

**For Immediate Release**

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## **ALARCON'S MOTION TO CREATE \$1 MILLION PILOT PROJECT TO PROTECT HOMEOWNERS FROM FORECLOSURE APPROVED BY CITY COUNCIL**

*Program will use Community Redevelopment Funds to provide "silent second" loans up to \$75,000 when banks reduce the principal owed by the borrower and reduce monthly payments*

**Los Angeles, CA** – Today, the Los Angeles City Council unanimously approved a motion introduced by Councilmember Richard Alarcón to create a one million dollar pilot program in Pacoima to help keep homeowners on the verge of foreclosure in their homes. The program would include the reduction of principal balance owed by the homeowner to an amount in-line with current market values, provide a "silent second" loan of up to \$75,000 and extend the loan terms to what will become an affordable payment for the homeowner. An amendment to today's motion, introduced by Councilmember Alarcón as well, directed the Chief Legislative Analyst to assist Council District Seven in the coordinating of a working group to implement the pilot program and ensure the development of a memorandum of understanding between the Los Angeles Housing Department and the Community Redevelopment Agency.

"When you're losing blood, your first step is to stop the bleeding, and this pilot project will help slow down the devastating flow of foreclosures that our communities are experiencing," said Councilmember Alarcón. "One million dollars cannot save every home in our city, but it is my hope that the program becomes a model for the nation and that with this extra incentive, both the Obama Administration and bankers and lenders will see the value in helping homeowners reduce the principal owed in order to save their homes."

This pilot project plan was presented to Councilmember Alarcón by One LA-IAF, a broad-based, non-partisan organization of dues-paying member congregations, schools, unions and non-profits committed to building power for sustainable social and economic change. One LA-IAF and Neighborhood Legal Services have been strong advocates on behalf of homeowners facing foreclosure, and have worked with CRA, LAHD and Councilmember Alarcón during the process of considering how the foreclosure pilot project would be conducted.

Yvonne Mariajimenez, Deputy Director of Neighborhood Legal Services, a member group of One LA – IAF, said, "Right now, despite the incentives presented by President Obama, banks are not doing right by the community, and continue to force homeowners into foreclosure rather than negotiate terms to ensure that homeowners can afford their mortgages. This pilot program will provide an even greater reason for banks to reduce mortgage balances to proper market value and we thank Councilmember Alarcon for being a leader in the area of foreclosure and helping find funding for this program in the Seventh Council District."

While the City cannot require the banks to reduce the principal amount, this foreclosure reduction pilot project creates a further incentive to banks and lenders to reduce the principal, as the City of Los Angeles covers half the value of the reduction, up to the \$75,000, in a "silent second" mortgage. For example, if a homeowner participating in this program is "underwater" by \$80,000, the principal would be reduced by \$80,000, \$40,000 by the bank and \$40,000 from the foreclosure pilot project program. This would reduce the payment for the homeowner by \$80,000, but only impact the bank half to of that amount. Additionally, in accordance with this pilot program, when the home is sold, if there is any profit made from the sale, the lender and the City will receive a portion of the profit and the loan will be repaid.

Today's Council action approved the plan. The next step will be for the Community Redevelopment Agency to receive board approval for funding the program, and for Los Angeles Housing Department to develop the guidelines for administering the program. It is expected that the program will be available to homeowners by the middle of June.