

**SUBMITTAL TO THE BOARD OF DIRECTORS OF THE
REDEVELOPMENT AGENCY
COUNTY OF RIVERSIDE, STATE OF CALIFORNIA**

764



SUBMITTAL DATE:
March 2, 2011

FROM: Redevelopment Agency

SUBJECT: USA HELP Program

RECOMMENDED MOTION: That the Board of Directors receives and files the attached summary status report of activity from the HELP program.

BACKGROUND: The Redevelopment Agency is committed to ensuring successful affordable homeownership. On October 5, 2010 the Redevelopment Agency approved an agreement with USA HELP, Inc to expand upon the Homeownership Education and Learning Program services initiated by Chris Sorensen to include individual counseling services to qualified homeowners and potential homebuyers to ensure a successful and affordable long term homeownership. The attached report was prepared by USA HELP at the request of the Board of Directors.

Robert Field
Executive Director

FINANCIAL DATA	Current F.Y. Total Cost:	\$ 0.00	In Current Year Budget:	NO
	Current F.Y. Net County Cost:	\$ 0.00	Budget Adjustment:	NO
	Annual Net County Cost:	\$ 0.00	For Fiscal Year:	2010 / 2011

COMPANION ITEM ON BOARD OF SUPERVISORS AGENDA: NO

SOURCE OF FUNDS: NOT APPLICABLE

Positions To Be Deleted Per A-30	<input type="checkbox"/>
Requires 4/5 Vote	<input type="checkbox"/>

C.E.O. RECOMMENDATION: APPROVE

BY: Jennifer L. Sargent

County Executive Office Signature Jennifer L. Sargent

FORM APPROVED COUNTY COUNSEL
BY: ANITA C. WILLIS DATE 3-3-11

Dep't Recomm.: Consent Policy
Per Exec. Ofc.: Consent Policy

Prev. Agn. Ref.:

District: ALL

Agenda Number:

4.1

Riverside County's HELP Program, an update

Background

As the real estate and financial crisis began to reveal deep cracks in a system that both consumers and government entities relied upon for forward planning, it became extremely apparent that the Board of Supervisor's constituents would need a reliable resource in order to navigate through the myriad of topics surrounding their homes. Free, factual information that would assist homeowners who would be facing the following realities is why the Homeownership Education Learning Program, or HELP, was created;

- Accurate income and expense declarations
- Accurate budget to reflect benefit of modification
- Accurate housing ratio's to avoid false starts on modifications
- Understanding the HUD Counselor role
- Understanding the difference between the Make Home Affordable and HOPE Now modification
- Understanding CA Anti-Deficiency rules with respect to recourse and non-recourse loans
- Understanding Property Tax related questions on Prop 13 and Prop 8 and the appeal process
- Understanding cancelation of indebtedness income and how it affects 100% of those who fail to pay back 100% of borrowed funds
- 1099-C vs. 1099-A and where it originates and the IRS's and Franchise Tax Board rules
- How to avoid scams surrounding modifications, short sales, rentals and foreclosures
- Overview of Real Estate Settlement Procedures Act, Title 12, Section 2605 (e) and Truth In Lending Disclosure Act

Depending on the audience and the details of questions that arise, an overview of the differences between the servicer, the investor and the mortgage insurance company are also addressed.

While no topic is discussed in the detail needed for full and complete understanding, the benefits of providing an overview and direction on where one may find additional information (HUD, the IRS, CA DRE, Assessor, EDA, DPSS, Financial Stability.Gov, etc.), has proven to be an extremely valuable resource for Riverside County employees and residents.

The rare and unique education the Executive Director possesses is a resource that many have and continue to take advantage of.

All information is provided with the proper disclaimer that no advice is to be considered legal or tax advice and that all attendees of the live classes, or those who seek assistance anonymously through the HELP Blog, are encouraged to seek advice based upon their own individual unique set of circumstances.

In January of 2009, immediately following the December 2008 approval of the HELP program, it was reported that approximately one-third of the two counties' 1 million housing units were either in foreclosure or in danger of entering the process, according to calculations from Economics & Politics Inc., a Redlands consulting firm retained by the original Red Team.

The Red Team

In August of 2008, Riverside County Supervisor John Tavaglione and city of Riverside Mayor Ron Loveridge convened a time-sensitive "Red Team," comprised of representatives from the private and public sectors to identify and to address the housing issues in the sub-region.

Dr. John Husing stated at the first Red Team meeting that "the Inland Empire is in a deep recession, and we need to take a hard look at the issues so that we can rebuild our economic competitiveness."

