equity. The consensus is that some market products are bad, but they do not necessarily cross the line of legality; and some products are predatory in both intent and effect, and are reflective of past years' recession effects from low employment and low wages. With those issues in mind, the members of Denver's Task Force recommend the following goals to begin affecting changes to current foreclosure trends and promoting sustainable homeownership for its residents:

GOAL #1 - STABILIZATION CONTINUUM

GOAL #2 - EDUCATION

GOAL #3 - PREVENTION/INTERVENTION

GOAL #4 - LEGISLATION/POLICY/ENFORCEMENT

FORECLOSURE GOAL #1 - STABILIZATION CONTINUUM

Establishing and maintaining neighborhood councils and strengthening advocacy groups are essential to on-going stabilization measures. It is important to establish explicit and meaningful goals and objectives to help guide future endeavors.

ACTION	RESOURCES	COMMITMENT	TIMELINE
<p>Work with appropriate industry representatives to provide early warning notifications to prevent foreclosures and/or develop intervention strategies.</p> <p>Include the HOTLINE phone number on late charge and 30 day notices.</p>	<p>For example, a bank and/or mortgage company could agree to a third party notification to a not-for-profit counseling agency when a borrower has a fifteen-day delinquency. (City of Atlanta program)</p>	<p>1) Brothers Redevelopment, Inc. in conjunction with Denver City Council – encourage support by a written proclamation.</p>	<p>1) Denver City Council Monday night session – 2007.</p>
<p>Continuously promote public and private partnerships which will address foreclosure and its impact.</p>	<p>Organize faith-based, non-profit, for-profit, educational institutions, and governmental organizations.</p> <p>The Stasko Agency (Lu Stasko), Liana Pomeroy (mortgage banker), Bill Rodriguez (mortgage banker): will provide seminars/workshops at no charge to educate citizens on mortgage products, home ownership, credit reports, etc.</p>	<p>1) Denver’s Division of Housing & Neighborhood Development (OED) will join Colorado’s Foreclosure Task Force.</p> <p>2) The Stasko Agency and other mortgage brokers will conduct neighborhood home ownership seminars at no charge.</p>	<p>1) The agency joined the Colorado Task Force in March 2007.</p> <p>2) The Stasko Agency has begun to work with Council District 9 office to provide information to neighborhoods. Other workshops have yet to be determined.</p>
<p>Implement neighborhood watch councils to engage neighborhood and community organizations to promote community/individual responsibility and involvement.</p>	<p>“Deputize” neighborhood representatives to report vacant and abandoned properties.</p> <p>Notify the Police Department of vacant properties and request periodic patrols.</p>		
<p>Establish disposition practices so that in lieu of foreclosure the housing unit is transferred to a community organization for the purpose of creating additional affordable housing and/or rehabilitation.</p>	<p>Create and fund an acquisition/rehabilitation/resale program.</p> <p>Utilize a central locator/listing – Coloradohousingsearch.com.</p>	<p>1) Denver’s Division of Housing & Neighborhood Development (OED) will pilot a program.</p>	<p>1) July 2007.</p>
<p>Identify new funding sources for Denver and other private institutions to support Task Force goals. Re-prioritize and re-assess ongoing measures based on needs and funding.</p>	<p>Utilize Community Development Block Grant Funds and Temporary Aid to Needy Families (TANF) funds (Cuyahoga County – utilized TANF funding which provided a one-time only allocation.</p>	<p>1) Denver’s Division of Housing will explore additional funding opportunities with non-profit partners.</p>	

FORECLOSURE GOAL #2 - EDUCATION

Education is a major component in combating foreclosures and promoting sustainable homeownership. Increasing public awareness at the local and state level will help homeowners to guard against risky mortgage products, mortgage fraud, and predatory lending practices. Many factors such as divorce, health issues, education, employment, excessive consumer obligations, and death impact critical decision-making in financial areas. Providing family financial counseling for youth and adults will help to alleviate current financial problems and better prepare young adults for the future. Prospective borrowers must be counseled as to the rights, benefits, risks, and other consequences of homeownership. Multi-lingual programs must be expanded to assure educational inclusiveness for all diverse communities. It is also important to stress that educational programs should occur in all phases from prevention to re-stabilization in homeownership continuum and that any language barriers must be eliminated. Also, based on lessons learned from national experiences, programs and/or services should not be formally advertised until the “means” have been provided because the servicing infrastructure may become popular and will need to be managed both financially and with appropriate staffing.

