

**FORECLOSURE POLICY RECOMMENDATIONS
FOR THE CITY OF CHARLOTTESVILLE**

PLAC 401: Neighborhood Planning Workshop
Botchwey, Fall 2008
School of Architecture, University of Virginia

The downloadable version of the full report and presentation materials are available at:
<http://people.virginia.edu/~nhb3b/courses2.html>

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EXECUTIVE SUMMARY

This report provides the work collected and organized by Professor Nisha Botchwey's Neighborhood Planning Workshop class in the Department of Urban and Environmental Planning at the University of Virginia. The class members partnered with the Piedmont Housing Alliance (PHA) to evaluate the impact of foreclosure on neighborhoods in Charlottesville, Virginia. More specifically, this report presents an analysis and evaluation of the current foreclosure crisis and property decay issues in the City of Charlottesville. Methods of data collection and analysis included looking at the foreclosed properties gathered from foreclosures.com, the Piedmont Housing Alliance's foreclosure data, and the *Daily Progress* newspaper from June 2006 to September 2008. This data was analyzed according to demographics, time, finances, and housing quality. Students then researched case studies of successful responses to foreclosure and translate them into the local context to develop policy recommendations.

The report is divided into major themes that outline the real issues that Charlottesville needs to address:

- ❖ Identifying priority areas
- ❖ Correlating blight and prevention
- ❖ Forecasting foreclosure, short and long-term responses
- ❖ Increasing financial literacy

The report details the findings of each of these themes. Students researching the first theme determined priority areas based on the number of foreclosures and low-to-moderate income levels in each area. These areas include the neighborhoods of Fry's Spring, Fifeville, and Ridge Street. Students investigating the second theme determined that blighted properties negatively affect the surrounding areas by damaging aesthetic quality and decreasing community involvement, leading to an overall lower quality of life. Students examining the theme of forecasting foreclosures saw various trends, including an increase in foreclosures since 2006 and a high percentage of adjustable rate mortgages nationally on foreclosed home loans. The final group of students exploring the issue of financial literacy found several educational programs across the nation that had similar goals of educating the local youth and adult populations about financial issues.

Students encountered several limitations during the processes of data collection and analysis. Some of the limitations included working with census data from 2000 and outdated information on the city assessor's website, lack of information about the current status of the foreclosed properties (i.e. if they are bank owned now) and difficulties determining the success rates of the newer policies examined. A limited time frame of just two years was another restriction the students faced.

In conclusion, the report suggests the following foreclosure policy recommendations that Charlottesville could adopt to help better address these issues:

- ❖ Target redevelopment funds to identify potential priority areas
- ❖ Adopt amended anti-blight ordinances
- ❖ Establish an interactive neighborhood program for at-risk neighborhoods
- ❖ Target high-risk areas and connect delinquent homeowners with foreclosure information and housing counseling
- ❖ Implement standardized youth financial literacy programs
- ❖ Create opportunities for adult financial education

INTRODUCTION

The news headlines tell a stark story: rising foreclosure rates, falling property values, and broad economic woes. At the University of Virginia, members of Professor Nisha Botchwey's Neighborhood Planning Workshop sought to look beyond those headlines. Through a semester of extensive data collection and careful policy analysis, students pursued crucial questions. What does the foreclosure crisis mean for a street, a neighborhood, or a city? What are the implications for a community, and more importantly, what should be done about it?

The effects of foreclosure spill beyond the individual homeowner or lender. Georgia Tech scholar Dan Immergluck has identified, for each foreclosure, up to a 1.44 percent loss in home value for properties within one-eighth of a mile of the foreclosed property.¹ Applied to current foreclosure trends, this impact is significant. Looking at Virginia foreclosures for 2008 and 2009, for example, the Center for Responsible Lending forecasts a \$7 billion decrease in property value.² Such a decrease in the property tax base forecasts challenging times for local governments. Beyond the quantitative effects, foreclosures have an additional hard to quantify impact on neighborhoods from vacant, unkempt properties and a broken social fabric.

In particular, Neighborhood Planning Workshop students focused on the City of Charlottesville, Virginia. While some communities face more drastic foreclosure numbers, Charlottesville has not been spared by the foreclosure trends and more challenges are on the horizon. Moreover, the intersection in Charlottesville of poverty, aggressive lending policies, and broader economic trends makes the foreclosure crisis an important and rising concern.

This report compiles the research and analysis of this class. First is a review of research methodology. Then, the report is divided into four distinct policy themes: 1) Identifying Priority Areas; 2) Correlating Blight and Prevention; 3) Forecasting Foreclosures; and 4) Increasing Financial Literacy. These themes are followed by a summarizing conclusion.

The ongoing trends in foreclosures affect individuals, communities, and governments at all levels. There is no simple solution, but communities must address the challenges, both for the short-term and the long-term. This report offers alternatives, short-term and long-term, for Charlottesville and beyond.

METHODS

This semester the students' research on foreclosures in the Charlottesville area was based on data collected from many sources. Following initial data collection, students performed analysis in four teams. After the initial analysis students made presentations of initial data analysis to Piedmont Housing Alliance (PHA) on October 15, 2008. After this presentation students transitioned to the policy phase of the course, examining local, state and national policy and prevention initiatives and providing the suggestions included in this report.

In the first half of the semester, students gathered a master list of all the foreclosures in Charlottesville and Albemarle County from June 2006 to August 2008. This list was compiled from the following three sources:

Foreclosures.com

This online source lists bank owned and auction properties currently for sale by location. The full address, minimum bid price and date of listing are available for each property. In addition, type of property, square footage and auction date are listed. This listing is not comprehensive.

¹ Immergluck & Smith, "Measuring the Effect of Subprime Lending on Neighborhood Foreclosures: Evidence from Chicago," *Urban Affairs Review*, Vol. 40, No. 3, January 2005, 362-389.

² Center for Responsible Lending, Josh Nassar, presentation for Virginia Foreclosure Prevention Task Force.

Piedmont Housing Alliance Foreclosure Listings

PHA provided location and both race and grouped percent area median income (AMI) information from foreclosure related inquiry calls. This set of records includes only those people who called PHA, and thus is not a comprehensive record of foreclosures in their service area.

Daily Progress

The Daily Progress Classified section contains announcements of all trustee sales and auction notices resulting from foreclosures. Students collected records from the past two years of Daily Progress archives available in the UVA library system and the Charlottesville Downtown Library. Additionally, students collected information from the Albemarle County Assessor's website and the City of Charlottesville Assessor's site. However, the Assessors' sites were dated and many of the properties were not listed (or students had trouble finding them through tax numbers and/or address).

After collecting this data, students created a GIS database file of all the foreclosures over the selected time period in the area. In teams students analyzed demographic and economic factors, the spread of the foreclosures over time, and the effects of foreclosure on neighborhoods and housing stock. Additionally, the financial group contacted the Charlottesville Association of Realtors (CAAR) for information about tenure on the market for foreclosed properties. These team analyses were presented to PHA in October.

Following this PHA presentation, students entered part II of the coursework. This phase, emphasized in this report, synthesizes the work from the first half of the semester with suggestions from PHA as well as new research. As a class, students reviewed the data analysis work and brainstormed policy suggestions. After consulting outside sources to look at policy models for foreclosure around the United States students developed policy recommendations based on benchmarks from these local, state, regional and national models in the areas of 1) Identifying Priority Areas; 2) Correlating Blight and Prevention; 3) Forecasting Foreclosures; and 4) Increasing Financial Literacy.

DATA AND POLICY RECOMMENDATIONS

Theme 1: Identifying Priority Areas

Policy Recommendation

In order to facilitate efficient allocation of limited resources, PHA, the Charlottesville Housing Advisory Committee, the City of Charlottesville, and other interested parties should target redevelopment funds to the identified potential priority areas of Fifeville, Fry's Spring, and Ridge Street. The Thomas Jefferson Planning District Commission (TJPDC), PHA, and the City of Charlottesville defined these neighborhoods as potential priority areas based on analysis performed by this Neighborhood Planning Workshop.

Background Data

Charlottesville Research

The Neighborhood Stabilization Act of 2008 (H.R. 5818)³ dictates that all of the funds allocated to localities be used to assist individuals and families whose income does not exceed 120% of the AMI for the City of Charlottesville and Albemarle County.

³ <http://www.opencongress.org/bill/110-h5818/show>

In 1999, the AMI for Charlottesville and Albemarle County was \$50,000. The U.S. Department of Housing and Urban Development (HUD) defines Special Income Levels to delineate areas of greatest need. In Charlottesville the 1999⁴ Special Income Levels are as follows:

- Very Low Income (30% AMI) - \$16,700
- Low Income (50% AMI) - \$27,950
- Moderate Income (80% AMI) - \$44,700
- The Poverty Level for a family of four in 1990 was \$31,007⁵

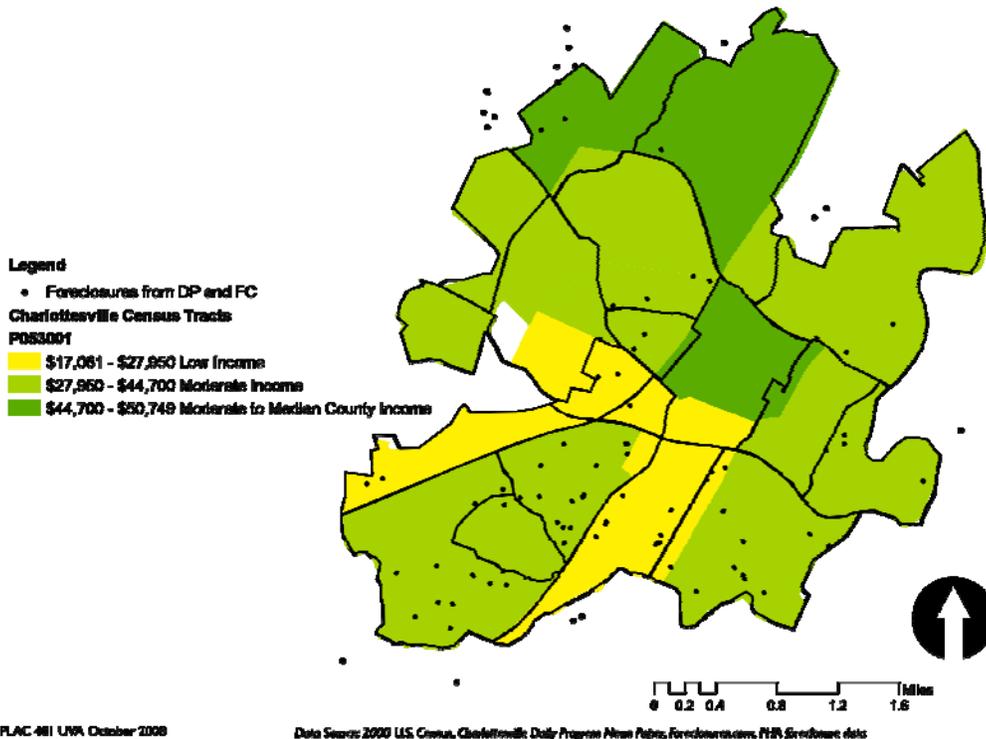
Charlottesville Neighborhoods

Charlottesville is home to four neighborhoods that have median household classified as low-income areas, with incomes under \$27,950. These neighborhoods include Jefferson Park Avenue, 10th and Page, Starr Hill, and Ridge Street. The majority of Charlottesville's neighborhoods have a median household income under \$44,700. Within the City of Charlottesville, low to median income is defined as \$16,700 to \$44,700 per year. There is no obvious correlation between median income levels and concentration of foreclosures. When concentrations of foreclosures based on owner occupied housing unit is calculated there is little correlation between income and foreclosure concentration. See figure 1.1.

