



For Immediate Release
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\$1 MILLION CD 7 PILOT PROJECT TO SAVE FAMILIES FROM FORECLOSURE MOVES FORWARD

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

Los Angeles, CA – Today, the Los Angeles City Council unanimously approved a report from the Community Redevelopment Agency Los Angeles (CRA/LA) that approved funding for a one million dollar pilot program in Pacoima to help keep homeowners on the verge of foreclosure in their homes.

This program was created through a motion introduced by Councilmember Alarcón in January, 2009 and approved by the City Council in May, 2009. Councilmember Alarcón’s motion was then forwarded to the CRA/LA to receive Board approval for funding the program and to work with the Los Angeles Housing Department (LAHD) to develop the guidelines for the program. The report approved by the City Council today included the CRA/LA funding approval and LAHD report and Memorandum of Understanding (MOU) with CRA/LA.

“Today, we are one big step closer to keeping Los Angeles homeowners who are facing foreclosure in their homes with an affordable house payment,” said Councilmember Richard Alarcón. “Right now, banks continue to force homeowners into foreclosure rather than negotiate the mortgage balance. This pilot program provides the needed incentives for a bank to reduce the homeowner’s mortgage balance to reflect the real value of the home, saving families from the pain and heartache of foreclosure and saving communities from the devastating impact of so many empty homes.”

While the City cannot require the banks to reduce the principal amount, this foreclosure reduction pilot project creates incentives 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. With the funding secured and MOU in place, loans may be available and in place as early as the end of September.

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 and will continue to work with all parties for the duration of the program.

Today, many of the City Councilmembers expressed their strong desire to have the program replicated throughout the City of Los Angeles. Councilmember Alarcón is working with the CLA, City Attorney, CRA/LA and other Councilmembers to find avenues and funding sources to recreate this model in other areas of need.