ACTION	RESOURCES	COMMITMENT	TIMELINE
<p>Create on-going public awareness programs that include radio, television, billboard/bus board advertisements and public service announcements. Including media coverage on fraud enforcement and prosecution. This includes creation of literacy and marketing campaigns that incorporate multi-lingual needs.</p>	<p>Colorado Housing and Finance Authority, Brothers Redevelopment, QWest, Metro Mayors Caucus - Private Activity Bond Allocations</p> <p>Contact news stations (various stations provide consumer assistance hotline help).</p> <p>Colorado Association of Hispanic Real Estate Professionals (CAHREP), Univision, Azteca America</p> <p>Housing Colorado - non-profit, statewide education and advocacy organization.</p>	<p>1) Denver’s Division of Housing & Neighborhood Development - increase awareness of the Metro Mayor’s Caucus - Single Family Bond Program.</p> <p>2) State Division of Housing - provide a video to Denver to air as a PSA - could be re-edited to fit Denver’s programming.</p> <p>3) Channel 8 to accommodate a future Issues and Options program - foreclosure panel discussion.</p> <p>4) Coordinate multi-lingual assistance - CAHREP and Brothers Redevelopment.</p> <p>5) CHFA offered its website to stream PSAs.</p> <p>6) CHFA will create links to other sites where training videos are streamed on websites of other agencies/organizations.</p> <p>7) Colorado Civil Rights Division - Wendell Pryor</p>	<p>1) On-going.</p> <p>2) April 6</p> <p>3) May 1, 2007 begin to design project.</p> <p>5) April 2007</p> <p>7) April 2007</p>
<p>Provide counseling at the neighborhood level to assist with all phases of homeownership and borrower counseling. This includes counseling for borrower rights and responsibilities and rapid response to foreclosure victims.</p>	<p>City and County of Denver, Denver Urban Renewal Authority, CHFA</p> <p>Colorado Assoc. of Hispanic Real Estate Professionals (CAHREP), Freddie Mac</p>	<p>1) CHFA</p> <p>2) CAHREP and Freddie Mac</p>	<p>1) April 2007</p> <p>2) May 2007</p>

ACTION	RESOURCES	COMMITMENT	TIMELINE
	<p>HUD approves housing counseling agencies that are available to assist customers; these are listed at www.hud.gov by state.</p> <p>HUD provides funding for certain housing counseling agencies through its annual Notice of Funding Availability (NOFA) process. Information on the process for applying for funds is available at www.hud.gov or www.grants.gov.</p>		
Build educational resources (staffing and programs) in addition to financial capacity.	<p>HUD approves housing counseling agencies that are available to assist customers; these are listed at www.hud.gov by state.</p> <p>HUD provides funding for certain housing counseling agencies through its annual Notice of Funding Availability (NOFA) process. Information on the process for applying for funds is available at www.hud.gov or www.grants.gov.</p>		
Explore low cost or no cost outreach marketing.	Create foreclosure website with appropriate links. (Public Trustee's Office) Include links to suitable on-line money management courses, for example, CHFA.	<p>1) CHFA</p> <p>2) DHND will coordinate with the Public Trustee a consumer -friendly foreclosure website on the City website in addition to updating the City brochure.</p>	<p>1) April 2007.</p> <p>2) July 2007.</p>
<p>Maximize use of the Colorado Foreclosure Hotline, 211, and Denver's 311 systems to provide immediate assistance.</p> <p>Encourage utilization of the foreclosure hotline to report fraudulent practices involving predatory lending and mortgage fraud.</p>	City and County of Denver, State of Colorado/Housing, Xcel Energy,	<p>1) Denver's Division of Housing & Neighborhood Development (OED) - financial commitment to the Colorado Hotline assistance - \$180,000</p> <p>2) Provide volunteers to the hotline for multi-lingual assistance - CAHREP and Brothers Redevelopment.</p> <p>3) Assistance regarding fraudulent activities - Colorado Civil Rights Division</p>	<p>1) Financial commitment established March 2007.</p> <p>2) June 2007.</p>
Provide on-going training for closers, lenders, brokers, and other industry representatives regarding industry practices and	Offer training and certification for foreclosure counseling (finance, default, loan, etc.). Minnesota Mortgage	1) Society of Mortgage, Appraisal, Real Estate, and Title Professionals (SMART) will provide education and	1) April 2007.