Six neighborhoods in Charlottesville fall within low to moderate-income levels. These neighborhoods include North Rose Hill, 10th and Page, Venable, Ridge Street, Fifeville, Fry's Spring, Johnson Village, and Jefferson Park Avenue.

Figure 1.1 Map of Median Household Income in Charlottesville from 2000 Census data

Charlottesville Median Household Income in 1999 per Census Tract



⁴ www.hud.gov/offices/cpd/systems/census/lowmod/index.cfm

⁵ <http://www.huduser.org/datasets/il.html>

During the study's two-year period, the top six census tracts with the greatest concentration of foreclosures per owner occupied housing units are tracts 5.02 (Fry Springs/Johnson Village neighborhoods), 2.01 (North Rose Hill), 2.02 (10th and Page/Venable), 6 (Jefferson Park Avenue), 4.01 (Ridge Street), and 5.01 (Fifeville). In census tract 5.02, there are 914 owner occupied houses; 1.53% or 14 houses were foreclosed upon. In census tract 2.01, there are 359 owner occupied houses; 1.95% or 7 houses were foreclosed upon. In census tract 2.02, there are 201 owner occupied houses; 1.99% or 4 houses were foreclosed upon. In census tract 6, there are 95 owner occupied houses; 2.11% or 2 houses were foreclosed upon. In census tract 4.01, there are 461 owner occupied housing units; 2.39% or 11 housing units were foreclosed upon. In census tract 5.01, there are 471 owner occupied housing units; 2.55% or 12 housing units were foreclosed upon. All of these census tracts are within HUD defined low to moderate income limits. See figures 1.2 and 1.3.

Figure 1.2 Map of Six Census Tracts

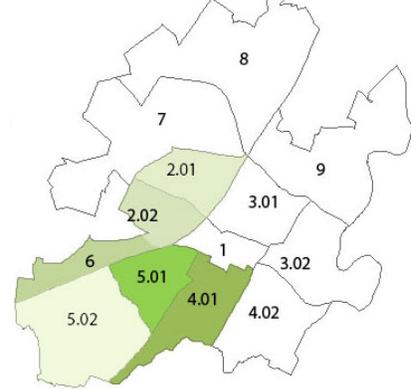


Figure 1.3 Table of "Top Six Census Tract with the highest concentrations of foreclosures in Charlottesville"

Census Tract in Charlottesville, Virginia	Neighborhoods	Foreclosures	Owner Occupied Houses	Percent of foreclosures per owner occupied housing unit	Households: Median household income in 1999	HUD Special Income limit
5.02	Fry's Spring & Johnson Village	14	914	1.53%	\$38,407	Moderate
2.01	North Rose Hill	7	359	1.95%	\$28,636	Moderate
2.02	10th & Page and Venable	4	201	1.99%	\$17,061	Low
6	JPA	2	95	2.11%	\$18,048	Low
4.01	Ridge Street	11	461	2.39%	\$23,030	Low
5.01	Fifeville	12	471	2.55%	\$33,073	Moderate

Limitations

Since Charlottesville is a relatively small city the data sources used for this project vary from those used in larger metropolitan areas. The population found in the City of Charlottesville is too small to qualify it to participate in HUD's American Housing Survey which automatically provides relevant information.⁶ Also due to the short time span of this semester project, Home Mortgage Disclosures Act (HMDA) data was not incorporated in the analysis. The HMDA act requires financial institutions to maintain and annually disclose data about home purchases, home purchase pre-approvals, home improvement, and refinance applications involving 1 to 4 unit and multifamily dwellings.⁷ At this time it is unknown if the foreclosed properties in this project database are pre-foreclosures, auction, or bank-owned.⁸ Finally, the income data used is from the 2000 Census.

⁶ <http://www.census.gov/hhes/www/housing/ahs/ahs.html>

⁷ <http://www.ffiec.gov/hmda/>

⁸ <http://www.realtytrac.com/foreclosure/overview.html>

Significance of Background Research

Median household income is an important variable because housing funds from multiple sources are allocated based on very low, low, and moderate income levels.

National, State, and Local Models Neighborhood Stabilization Program

In response to the rising number of foreclosures and the detrimental effects on communities across the nation, Congress authorized almost \$4 billion for the Neighborhood Stabilization Program (NSP). The Program is overseen by the U.S. Department of Housing and Urban Development (HUD) and allocated to states and local communities hit hard by foreclosures. NSP regulations, available at 73 Federal Register 58330, outlined measures for determining areas of greatest need, including:

- Areas with the greatest percentage of home foreclosures
- Areas with the highest percentage of home financed by a subprime mortgage related loan
- Areas identified by the grantee as likely to face a significant rise in the rate of home foreclosures

Based on a review of grantees and applicants, different communities define their target areas in different ways. Consider the following examples. While their regional scale is far different from Charlottesville's scale, their efforts can be instructive.⁹

Miami-Dade, Florida

Officials in Miami-Dade¹⁰ are focusing on areas affected most by foreclosure with a special focus on block groups identified as low, moderate, and middle-income areas. Factors for Miami-Dade's "Index of Greatest Need" include:

- percent of residents within each block group that met the NSP income threshold
- the incidence and intensity of recent REO foreclosures
- the number of properties receiving a notice of foreclosure as a ratio of the number of housing units in the block group
- the value of HUD's foreclosure risk score

Miami-Dade's NSP plan was chosen to see how other localities in the nation have planned to allocate NSP funding. Miami-Dade has a very detailed plan for allocating their NSP funds. They are one of the few designated metropolitan areas in that state to automatically received NSP funds since their foreclosure problems are so large (6000 homes were foreclosed within a 2 month period). Miami-Dade used a detailed methodology to determine areas with the greatest need. The metrics used include the percent of residents within each block group that meet the NSP funding threshold, the amount and intensity of recent foreclosures, the number of properties receiving a foreclosure notice, and the value of HUD's foreclosure risk score.

Northern Virginia

Fairfax County—in its Neighborhood Stabilization Plan Substantial Amendment to the FY 2009 One-Year Action Plan—simply maps foreclosures and finds that they “appear to be clustered in specific areas.” Those areas, then, are considered greatest need. This method is more concerned with concentration than with income levels or future projections. Moreover, Fairfax's main initiative with NSP funds is helping first-time homebuyers purchase foreclosed homes. This program is generally aimed at the areas of greatest need.¹¹

⁹ http://www.miamidade.gov/eap/library/08-10-18-NSP_Status_Report.pdf

¹⁰ http://www.miamidade.gov/ced/library/Public_ads_notices/FY2008/NSP_proposed_plan_20081029v5.pdf

¹¹ <http://www.fairfaxcounty.gov/rha/fy09proposedconsplan1yr.pdf>

In order to identify and target areas of greatest need, Prince William County combined data from the County Assessor's office, Realtytrac.com, Manassas City foreclosure data, and HUD abandonment risk data. By mapping and charting the data from these sources, the county identified areas of greatest need.¹²

Local Application

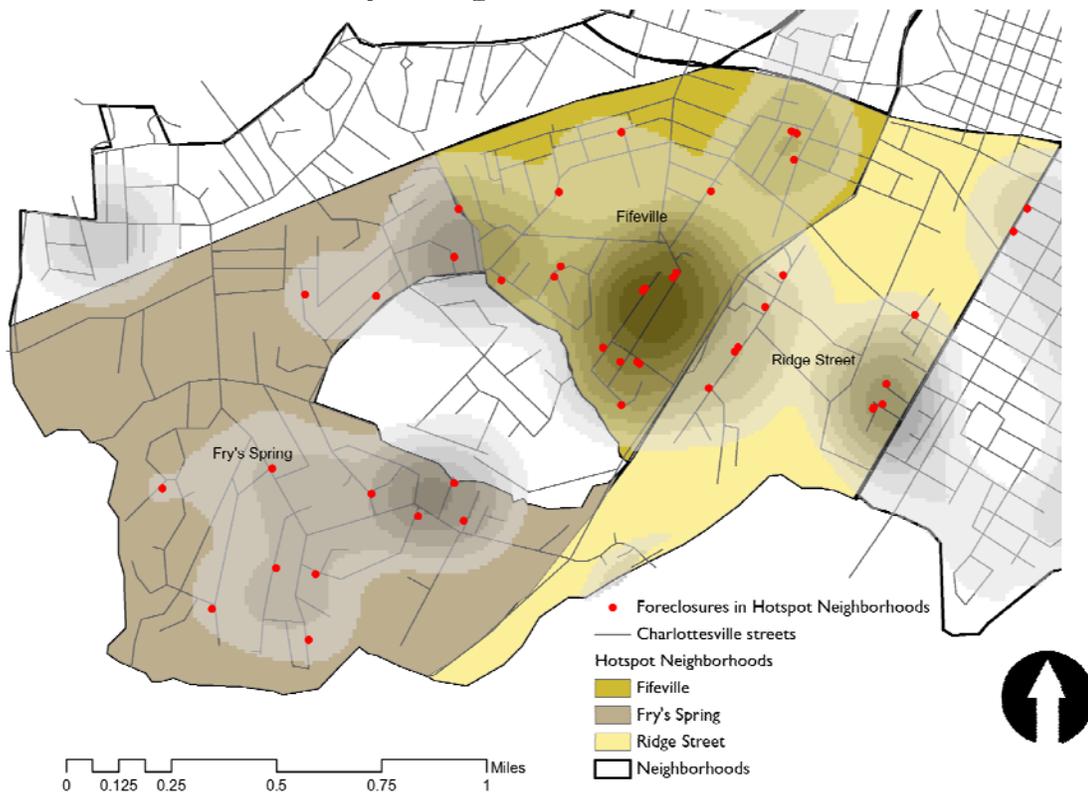
Three areas have already been identified as priority areas: Ridge Street, Fry's Spring, and Fifeville. Based on the NSP Readiness and Capacity to Proceed, these areas are significant for their historic homes, the minority concentrations, and their lower median household incomes. Additional justification for determining these areas follows:

A) Median Income for three priority areas and Foreclosed Homes within priority areas

There have been 37 foreclosures within the priority areas of Fry's Spring, Fifeville, and Ridge Street. Because these priority areas are classified as low- to moderate-income, it is important for the City of Charlottesville, PHA, and other invested agencies to use allocated NSP funds within these neighborhoods. The stabilization of these priority areas is important because these neighborhoods are well established with a strong sense of community. In addition, houses within these neighborhoods are older and vulnerable to deterioration and blight if left vacant. See Figure 1.4.