Dr. Husing's findings were astounding. For example, there were approximately 360,000 homes traded during 2004 through 2007; virtually all of these properties are now "upside down," meaning that they are now worth less than what is owed on them. This represents about one-third of all the homes in Riverside and San Bernardino counties. Of these 360,000 homes, approximately 126,000 have received notices of default; and the remaining 254,000 could be in that queue once their mortgage rates, which are most likely tied sub-prime and adjustable loans, adjust in the next year or two. Recognizing that a host of code enforcement and safety issues arise from abandoned homes, the impacts from this quantity of homes going into foreclosure creates numerous issues related to maintaining the quality of local neighborhoods. Source-North County Times

With respect to counseling and education, the Red Team found the following;

The need to provide financial counseling assistance to homeowners verging on losing their homes was also emphasized. Red Team banking participants estimate that 25 percent or more of these loans can be reconfigured to keep owners afloat on their mortgages. But right now there is a real need to bolster agencies that exist to provide such assistance but are woefully underfunded and understaffed. Source-North County Times

At the point in time that the Red Team made their recommendations for specific mortgage related education and housing counseling, none existed.

Springboard was founded in 1974 with a mission to help strengthen communities and improve the lives of Americans by offering consumer credit counseling services. Their primary function was to help people who had fallen behind, or had found themselves over encumbered with respect to their revolving debt.

Fair Housing, according to HUD's web site; It is HUD's mission to promote non-discrimination and ensure fair and equal housing opportunities for all. Again, not specific to the challenges that the Red Team faced.

A program that possessed a clear understanding of Fannie Mae, Freddie Mac, Ginnie Mae I and II underwriting guidelines and how servicers and investors, along with mortgage insurance companies must all interact with each other became an obvious need.

Understanding the Net Present Value test conducted and the need to determine ones qualifications for long term sustainability in a modification was apparent and those organizations that were in place lacked the historical understanding of why most servicers, supported by the Federal Reserve and

Treasury would resist their efforts to keep anyone and everyone in their homes. It has been argued that this stated policy and goal has been paramount in the delay of the healing process of this County residents as the organizations that took this stance are just now coming to terms with this failed policy and its devastating impact on the families they set out to assist.

The HAMP program initially set out to assist four to five million responsible homeowners when it was unveiled on March 4, 2009. In December, this number was dropped to three to four million responsible homeowners in a report to Congress. Since then, the most recent numbers are that they are on target to assist 800,000 to one million. To date, there are approximately 1.2 million permanent modifications under the lenders own proprietary programs and approximately 530,000 HAMP modifications under the Make Home Affordable program. This total of 1.7 plus modifications pales in comparison to the reported 6.92 million homeowners who are currently in some state of delinquency or foreclosure.
Source-Lender Processing Services

Two reasons why the rating agencies (Fitch and Moody's) continue to report that many are or will drop out of their permanent modifications (65% to 70%) has to do with the homeowners underwater status with their equity position as well as the fact that even though the housing ratio of 31% is respected as a fair benchmark, according to HAMPs own numbers, the average overall debt ratio is over 60%. Historically, this number was limited to a range of 36% to 41% in order to ensure the borrower was not over encumbered. This high "back end" ratio representing a borrowers overall debt picture, coupled with negative equity, is the driving force behind failed modifications. They are simply not sustainable.

In February of 2009 HELP posted;

Calculated Risk worries that this (Make Home Affordable) will only delay foreclosure, since interest payments are being reduced first, and principle written down only as a last resort. Perhaps, but by trying to leave principle alone, the government is avoiding excessive transfers of wealth to borrowers. A shared-equity plan might have been better, but this will halt some foreclosures and incentivize homeowners to stay in their homes longer. That's bad for economic mobility (And the homeowner), but good for a glutted housing market. Ending the downward spiral of price declines, defaults, and bank sales leading to further, dramatic price declines has to be a top priority.

HELP has argued that by not disclosing the intent (By many in the industry) to only temporarily keep borrowers in their homes, we made things far worse for Riverside County constituents and prolonged the recovery.

Here are a few snapshots in time for Riverside County's non judicial foreclosure process;

July 2009:

NOD (Notice of Default-90 Day right of redemption)=16,829. NOT(Notice of Trustee Sale-20 Day notice with 15 day right of redemption)=13,161. Sold through Trustee Sale=7,441

October 2009:

NOD Over the last 120 days=14503. NOT Sales Currently Scheduled=15392. Actual Trustee Sale-Over the last 120 days=7139.

May 2010:

NOD Over the last 120 days=10,122. NOT Sales Currently Scheduled=12,976. Actual Trustee Sale-Over the last 120 days=6,275.

October 2010:

NOD Over the last 120 days=10,166. NOT Sales Currently Scheduled=11,025. Actual Trustee Sale-Over the last 120 days=5,626.