ACTION	RESOURCES	COMMITMENT	TIMELINE
policies.	Foreclosure Association (MMFPA) provides these services. HUD offers counseling certification coursework.	licensing assistance.	

FORECLOSURE GOAL #3 - PREVENTION/INTERVENTION

Homeownership education and providing fixed rate mortgages have proven to be effective tools in preventing foreclosures. In Denver, from 1997 to 2002, the City reported only nine foreclosures out of 1,100 loans generated from its Single Family Mortgage Bond Program (SFMB - Private Activity Bond funding). The Denver SFMB program structures its loans for low to moderate income individuals based on ability and sustainability. The City has found that tracking loan successes/failures of the SFMB program is difficult to monitor because when mortgage loans are sold to another service provider; the mortgage history is lost. In addition to the SFMB program, the City in conjunction with the Metro Mayors Caucus created the Metro Mortgage Assistance Program. This program offers a 4% down payment assistance grant and 5.95% 30-year fixed rate mortgage to first-time homebuyers. The program also offers mortgage financing to individuals purchasing homes in targeted areas throughout Denver. The targeted areas are primarily in the northeast and northwest quadrants of the City. Foreclosure actions are both time and labor intensive, and costly for all interested parties, and therefore is worthy of increased prevention efforts.

ACTION	RESOURCES	COMMITMENT	TIMELINE
Require home ownership and borrower counseling for all City-sponsored programs. Include money management courses.		1) Denver's Division of Housing & Neighborhood Development (OED) - internal policies will require counseling. 2) Utilize CHFAs money management courses.	2) April 2007
Provide and/or support one-on-one pre-purchase and post-purchase counseling, borrower rights and responsibility counseling, financial counseling, and "suitability" counseling.	Utilize the CHFA homeownership program as a model. CAHREP and Freddie Mac	1) CAHREP and Freddie Mac	1) May 2007
Provide services and/or support that assist homeowners and borrowers with managing expenses, restructuring debt, loan modification, and exit strategies if home ownership is unsustainable.	CAHREP and Freddie Mac FHA conducts a loss mitigation program available to assist borrowers with FHA mortgages who are facing difficulty making their mortgage payments or are facing foreclosure. Information is available at www.hud.gov or by calling 1-800-CALL-FHA.	1) CAHREP and Freddie Mac	1) May 2007
Improve materials used by the appropriate industries so that homeowners and borrowers understand the "language", terms, processes, and paperwork required. Keep It	Real estate providers, mortgage lenders, housing counselors.		