Figure 1.4: Map of Foreclosed Houses in Hotspot Neighborhoods

Foreclosed Houses in "Hotspot Neighborhoods"



PLAC 491 UNA October 2008

Data Sources: 2008 U.S. Census, Charlottesville Daily Progress News Paper, Foreclosures.com, PHA foreclosure data

¹² <http://www.pwcgov.org/vpresentations/housing/NSPSubstantialAmendment102408.pdf>

B) Additional Justification

Ridge Street (census tract 4.01), 10th and Page (census tract 2.02) and JPA (census tract 6) have median household income levels that fall within the low-income category. Rose Hill (census tract 2.01), Fifeville (census tract 5.01) and Fry's Spring (census tract 5.02) have median household incomes that fall within the moderate-income category. Both the Fifeville and Ridge Street neighborhoods have a high concentration of African Americans (56%-72%). See figures 1.5 and 1.6.

Figure 1.5 Map of Foreclosed Houses in Priority Neighborhoods and Median Income per census tract

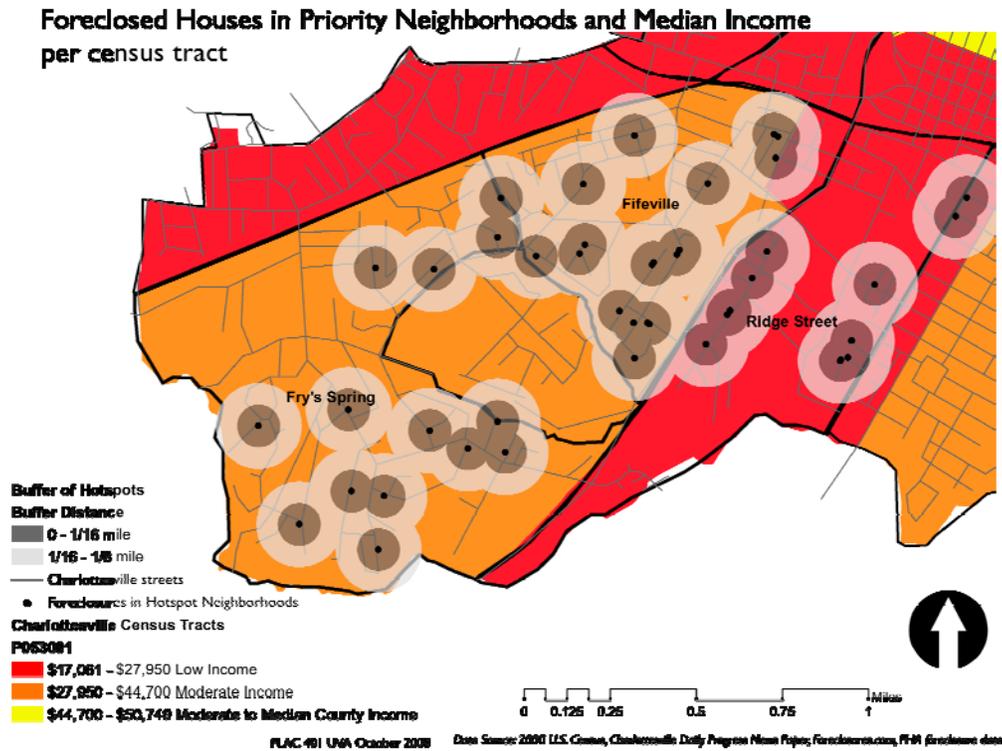
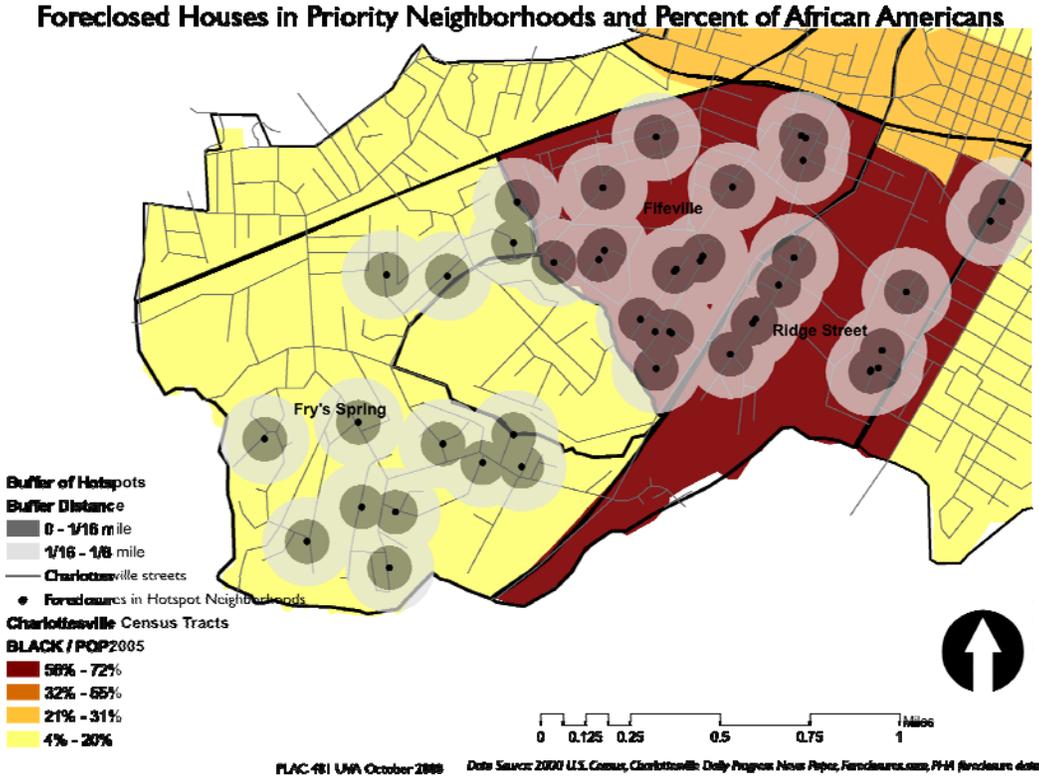


Figure 1.6 Foreclosed Houses in Priority Neighborhoods and Percent of African Americans



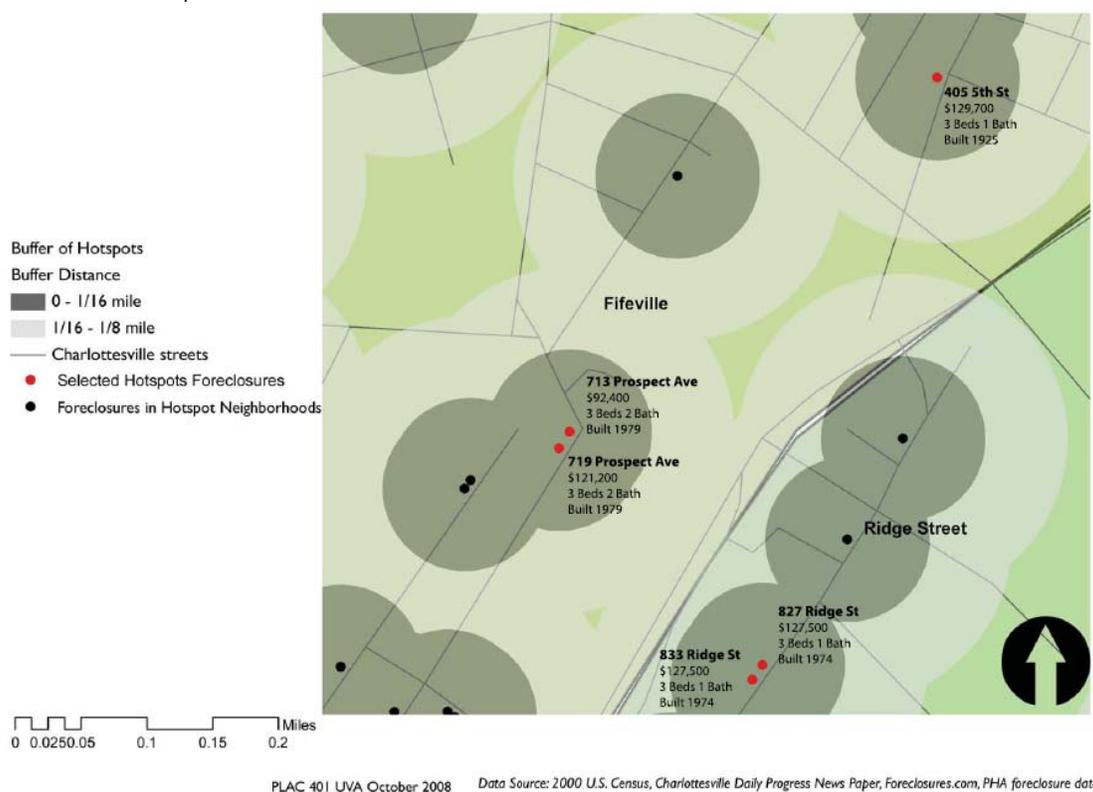
Implementation

Possible uses for bank owned properties include single-family residential acquisition and rehabilitation for resale into affordable multi-family rental housing, investment in the Community Land Trust, Home Sharing, and demolition if structures have suffered significant blight. Properties could be selected for purchase based on the following criterion: assessed value, year built, and number of bedrooms. Lower assessed values will provided the city the opportunity to hopefully purchase more houses. Old houses are preferred to maintain the historical character of the neighborhood. Finally houses with multiple bedrooms were chosen to provide more opportunities for potential home sharing.

