

MOTION

As mortgage interest rates drop to levels not seen for several generations, there is currently a unique window for homeowners who are feeling crushed by their monthly mortgage payments to refinance. Record numbers are doing so, but not everyone has the cash on hand to take advantage of this special opportunity.

Although interest rates for homes are expected to continue to drop, perhaps as low as 4.5 percent, it is unknown how long they will stay at historic lows. Now is the time for the City to develop a plan to assist families at risk of foreclosure. The plan should include refinancing assistance and mortgage assistance.

Many homeowners at risk of foreclosure could save their homes if they refinanced. The median home value in the City is \$380,000. Assuming that a family has a 30-year mortgage with a 6 percent interest rate, they would save approximately \$400 a month in mortgage payments if they were able to secure an interest rate of 4.5 percent. However, refinancing a median-priced home of \$380,000 costs approximately \$5,000.

That cost includes a fee of 1 percent of the loan value, a property assessment fee of \$300-\$500, and other related fees. Because of the refinancing costs, many homeowners at risk of foreclosure may not be able to afford to refinance and, therefore, would be prevented from reducing their monthly payments. The upcoming property tax payments due on February 1 and April 1 may contribute to their inability to pay for the cost of refinancing.

Not every homeowner would qualify for refinancing since many owners owe more to the bank than their homes are worth or have too little equity to qualify. However, an estimated 20% of owners would qualify for refinancing. In order to prevent further destabilization of neighborhoods, the City should provide long-term, interest-free loans of up to \$5000 to qualified, low- and moderate-income homeowners who do not have the funds to pay the refinancing fees.

In addition to refinancing assistance, the City should have a program to help homeowners qualify for refinancing. On January 5, 2009, the U.S. Department of Housing and Urban Development (HUD) approved and praised the City's \$32.8 million plan to implement HUD's Neighborhood Stabilization Program (NSP).

Under the City's NSP plan, the City will use the funds to (1) to provide down payment and mortgage assistance to homebuyers and (2) purchase clusters of foreclosed properties through a non-profit property holding company to purchase clusters of foreclosed properties.

While stabilizing neighborhoods devastated by the foreclosure crisis is of critical importance, the City should do more to prevent the foreclosures in the first place. Therefore, in addition to the previously approved foreclosure prevention counseling program, the City should provide mortgage assistance, similar to the NSP program, for those at risk of foreclosure.

Securing long-term homeownership for families at risk of foreclosure will ensure a stable tax base and keep communities healthy and intact. The Senate voted on January 15, 2009 to release the second half of the \$700 billion bailout package. President Obama's economic advisor pledged to commit \$50 billion to \$100 billion to address foreclosures. In order to capitalize immediately on any federal foreclosure prevention program, the City should plan now.

The East L.A. Community Corporation, a nonprofit organization in Boyle Heights, has long advocated that the City provide mortgage assistance to current homeowners at risk of losing their homes. As with the foreclosure prevention counseling program, nonprofits can administer any refinancing assistance and mortgage assistance program.

I THEREFORE MOVE that the Los Angeles Housing Department (LAHD) be requested to report to Council within 30 days on how it might devise a program, using current or future State and/or federal housing funds, to assist homeowners of low- or moderate-income to refinance their mortgages to take advantage of the historically low rates that are now being offered to qualified individuals.

I FURTHER MOVE that LAHD be requested to report to Council within 30 days on how it might devise a program, using current or future State or federal housing funds, to assist low- and moderate-income homeowners at risk of foreclosure with a mortgage assistance program.


PRESENTED BY:



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