February 2011:

NOD Over last 120 days=7,495. NOT Sales Currently Scheduled=12,007. Actual Trustee Sale-Over the last 120 days=4,419

According to Realty Trac;

1 in every 113 housing units in Riverside County received a foreclosure filing in January 2011.

California Association of Realtors 2011 Forecast

Now that the government incentives that stimulated the housing market, such as the first time buyer tax credit, have run their course, the market must operate on its own moving forward. While we still anticipate 2011 to be a transition year, as 2010 has been, it will continue moving further toward stabilization. We expect the annual sales and median price to increase two percent to 502,000 and \$312,500, respectively.

Although foreclosures appear to be on the decline during the second half of 2010, they are expected to remain high in 2011 as foreclosure filings rise, employment statistics remain weak and the economy continues its struggle to emerge from the recession. The November REO inventory of 112,000, according to Foreclosure Radar, translates approximately to an additional 2.4 months on the Unsold Inventory Index (UII); coupled with the 6.5 month MLS listings figure, the total UII would be about nine months. While this is above the 7 month long run average, it is well below peak levels that would trigger a significant decline in prices. This inventory is unlikely to worsen in the long run, according to the trend that we've seen over the past year. This means that overall, with notices of default decreasing while REOs are increasing; the market is showing continued signs of stabilization with respect to the "shadow inventory".

There are some wildcards that will prevent the housing market from reaching a full recovery in the near term: the possibility of another recession, Federal economic policies, negative equity homeowners and shadow inventory. Despite these uncertainties, there will be some tremendous opportunities in the housing market for first-time buyers, investors, long time owners and international buyers. These opportunities will pave the way to recovery in 2012 and beyond.

"Housing prices will probably bottom in 2011," says Scott Simon, a managing director at money-management firm Pimco in Newport Beach, Calif. He foresaw the housing crash, helping his firm dodge losses that plagued Wall Street.

Mr. Simon says prices might dip another 5%. Still, in the scheme of things, that's small. Consider this: In some markets, home prices have fallen by half or more since 2006.

Robert Kleinhenz Phd, and Deputy Chief Economist for CAR spoke at the Real Estate Education Conference in San Diego on February 25, 2011. He went over the numbers and expressed concern over gas prices as they are a "hidden tax" on the public. He reiterated CAR's position that 2011 may in fact be the year that the housing market hits bottom, but the real questions is where do we go from here. He answered his own question by stating he believed things would be fairly stagnant through 2014 and then begin a slow and moderate rise. He did not believe we would return to the appreciation that we witnessed from 2002 through 2006, but felt a more modest appreciation of the historical numbers of 7 plus percent was realistic.

Riverside County HELP

HELP as an organization operates primarily from the funds received from the Riverside Economic Development Agency. The funds pay for two salaries, insurance and other operational expenditures.

We partner with other organizations in order to reach a wider audience and to set up free live classes available to all.

While we have provided the attendees with surveys (See samples attached), it was not part of our original mission to request the attendees return them. Due to the length in time and emotional state many homeowners find themselves in once declined, obtaining numbers on outcomes has been difficult for even the well-funded organizations.

HELP has conducted a minimum of two classes per month throughout the County since our approval and often more. Each class varies in size and attendance often depends on who is involved and the advertising budget associated with the particular class. The range is from a low of 20 to a high of 500, with the most common size being approximately 35. Based on these numbers and the fact that we average closer to 2.5 classes per month, we estimate the number of residents that have attended our free classes to be approximately: 2,200 low to a high of 3,000.

HELP invites attendees to "opt in" for our e-mail updates and we have 2,749 as of early February 2011.

Our web site continues to be our most popular service. With no advertising of any kind we have had;

Period Jan 2009 to Jan 2011

Visits-33,170 Pageviews-86,783

86,783 Total Page views and 66,391 Unique Views

Direct Traffic 17,050.00 (51.40%) Referring Sites 9,894.00 (29.83%) Search Engines 6,226.00 (18.77%)

As these numbers indicate, many would much rather have free educational resources they may rely upon than come to a live class. Due to HELP enjoying the stamp of imprimatur of Riverside County Government, coupled with the fact that there is no gathering of information, I believe this lends to the Web Sites success. Original, detailed and verifiable content cannot be over looked.

HELP's vision for the future is to assist more homeowners who are struggling as well as those who are in the enviable position to take advantage of today's real estate market by retaining the services of a local production company and create professional videos that would address many of the questions the public will have.

Having a video library, that continues to expand, will allow HELP to reach more homeowners and potential homebuyers and offer free assistance and guidance on programs available to assist and protect the public.