Based on the above criterion, the following five initial properties (See figure 1.7) could be selected to receive allocated NSP funding:

1. 713 Prospect Ave- located within the Fifeville neighborhood, this house is assessed at \$92,400. Built in 1979, this property has 3 bedrooms and 2 baths.
2. 719 Prospect Ave- located within the Fifeville neighborhood, this house is assessed at \$121,200. It was built in 1979 and has 3 bedrooms and two baths.
3. 405 5th Street- assessed at \$129,700, this house is also located in the Fifeville neighborhood. Built in 1925, this house has 3 bedrooms and 1 bath.
4. 833 Ridge Street-located in the Ridge Street neighborhood, this house is appraised at \$127, 500. Built in 1974, the house has 3 bedrooms and one bath.
5. 827 Ridge Street- located in the Ridge Street neighborhood, this house is appraised at \$127,500. Built in 1974, the house has 3 bedrooms and one bath.

Figure 1.7 Selected Properties for Potential Purchase with NSP Funds



Conclusions

The best way for the City of Charlottesville to allocate NSP funding is to determine the areas of highest need and distribute granted money appropriately. The neighborhoods of Fry's Spring, Fifeville, and Ridge Streets are low to moderate-income areas that have been negatively impacted by the recent foreclosure crisis. Using the methodology explained above, these three neighborhoods were selected as priority areas. Although the Neighborhood Stabilization Program requires 10% of an "area" to have houses in foreclosure before granting funding, the term "area" is loosely defined and open to some interpretation. Since these neighborhoods do not have nearly enough foreclosures to comprise 10% of the housing stock, more creative definitions of "area" will have to be used for possible grants. Hopefully Charlottesville and PHA can use the data and methodology provided to improve the foreclosure situation in this area.

Theme 2: Correlating Blight and Prevention

Policy Recommendation

Charlottesville could adopt an anti-blight ordinance with additional consequences for violations. The city already has a process for dealing with blight (Article V of the Charlottesville City Code of Ordinances). Since blight is typically attributed to financial instability, the consequences could consist of financial education rather than a fine. In order to ensure success of the program, the city could work more closely with residents to focus on blight prevention rather than abatement.

The city could establish an interactive neighborhood program that works closely with at risk neighborhoods, such as Fifeville and Ridge Street. These two neighborhoods are the hardest hit by both foreclosure and blight, and working with residents to prevent both could have a positive effect on the community. Residents should be

encouraged to care for their properties so they don't fall into disrepair. Two examples of such approaches are drawn from New Haven, CT and Boise, ID.

Background and Data

Definition

Our Team looked at the relationship between foreclosure and blight within the City of Charlottesville and looked at policies that could prevent blight from occurring. The definition of blight comes from the City Code, which states that blighted property "shall mean and refer to any property with buildings, which by reason of dilapidation, overcrowding, lack of ventilation, light and sanitary facilities, deleterious land use, or any combination of these or other factors, are detrimental to the safety, health, and welfare of the community."¹³ Spot blight refers to any one instance of blight.

History

The issue of blight in communities is not a new phenomenon. Recognition of significant public concern with it dates back to a 1982 article by James Wilson and George Kelling in the *Atlantic Monthly* called "Broken Windows." This article articulated what would later become known as the "Broken Window Theory," which states that

"if a window in a building is broken and left unrepaired, all the rest of the windows will soon be broken... One unrepaired window is a signal that no one cares, so breaking more windows costs nothing... Untended property becomes fair game for people out for fun or plunder."

Basically, one broken window will create a domino effect for dozens more windows in the neighborhood to be broken. In 1994, The Virginia General Assembly adopted a policy that gave localities special authority to diminish the presence of spot blight.¹⁴

Significance of Blight Prevention

There are also several valid reasons as to why a locality should adopt a policy to prevent blight. First, blight endangers the physical health, safety, and welfare of the citizens of the neighborhood. One of the major obstacles to neighborhood revitalization efforts is the presence of blighted and deteriorated properties. Blighted properties are detrimental to its neighborhood for the following reasons:

- Impairs or arrests growth and development of a neighborhood. For example, the private sector may not create new developments for a neighborhood significantly affected by blight.
- Constitutes a public nuisance
- Creates a vicious cycle of inciting a fear of crime among residents, who in turn stay behind locked doors
- Once their involvement in the neighborhood declines, residents begin to ignore rowdy and threatening behavior and stop exercising social regulation over things like litter on the streets or loitering strangers. This is a perfect example of a Jane Jacobs' theory of "eyes on the street" which articulates that if law-abiding eyes stop watching the streets, social order breaks down and the presence of criminal activity increases.¹⁵

On the other hand, elimination of blighted conditions has been linked to certain positive impacts on the surrounding neighborhood, such as increased property values, community pride, private investment, and public safety. Localities with strong anti-blight policies have the potential for connected neighborhoods and communities.¹⁶

¹³ *Spot Blight Abatement Process*. Code of Ordinances: City of Charlottesville, Virginia, Chapter 5. Building Regulations; Property Maintenance, Article V. Blighted Property <http://www.municode.com/resources/gateway.asp?sid=46&pid=12078>

¹⁴ City of Fredericksburg Spot Abatement Policy, August 14, 2007.

http://www.fredericksburgva.gov/notices/prince_edward_demo/Spot_Blight_Policy_August_2007.pdf

¹⁵ Jacobs, Jane. *The Death and life of Great American Cities*. London: Pimlico, 2000.

¹⁶ City of Fredericksburg Spot Abatement Policy, August 14, 2007

http://www.fredericksburgva.gov/notices/prince_edward_demo/Spot_Blight_Policy_August_2007.pdf

Because a house is the largest investment for most people, preventing blight and maintaining property values protects financial stability, which helps prevent foreclosure. In addition, a sense of belonging within a neighborhood is psychologically critical for community stability. If residents facing foreclosure have little incentive and limited personal relationships to confront this problem, then "walking away" from their housing troubles becomes that much easier. Blight can also be an effect of foreclosure, so reducing foreclosure could result in reduced vacancy and blight.

National, State, and Local Models

New Haven, CT – ROOF Project

New Haven is similar to Charlottesville in that it is also a college town. Because of the current mortgage foreclosure, the city's vacant building count has increased from 300 in 2006 to 700 vacant residential buildings in 2008. New Haven has multiple policies designed to prevent and mitigate the effects of foreclosure and blight. One specific program is the ROOF (Real Options Overcoming Foreclosure) Project. The project, launched in the spring of 2007, is an initiative that offers preventative assistance to New Haven residents who are at risk of losing their homes and acquires control of houses lost to foreclosure. The project is a collaborative effort between the City of New Haven, the Yale Law School Clinic, and community organizations, including the Greater New Haven Community Loan Fund and Neighborhood Housing Services of New Haven. ROOF's goals are three-fold: (1) to keep homeowners in their homes, (2) to reduce the financial and personal costs to families where continued homeownership is not possible, and (3) to reduce the negative impact of multiple foreclosures on New Haven neighborhoods. To accomplish these goals, the project offers at-risk residents preventative assistance, acquires control of houses lost to foreclosure, and refers the homeowners to local nonprofit agencies for help in renegotiating their loans.

The ROOF initiative uses a hotline to reach out directly to households currently at risk of foreclosure. The project has targeted 2,000 city residents with adjustable-rate and subprime mortgages to offer assistance, including foreclosure-intervention counseling. At this time, there are currently 100 people working with counselors, and 200 people starting the process. According to city spokeswoman Jessica Mayorga, residents are starting to reach out for help earlier, rather than waiting until the day before the foreclosure sale. The ROOF Project is also hoping to address homes that are blighted or already boarded up and empty. The federal government has allocated \$4 billion nationwide for neighborhood-stabilization efforts, and specifically \$25 million for municipalities in Connecticut. New Haven is hoping to use these funds to buy 30 to 50 abandoned properties, targeting blocks with high concentrations of foreclosures and vacancies in order to improve 10 to 15 streets in New Haven before speculators become involved.^{17, 18, 19}

Charlottesville could actively pursue at-risk neighborhoods, such as Fifeville and Ridge Street, to help residents avoid foreclosure and rehabilitate blighted properties. By proactively tackling these issues, Charlottesville could improve its neighborhood stability and maintain property values.

Boise, ID – Homeward Bound Program

A model that has implications for Charlottesville is the Homeward Bound Program in Boise, Idaho. This is a partnership among neighborhood residents, local (city, county, state) government, and the corporate business community. Homeward Bound purchases and revitalizes blighted properties to provide transitional housing for homeless people. It is the only long-term (two year) transitional housing and social service program in Boise that provides a stable living environment while providing at-risk families the time and services to begin the process of

¹⁷ The ROOF Project. Greater New Haven Community Loan Fund
<http://www.theroofproject.org/>

¹⁸ Benton, Elizabeth. "City fights downward spiral of foreclosure" *New Haven Register*. Sunday, November 2, 2008 5:16 AM EST http://www.nhregister.com/articles/2008/11/02/news/new_haven/a1foreclosures.txt

¹⁹ The United States Conference of Mayors, Task Force on Vacant and Abandoned Properties. *Vacant and Abandoned Properties: Survey and Best Practices*. John S. Brenner, Mayor of York, Chair. *City Policy Associates, Washington, D.C. 2008*
<http://www.nw.org/network/neighborworksprogs/foreclosuresolutions/reports/documents/VacantandAbandonedProperties08.pdf>

social and economic recovery. A financial manager makes sure the families are on time with the rent and a property manager monitors the physical conditions of the houses. The program teaches the residents how to take care of their properties and encourages them to improve their properties through landscaping, gardening, lawn mowing, snow removal, and painting. In addition, Homeward Bound teaches the residents how to be responsible neighbors and is in constant contact with participants to immediately help them resolve difficult issues. After the residents have achieved financial stability, they graduate from the program, and are encouraged to stay active in community activities.