ACTION	RESOURCES	COMMITMENT	TIMELINE
Simple analogy.			
Collect consistent data and track areas where trends show higher foreclosure rates. Develop network with community partners to provide early intervention assistance in those areas.	Assistance from Denver's Public Trustee's Office. Network with other social service agencies that have contact with homeowners who may be experiencing financial problems.		
Explore other outreach techniques and creative seminars that would attract the public.		1) Colorado Civil Rights Division	
Identify strengths, weaknesses, gaps, and overlaps in current City services to coordinate better service delivery.	On-going review from city agencies include: OED/Division of Housing, Neighborhood Inspection Services, Public Works, Department of Revenue, and Public Trustees Office.		

FORECLOSURE GOAL #4 - LEGISLATION/POLICY/ENFORCEMENT

Advocacy is critical for the sustainability of any foreclosure prevention measure. National practices have shown that sustainable foreclosure prevention/intervention programs are reflective of effective partnerships and collaborations, both private and public. Policies and regulatory decisions provide greater protections for consumers while preventing housing loss. It takes partnerships to balance regulatory initiatives between restrictive homeownership protections and the promotion and/or utilization of financing instruments. Building trust between the consumer and various industry representatives (banking, mortgage providers, lenders, legislators, etc.) is a key factor in changing foreclosure trends.

ACTION	RESOURCES	COMMITMENT	TIMELINE
At the local and state level investigate and prosecute industry participants and consumers more aggressively, especially in areas with rapidly growing foreclosure trends, including media coverage on those matters.	Denver District Attorney's Office, Colorado Attorney General's Office		
Strengthen laws by working closely with state and federal legislators to help propose and support legislation that address problems with foreclosure and industry problems.	2007 Colorado General Assembly	2007 Denver Delegation Denver City Council	<p>January 10, 2007 through May 9, 2007, but commitment is ongoing at the federal, state, and local level.</p> <p>On June 1, 2007 the following bills were signed into law by Governor Ritter:</p> <p>House Bill 07-1157: Sponsored by Senator Veiga and Representative Garcia.</p> <p>House Bill 07-1322: Sponsored by Senator Groff and Representative Marshall.</p> <p>Senate Bill 07-085: Sponsored</p>

ACTION	RESOURCES	COMMITMENT	TIMELINE
			by Senator Veiga and Representative Massey. Senate Bill 07-203: Sponsored by Senator Groff and Representative Marshall. Senate Bill 07-216: Sponsored by Senator Veiga.
Evaluate policies of the City to determine how internal regulations and constraints may impact inspections and waste removal services, preventing quick neighborhood abatement.	Evaluate agencies of Community Planning & Development/Neighborhood Inspections Services, Public Works, Office of Economic Development, and City Attorney's Office. Give priority to and increase funding for nuisance abatement. Create processes that quickly identify responsible parties for property conditions.		
Create an OMBUDSMAN position/program that troubleshoots and advocates for homeownership sustainability.			
Concentrate on goals that promote accountability related to the licensing/registration of various occupational industries.	Establish occupational standards to assure professional practices. Create monetary penalties for poor performance contracts.		
Identify industry providers with significant numbers of consumer complaints and post a "consumer report card (Lender Report Card)" in the appropriate place.			
Create industry user-friendly guidelines (common language/clear terms) that assist homeowners and/or borrowers of terms and conditions; including default and notification requirements, disclosure of roles at closing, money distributions, and contact information.	Create one-page document (check list) in preparation for closings.	1) Colorado Civil Rights Division	

ACKNOWLEDGMENT

Councilmember Michael Hancock, Councilmember Rick Garcia (Co-Chair) and Joshua Widoff, Esq. (Co-Chair) would like to thank the members of the Foreclosure Task Force for their participation and commitment to evaluate and support goals that would help to eradicate the problems associated with foreclosure. Successful projects are evidenced by the high degree of collaboration, communication, and coordination among its partners. It is with that in mind that Councilmembers Hancock and Garcia, and Mr. Widoff expresses their gratitude to the members of the task force for their willingness to work together to propose recommendations and to commit to certain actions that would help to resolve foreclosure problems in Denver. Thank you for your dedication to help Denver to be a great city in Colorado.