To this end, the Department of Real Estate, along with the Chancellors office of CA Community Colleges, retained HELP and its Executive Director to author and present their Financial Literacy effort entitled; **Financial Sense To White Picket Fence, Budgeting, Borrowing, Buying and Beyond**. Riverside County and HELP should be very proud that a program with humble beginnings has now been recognized throughout the State of California.

HUD NID Counseling services, a HUD approved non-profit counseling agency has adopted this program and has approved its use for their 8 hour first time homebuyer course. With an Inland Empire NID HUD Counseling agency already located locally, this will allow for an additional resource for those first time home buyers who are seeking assistance with their down payment or other specialized programs.

The Real Estate education office of the Community Colleges is now moving forward with plans to have this course be approved for Department of Real Estate Continuing Education credits under consumer protection.

This program, originating from the vision of offering free unbiased expert education to the Board of Supervisors constituents and County employees will now have the home buying aspect of its program be offered throughout the State to all community college real estate instructors. The link is below;

<http://www.californiafinancialliteracy.org/home.html>

With HELP's limited resources it is difficult to reach out in a manner that is needed. Research of servicing news, macro and micro economic news, Treasury, HUD, IRS, Financial Crisis Inquiry Commission Report, Fannie Mae and Freddie Mac and much more, limits the amount of time needed to set up successful classes. Free public classes require flyer design, location assessment, insurance binders, press releases, power point creation and updates, coordination with other municipalities, IRS and HUD agencies from time to time and much more.

HELP's efforts and benefits are enormous for those who have taken the time to attend our unique and highly educational forums. They continue to improve and become more refined each and every time the class is presented.

With scant funds available we have done the very best we can to protect the public by educating them whenever and wherever possible. We have answered 1,385 e-mails sent to info@freehomeownershiphelp.org and have posted and responded over 700 times on the HELP Blog so far.

HELP is available to the Riverside County CARE Team and we are a proud member protecting our senior citizens against real estate crime. We are assisting a family referred by the CARE team in the Coachella Valley at present.

The local Boards of Realtors are beginning to reach out more and more to HELP as a reliable educational resource for their members.

In closing

In closing, allow me to state that it has been an honor serving the County of Riverside and beyond as the Executive Director of the HELP program. Due to being in so many places at one time, many are shocked to learn that all of the content, research and presentations are done by two.

In December of 2008 the Board of Supervisors approved this program and closed the meeting in my Fathers memory as he had passed away five days prior to the meeting. I made an emotional pledge to the Supervisors and wish to restate it here; I will not let you down. I will not embarrass you or the public by using this honor to enrich myself.

The program could benefit many more homeowners and potential homebuyers if the skillset demonstrated to date were utilized more effectively. HELP as a non-profit has the ability to grow exponentially throughout the County with a little more emphasis placed on its unique abilities.

If predictions that 2011 will mark the bottom of the real estate market and we will begin a slow rise from this point forward, we will have a strong need to not only assist those who are predicted to fail in their permanent modifications, but to educate consumers and professionals alike on the Federal, State, County and City programs that are available to help stimulate our local economies.

Promoting HUD's 203K Streamline program and its ability to assist home buyers as they compete with investors for the best opportunities all the while putting our Contractors back to work on these

individual home improvement projects, is the equivalent to having NSP type funds available directly for the public with zero paperwork required. The office of the comptroller was quoted as saying this is the most underutilized program we have available to the public.

Underwriting and industry knowledge with the stamp of imprimatur of the Board of Supervisors and EDA is a resource that can be counted on. HELP, as a non-profit resource, seen as the consumer advocate, is positioned to influence proper behavior from borrowers who might otherwise remain in a home they can no longer afford. By educating these borrowers on the benefits of bowing out early and with grace, we can cause a home to be sold to another homebuyer, stimulate our economy and allow the real estate industry to do what they do so well. Further, explaining why, even though polls indicate buyers want to wait for a couple more years to enter the home purchase market, that by taking advantage of the artificially low interest rates and favorable buying conditions, one might consider making a purchase decision earlier than they might otherwise do.

The ultimate goal has been and will remain assisting those who wish to remain in their homes and how they may do so. We have witnessed what occurs when those with the best intentions are left assisting struggling homeowners, but lack the ability to determine ones income and expenses and underwriting criteria in the manner that the servicer and investor must. We witness declinations of modifications. The greatest gift HELP has received is from the countless individuals who thank us daily for providing accurate information. Their only frustration being that they wish they would have attended the HELP class first as this would have positioned them to have a much greater chance of success.

Expert advice lacking any sales agenda, focused on protecting the consumer and stimulating our local economies, this is your Riverside County HELP program.

Chris Sorensen