This is a preventative method for combating the issue of blight because it gives at-risk residents the skills they need to maintain their properties and keep their homes through responsible financial management. As a result of its successes, the program earned second place in the Property and Asset Management category of the 1998 Metropolitan Life Foundation Awards.²⁰ Homeward Bound has been effective at implementing a management style that pays constant attention to the physical, economic, and social needs of the residents, helping them become more invested in their community. The program has utilized an effective inspection and preventative maintenance system to ensure property upkeep. Accomplishments of the Neighborhood Services, Inc. program, an overarching administration managing Homeward Bound, included initiating over 620 first mortgages totaling \$6.2 million, financing 990 second mortgages leveraging over \$90 million, educating over 7,000 potential home buyers, and enhancing the quality of life for thousands neighborhood residents through revitalization activities.^{21 22}

Charlottesville could look at implementing a neighborhood management model for at-risk neighborhoods, such as Fifeville and Ridge Street, and target their efforts to minimize wasted money, time, and energy.

Spot Blight Abatement Process in Charlottesville

The City of Charlottesville outlines its extensive spot blight abatement process in Article V of the City code.²³ For graphical representation, reference Figure 2.1.

To begin the process, the director of neighborhood development services makes a preliminary determination that a property is a blighted one. In making this decision, the director then notifies the owner of the blighted property, specifying in writing the reasons why the property is considered blighted. Afterwards, the property owner has thirty days from the written notice of the preliminary determination to respond with a plan to cure the blight within a reasonable time. If the owner fails to respond within the thirty-day period with a plan that is acceptable to the director, the director may request the planning commission to conduct a public hearing and make findings and recommendations concerning the repair or other disposition of the property in question.

In the event a public hearing is scheduled, the director prepares a plan for the repair or other disposition of the property in question, including reasonable aspects of the plan submitted by the property owner. Notice of the public hearing, including the director's plan, time, and place of the hearing is advertised by regular and certified mail to the following parties: the owner of the blighted property, the abutting property owners in each direction, and the representative neighborhood association. Notice of the public hearing is also publicized in a newspaper published and circulated in the city, at least twice, with no less than six days elapsing between the first and second publications, and posted on the property itself. The public hearing does not take place less than six days nor more than twenty-one days after the second newspaper publication. Following the public hearing, the planning commission makes

²⁰ 1998 Metropolitan Life Foundation Awards for Excellence in Affordable Housing Case Studies: Award Winners in Supportive Housing and Property and Asset Management Copyright 1997-2002 The Enterprise Foundation, Inc. <http://www.practitionerresources.org/cache/documents/638/63833.doc>

²¹ Neighborhood Housing Services, Inc. <http://www.nhsid.org/index.html>

²² The United States Conference of Mayors, Task Force on Vacant and Abandoned Properties. *Vacant and Abandoned Properties: Survey and Best Practices*. John S. Brenner, Mayor of York, Chair. *City Policy Associates, Washington, D.C. 2008* <http://www.nw.org/network/neighborworksprogs/foreclosuresolutions/reports/documents/VacantandAbandonedProperties08.pdf>

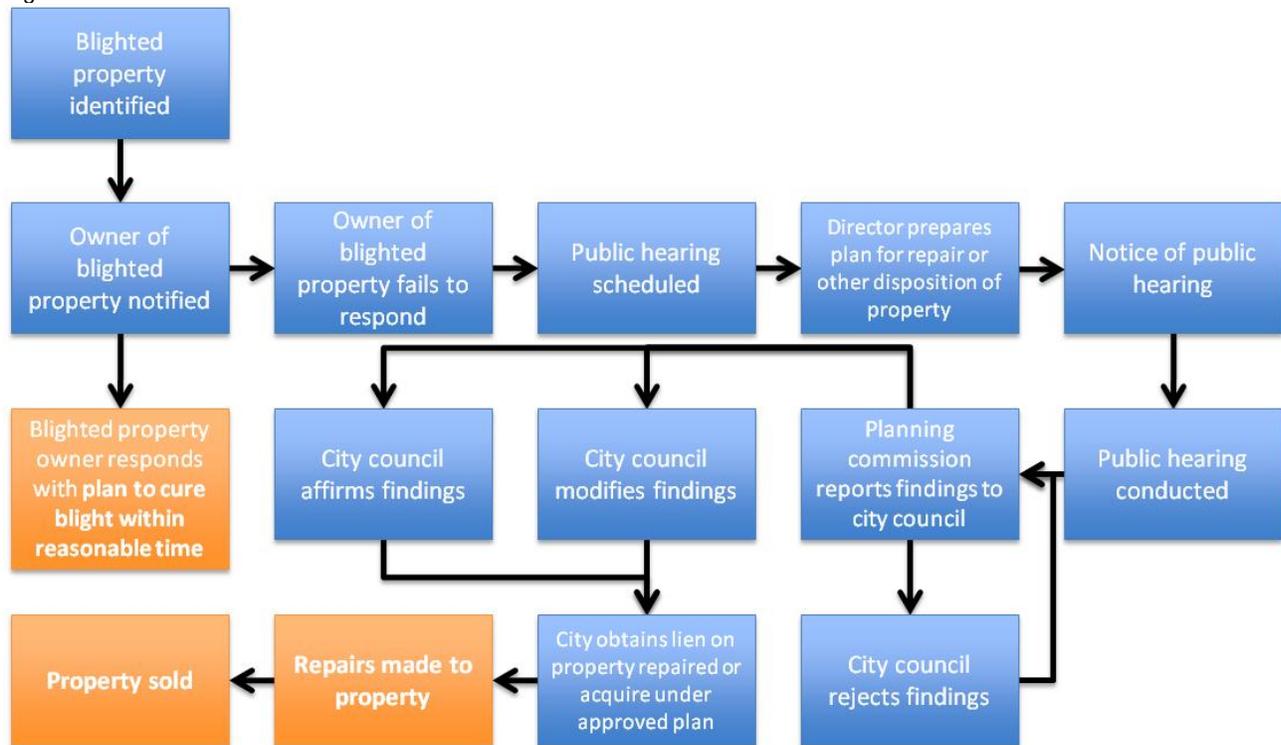
²³ *Spot Blight Abatement Process*. Code of Ordinances: City of Charlottesville, Virginia, Chapter 5. Building Regulations; Property Maintenance, Article V. Blighted Property <http://www.municode.com/resources/gateway.asp?sid=46&pid=12078>

specific findings and reports recommendations concerning the repair or other disposition of the blighted property to the city council.

Upon receiving the findings and recommendations from the planning commission, the city council, after an advertised public hearing, affirms, modifies, or rejects the planning commission's findings and recommendations. If the repair or other disposition of the property is approved, the city may carry out the approved plan.

The city will be granted a lien on all property repaired or acquired under an approved plan, to cover the costs of improvements made by the city to bring the blighted property into compliance with applicable building codes and any cost of disposal. The director is required to prepare a confirmation verifying all costs. The city may recover its costs of repair from the owner of the property when the repairs were made, at such time as the property is sold or disposed of by the owner. If the property is acquired by the city through eminent domain, the cost of repair may be recovered when the city council sells or disposes of the property. In either case, the costs of repair will be recovered from the proceeds of any sale of the property.

Figure 2.1



Charlottesville Neighborhood Application

The three neighborhoods hardest hit by foreclosure in Charlottesville are Fry's Spring, Ridge Street, and Fifeville. The blighted properties are in slightly different locations than the foreclosures, but still show a close correlation (Figs 2.1, 2.2, 2.3). Most of the blighted properties in the city were built before the 1930s, significantly older than the median year built for the city, 1961. These are not extremely expensive either. About a third of both the foreclosed and blighted properties are assessed at less than \$150,000, and two thirds of the properties are assessed at less than \$200,000. Interestingly, Fry's Spring, while one of the hardest hit neighborhoods in terms of foreclosures, only has one blighted property listed.

Figure 2.2

City of Charlottesville | Blighted Properties Buffer Area

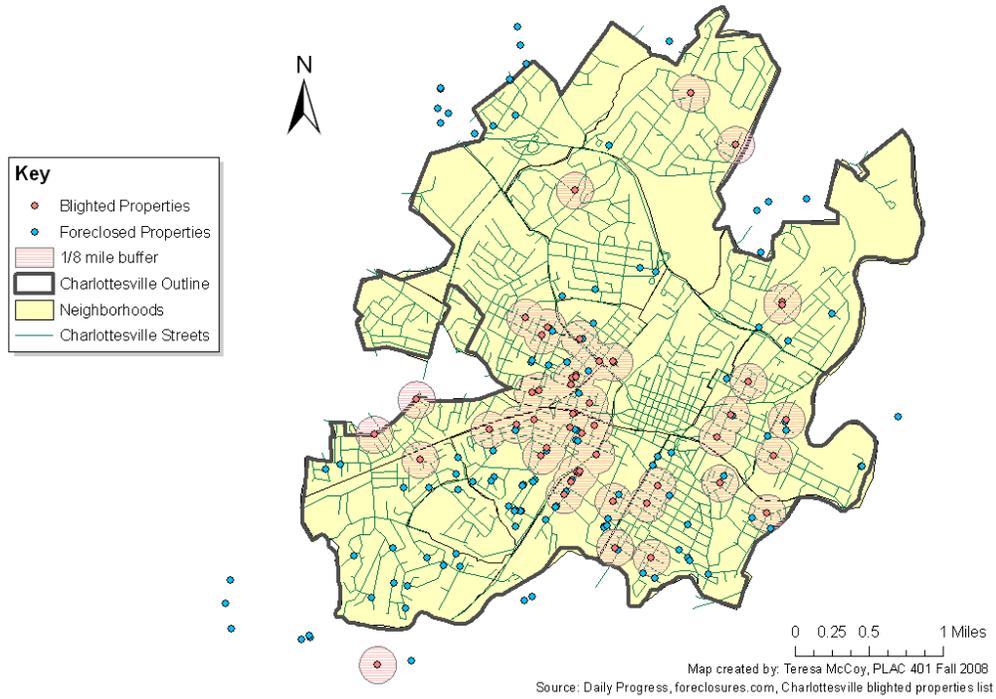


Figure 2.3

City of Charlottesville | Foreclosed Properties Buffer Area

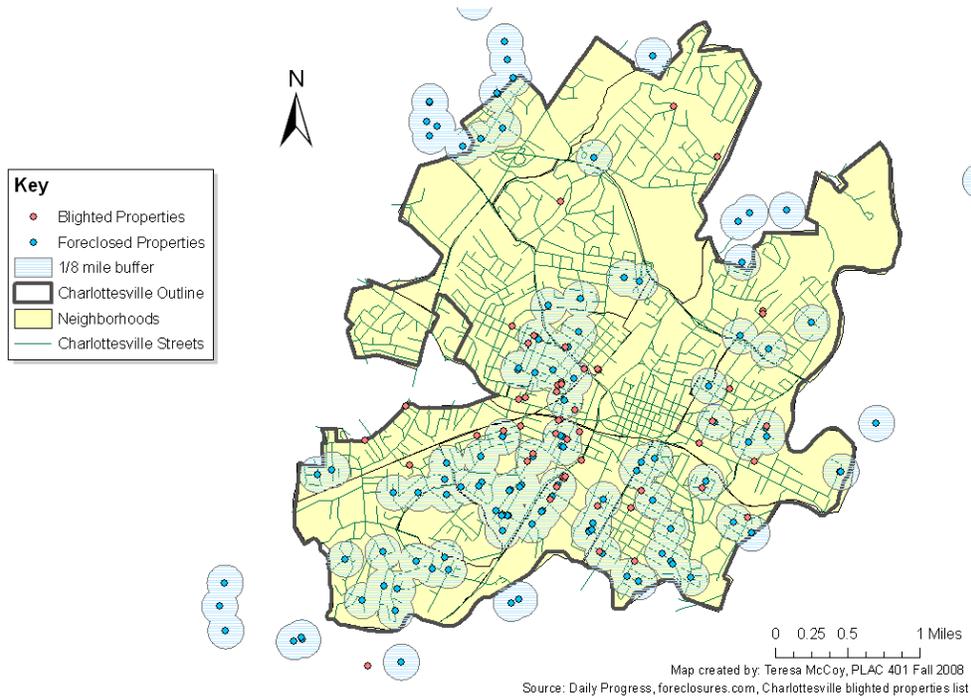


Figure 2.4: Images of blighted properties around the City of Charlottesville



Theme 3: Forecasting Foreclosure

Policy Recommendation

In order to address the potential for an increasing rate of foreclosure in Charlottesville, PHA, other local non-profits, and lending institutions should partner with the City of Charlottesville to target at-risk homeowners and engage in community outreach.

Background and Data

Local Foreclosure Trends

Students recorded 354 foreclosures that occurred in Charlottesville or Albemarle County between June 2006 and September 2008. Of these recorded foreclosures, ninety-one of them occurred in the City of Charlottesville representing 25.7% percent of the results and 263 occurred in Albemarle County (See Figure 3.1).²⁴ According to the Census Bureau, the population of the City of Charlottesville in 2007 was 41,228, while Albemarle County in the same year had a population of 93,117.²⁵ The city's population relative to the county represents approximately a population ratio of 1:2. The foreclosure ratio for the city to the county, according to this study, was about 1:4. The difference between population and foreclosure ratios indicates that foreclosures occurred disproportionately between the City of Charlottesville and Albemarle County during the two-year study period, thus there were a greater number of foreclosures in the county.

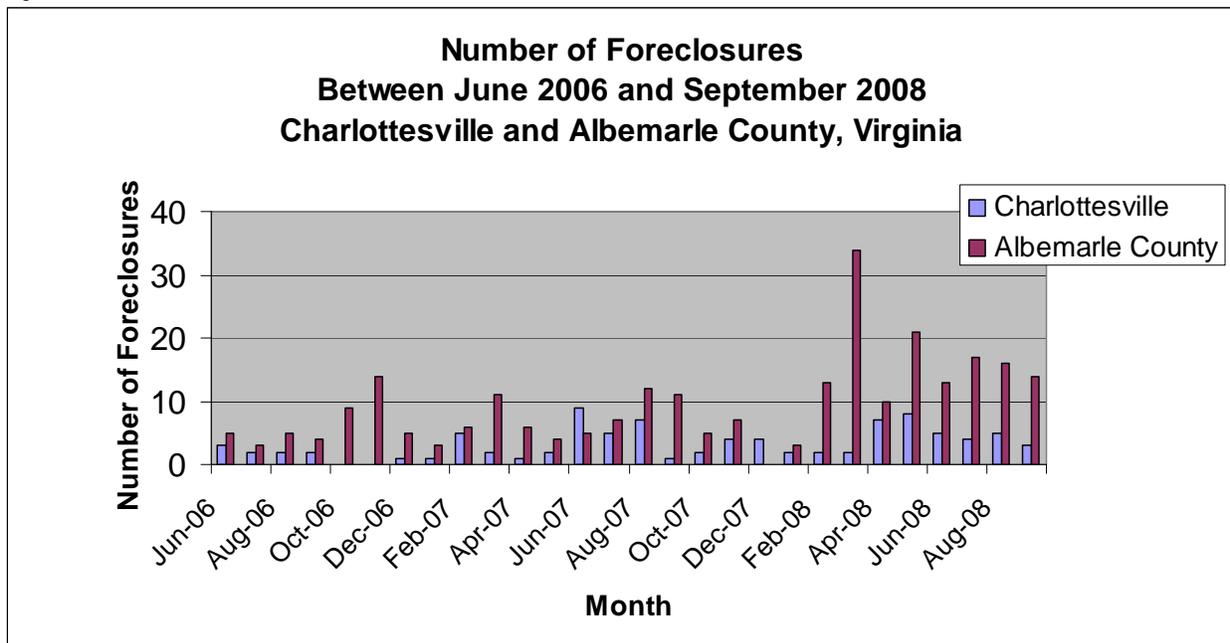
²⁴ Daily Progress, Foreclosures.com, Piedmont Housing Alliance

²⁵ American Factfinder, <www.factfinder.census.gov>

In Charlottesville, the number of foreclosures peaked during June 2007, during which month there were nine foreclosures (See Figure 3.2). Another peak composed of eight foreclosures occurred during May 2008. The data collection period for this study spans three calendar years; however, all three years overlap only during a four-month period from June-September. The number of foreclosures for June-September 2006 is nine. For the same period in 2007, the number of foreclosures is twenty-two, representing a 144% increase from 2006 to 2007. For the same period in 2008, the number of foreclosures is seventeen; representing a 22.7% decrease between 2007 and 2008, and an 89% increase from 2006 to 2008 (See Figure 3.3).²⁶ The number of foreclosures for June-December 2006 is ten. For the same period in 2007, the number of foreclosures is thirty-one, representing a 220% increase from 2006 to 2007. The number of foreclosures for January-September 2007 is thirty-three. For the same period in 2008, the number of foreclosures is thirty-eight, representing a 20% increase from 2007 to 2008. It is important to note that fewer than ten foreclosures occurred in Charlottesville during each month of the study period. A greater number of foreclosures was recorded for Albemarle County in nearly each period; therefore, due to its smaller sample size the dips and peaks displayed in Figure 3.2 are relatively less significant when compared to the data for Albemarle County.

In Albemarle County, the number of foreclosures peaked during March 2008; thirty-four foreclosures were recorded for this month. A smaller peak occurred during May 2008, during which month there were twenty-one foreclosures. The number of foreclosures in Albemarle County was higher in 2008 than in the previous two years (See Figure 3.1).²⁷

Figure 3.1



²⁶ Daily Progress, Foreclosures.com, Piedmont Housing Alliance

²⁷ Ibid

Figure 3.2

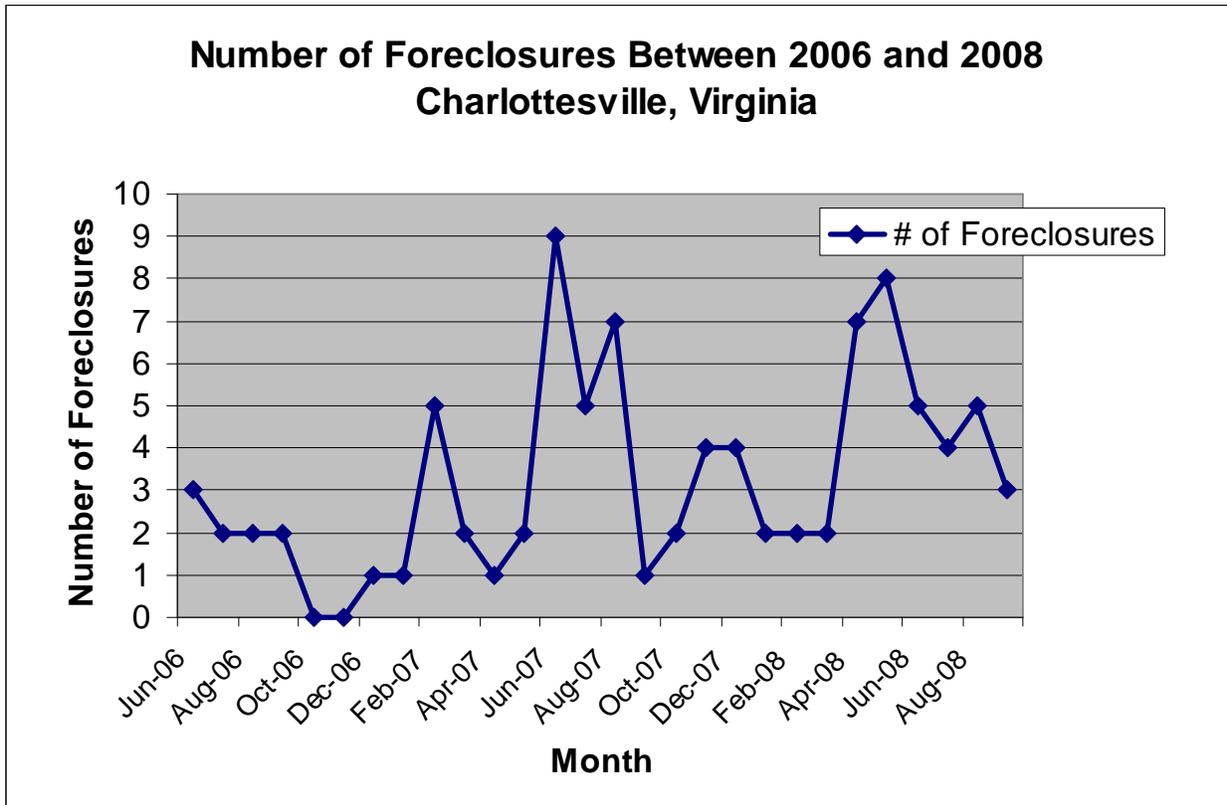
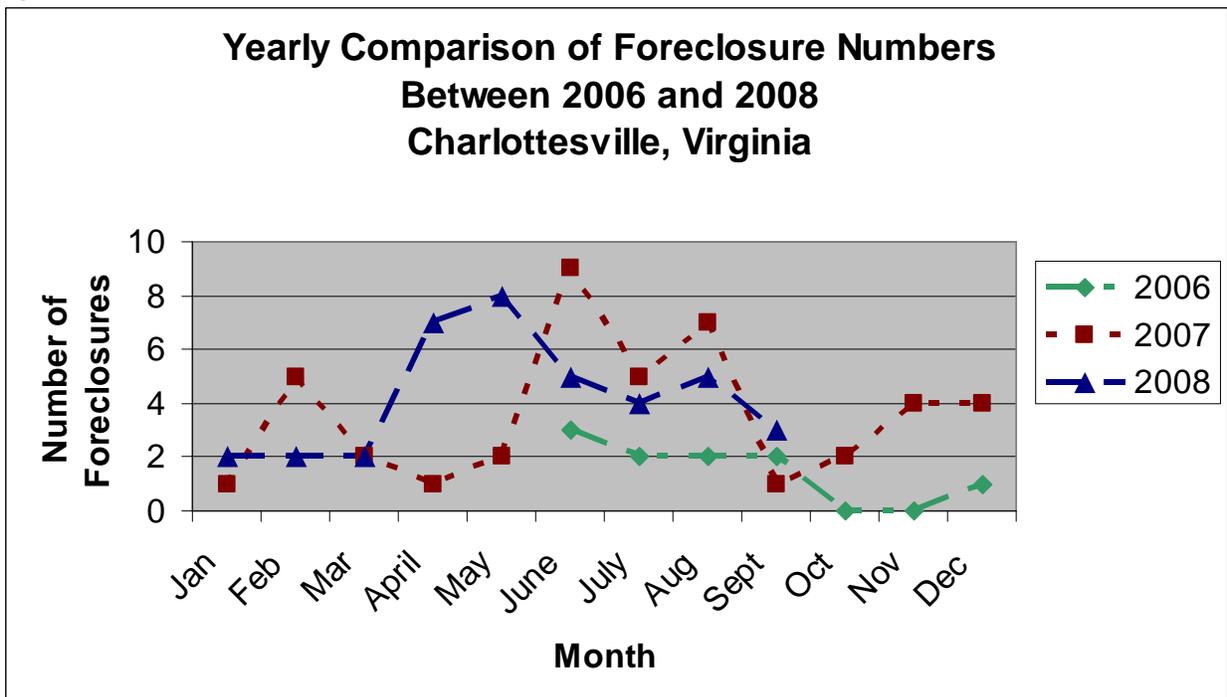


Figure 3.3



National Mortgage Market

The Federal Reserve Bank of New York defines *alternative-A* loans as “typically higher-balance loans made to borrowers who might have past credit problems—but not severe enough to drop them into subprime territory—or who, for some reason (such as a desire not to document income) chose not to obtain a prime mortgage.” Alternative-A loan is frequently a broad category of mortgages, encompassing near-prime and non-traditional mortgages. *Subprime* mortgages include loans “made to borrowers with blemished credit history or who provide only limited documentation of their income or assets.” Finally, *adjustable rate mortgages (ARMs)*, “means that the loans have a variable rate of interest that will be reset periodically, in contrast to loans with interest rates fixed to maturity...Historically, ARMs have a higher likelihood of being delinquent or foreclosed upon than fixed rate loans. This is true in the prime, alt-A, and subprime markets.”²⁸

Composed of 54.7 million loans, the United States residential mortgage market had a value of \$10 trillion in the first quarter of 2008.²⁹ The subprime market in the United States, which grew in the early 2000s before it began to decline in the second half of 2007, encompassed nearly 10% of the total mortgage market with 6.7 million loans totaling \$1.2 trillion.³⁰ In the first quarter of 2008, subprime mortgages accounted for just over half, or 53.3%, of the foreclosures. Thus, subprime mortgages have recently come to represent a significant portion of the American mortgage market, and in the first quarter of 2008 they represent a majority of the homes in foreclosure.

Within the subprime market, roughly half of the loans are ARMs. Arguably more significant than the percentage of subprime loans in foreclosure is the percentage of ARM holders in foreclosure. Homes with ARMs, both prime and subprime, make up 56.8% of the homes in foreclosure, a proportion valued at \$3.2 trillion in the first quarter of 2008 (*See Figure 3.4*).³¹ Furthermore, the Center for responsible lending reported that ARMs originated in 2000 have a 72% greater risk of foreclosure than fixed rate mortgages.³²

²⁸ Dynamic Maps of Nonprime Mortgage Conditions in the United States, Technical Appendix
<http://www.newyorkfed.org/mortgagemaps/>

²⁹Frame, Scott, Andreas Lehnert, and Ned Prescott. “A Snapshot of Mortgage Conditions with an Emphasis on Subprime Mortgage Performance.” Federal Reserve Bank. 27 August 2008. <http://federalreserveonline.org/pdf/MF_Knowledge_Snapshot-082708.pdf>

³⁰Table 1 in Frame et al.

³¹(Frame et al.)

³²“Overview of Mortgage Market” presentation by John Nassar of the Center for Responsible Lending. Foreclosure Community Impact Summit Presentations. July 2008. Virginia Foreclosure Prevention Taskforce <www.virginiaforeclosureprevention.com>

Figure 3.4

First Lien Residential Mortgage Loan Distribution March 31, 2008						
	Number of Loans		Value of Loans		Loans in Foreclosure	
	Total (in millions)	Percent of Total	Total (Trillions \$)	Percent of Total	Total (1000s)	Percent of Total
All Loans	54.7	100	10.1	100	1,352	100
Subprime	6.7	12	1.2	12	721	53.3
ARM	3.2	6	0.7	7	543	40.2
Prime (& Near Prime)	42.7	78	8.2	81	521	38.5
ARM	7.7	14	2.5	24	224	16.6
<i>Source: Calculations by Federal Reserve Board Staff using Mortgage Bankers Association and First American LoanPerformance data.</i>						
Total ARMs	10.9	20	3.2	31	767	56.8

National Trends:

Credit Suisse, as reported by the Virginia Foreclosure Prevention Task Force³³ in June of 2008, predicts a decline in the volume of Subprime loans' first resets as a proportion of the total value of loan resets in the United States from its peak in 2008. The decline of the subprime loan resets will be accompanied by a predicted rise in the dollar volume of resets for alternative-A (alt-A) and option adjustable rate loans beginning in late 2008 and ending in early 2011 (See *Figure 3.5*).³⁴ In combination with a tightening credit market and declining home prices, upcoming ARM resets reflect a potential for an increase in foreclosures nationally. Declining home values contribute significantly to the mortgage crisis, with some homeowners possessing homes that are worth less than their mortgage principle. In a weak housing market homeowners have difficulty quickly selling their homes in order to repay their mortgage.³⁵ Resets on adjustable rate mortgages become more problematic when borrowers cannot sell the home or refinance. Borrowers who obtained an ARM in anticipation of either a strong market for sale or available credit for refinance prior to the reset date may find themselves unable to do so, presumably increasing the likelihood of foreclosure. NeighborWorks America³⁶ in a presentation to the Virginia National Foreclosure Prevention Task Force, estimated that in June 2008 12.2 million homeowners have negative or no equity in their homes.³⁷

³³ <http://www.virginiaforeclosureprevention.com/index.asp>

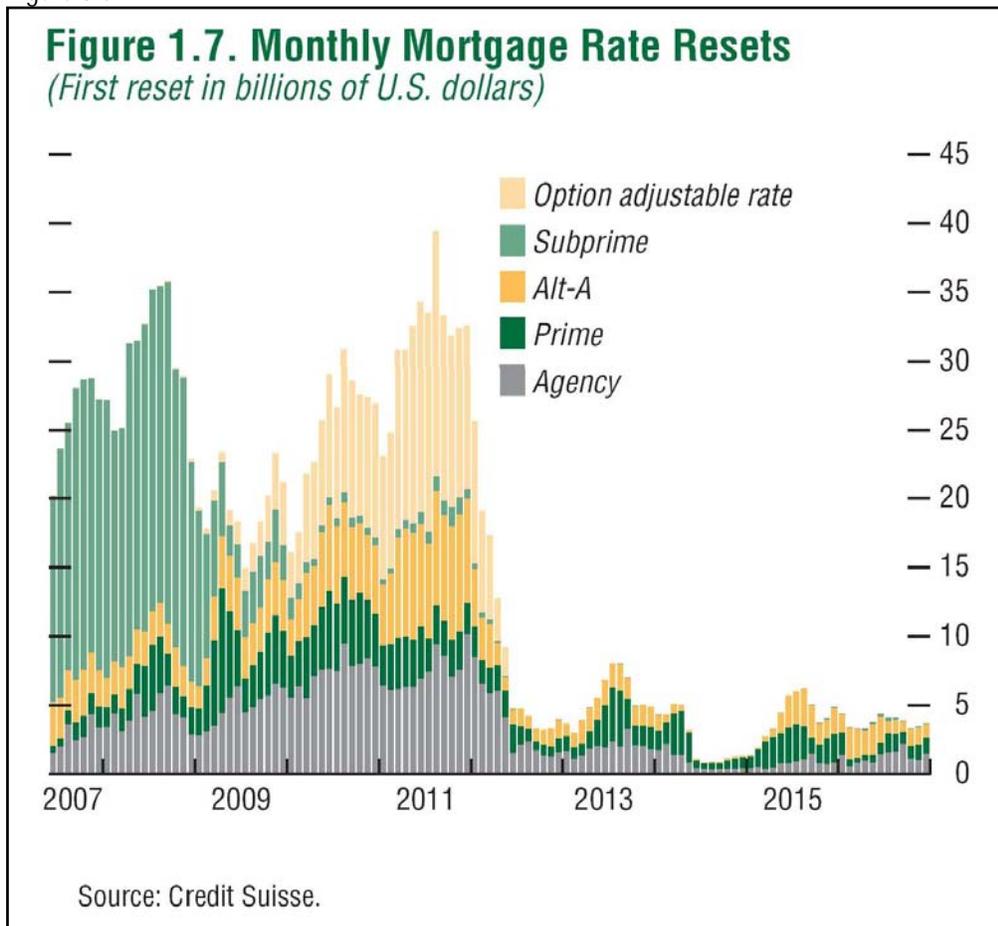
³⁴(Nassar.)

³⁵(Frame et al.)

³⁶ <http://www.nw.org/network/home.asp>

³⁷ "Community Stabilization" presentation by Sarah Greenberg of NeighborWorks America, Foreclosure Community Impact Summit, July 2008. Virginia Foreclosure Prevention Task Force. <www.virginiaforeclosureprevention.com>

Figure 3.5



Extent of Crisis, Virginia:

The Center for Responsible Lending predicted that 62,174 homes will be foreclosed upon in 2008 and 2009 in the state of Virginia.³⁸ In June 2008, according to the Mortgage Bankers Association, for the foreclosures in the state of Virginia, 54% of them are on subprime and Alt-A loans—“non-traditional” loans while 26% of the foreclosures are on prime and government ARMs and the remaining 20% are on government and prime fixed rate loans.³⁹ In other words, approximately 80% of the foreclosures in Virginia are by higher risk borrowers—subprime lenders and/or ARMs. The Federal Reserve Bank of New York reports that in September 2008, 62% of owner occupied loans in Virginia were ARMs, 5.1% of loans are in foreclosure and 11.4% of loans are 90 delinquent. Perhaps most importantly for short term policy measures, 31.4% of the ARMs in Virginia are scheduled to reset within the next twelve months.⁴⁰ The large percentage of adjustable rate loans resetting within the next twelve months can be viewed as an urgent call for policy intervention to mitigate the future effects of foreclosure.

³⁸(Nassar.)

³⁹ “Overview of Virginia’s Foreclosure Problem,” Foreclosure Community Impact Summit Presentations. July 2008. Virginia Foreclosure Prevention Taskforce <www.virginiaforeclosureprevention.com>

⁴⁰ Dynamic Maps of Nonprime Mortgage Conditions in the United States, <<http://www.newyorkfed.org/mortgagemaps/>>. See web address for additional maps and percentages.

Scope: Charlottesville in Context:

According to the Mortgage Bankers Association, for the first quarter of 2008, the City of Charlottesville's rate of foreclosure was 0.5%, which is lower than the state average of 1.3%. The rate of foreclosure varies throughout the state with substantially higher concentration in certain localities, particularly a few counties in Northern Virginia. For the same period, the national rate of foreclosure is 2.5%.⁴¹ Therefore, Charlottesville's foreclosure is below average for a state that is below the national average. While Charlottesville has seen relatively low rates of foreclosure thus far, data within the state of Virginia indicate a potential for an increase in foreclosures in the near future. In light of such potential for an increase in foreclosures, it is imperative the Charlottesville community finds workable solutions to insure the community's health and vitality and to develop a cohesive foreclosure prevention plan to preserve and perpetuate the city's relatively healthy housing market.

National, State and Local Models

A number of partnerships have formed across the nation to help homeowners who are near or already in mortgage delinquency. The most effective organizations have a system to increase the efficiency of the information flows internally between municipal departments. These organizations use the information they have compiled to target at-risk homeowners and to connect them with housing counseling and other information about the foreclosure process.

Targeting: Neighborhood Early Warning System (NEWS)

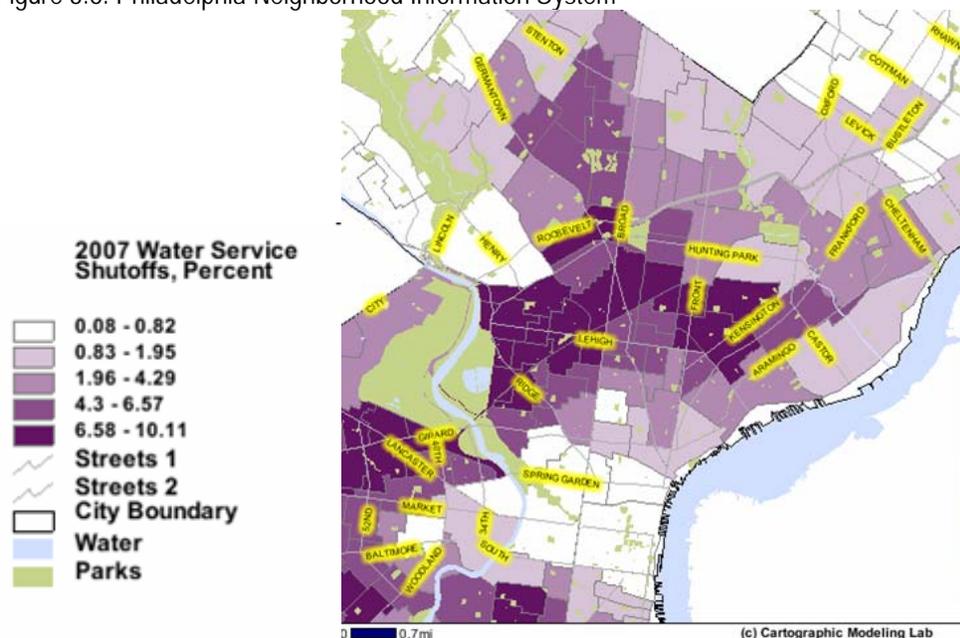
In an effort to combine data from different municipal departments, some localities have implemented a Neighborhood Early Warning System (NEWS). The NEWS, a computer database, displays information that can indicate economic hardship.⁴² It uses existing municipal data and streamlines it so that the information is accessible to other departments. For example, the NEWS can display information on the number of households in a neighborhood that have had their water shut-off because of unpaid bills; then, it might also contain information by parcel of residents who have not paid their property taxes (See Figure 3.6).⁴³ When these two sets of data are jointly displayed in NEWS it can help indicate to local governments and non-profits possible areas to target with foreclosure outreach. Cities that have adopted NEWS include Chicago, Minneapolis, Los Angeles, and Philadelphia.

⁴¹(" Overview of Virginia's Foreclosure Problem")

⁴² Richman, Neil. "Neighborhood Knowledge Partnerships." <<http://www.innovations.harvard.edu/awards.html?id=47531>>

⁴³ Philadelphia Neighborhood Information System <<http://cml.upenn.edu/nis/nBase.htm>>

Figure 3.6: Philadelphia Neighborhood Information System



National Benchmark: Chicago Home Ownership Preservation Initiative (HOPI)

The Chicago Home Ownership Preservation Initiative is a partnership between the City of Chicago, Neighborhood Housing Services, Inc., and local lending and investment institutions. Chicago's effort to reduce foreclosures includes in-person education and over-the-phone assistance. HOPI provides free foreclosure prevention workshops. In addition to the workshops, HOPI provides access to a Credit Counseling Resource Center over the phone via the city's non-emergency city services 311 hotline.⁴⁴ They also have an informative website with information for homeowners who are at-risk of foreclosure. Since implementing their HOPI program in 2002, Chicago has seen a reduction in foreclosures. Between 2002 and 2005, there was a 20% reduction in foreclosure starts in Chicago. HOPI also educated 4,328 individuals and prevented 1,304 foreclosures.⁴⁵ It is difficult to measure the program's current success because of the national increase in foreclosure rates, but it is possible that the foreclosure problem in Chicago might have been more severe without HOPI.

National Benchmark: Baltimore Homeownership Preservation Coalition

The Baltimore Homeownership Preservation Coalition is a partnership between local government, non-profits, and financial institutions that educates homeowners and connects them to other foreclosure prevention resources. It ran a media campaign for the national HOPE hotline, which is available 24 hours a day, seven days a week, and provides housing counseling and a connection to local resources. BHPC also holds Mortgage Matters free community workshops.⁴⁶ In an effort to educate homeowners about predatory lending and foreclosure information, BHPC has also created the fictional video "Judge Smartt" and has made it available to non-profits, as well as posted it on YouTube⁴⁷. BHPC's website also has links to national foreclosure prevention resources.

Columbus Housing Partnership

The Columbus Housing Partnership (CHP) is a non-profit housing organization similar to PHA. CHP partnered with the Ohio Foreclosure Prevention Initiative to prevent foreclosure by connecting homeowners with the

⁴⁴ "Chicago Homeownership Preservation Initiative (HOPI)" <http://www.nhscichicago.org/content/page.php?cat_id=2&content_id=44>

⁴⁵ "Reducing Foreclosures Through Strategic Partnerships" presentation by Bruce Gottschall, June 2007. <http://www.nhscichicago.org/content/page.php?cat_id=3&content_id=33>

⁴⁶ Baltimore Homeownership Preservation Coalition <<http://www.preservehomeownership.org/>>

⁴⁷ "Judge Smartt" <<http://www.youtube.com/watch?v=Qyqt6Y1hW4k>>

necessary resources.⁴⁸ CHP offers free foreclosure workshops, and they direct homeowners in or near delinquency to a hotline run by the state.⁴⁹ Their direct partnership with the state allows them access funding from the state for foreclosure prevention. Additionally, this partnership provides an opportunity for non-profits to take a leading role in foreclosure prevention thus reducing the load from local governments.

Virginia Policy

Arguably the largest effort undertaken by the Virginia government to reduce the number of foreclosures in the state was the creation of the Virginia Foreclosure Prevention Task Force. Governor Kaine created the task force near the end of 2007. Its tasks include analyzing foreclosure data in Virginia, identifying existing resources for homeowners, connecting homeowners to counseling and educational programs, and reviewing and revising legislation.⁵⁰

Virginia also created the Virginia Mortgage Clinic Online, which includes general information about the foreclosure process, tips for preventing foreclosure, a list of loan services, and a list of Virginia-based legal assistance. The online clinic also provides warnings about rescue scams, a search tool for finding Housing Counselors, and also links to HUD, Freddie Mac, and various other housing-related resources.⁵¹

Virginia has also passed various legislation to address the foreclosure crisis—three new bills SB 797, HP 408, and HP 1487 effective July 1, 2008. SB 797 extends the foreclosure period by thirty days for homeowners with high-risk loans.⁵²

Cities and local governments in Virginia have approached the foreclosure crisis and prevention differently. Fairfax County provides citizens with a Foreclosure Prevention Hotline, as well as free Foreclosure Prevention Clinics,⁵³ and its website includes prevention information and links to additional resources. The City of Alexandria offers free monthly Foreclosure Prevention Clinics. Alexandria's website also provides links to local counseling services and federal resources.⁵⁴ Other cities such as the city of Danville, Virginia, on the other hand, provide very little information on foreclosure and foreclosure prevention. Danville's website only provides links to federal organizations.⁵⁵

Theme 4: Increasing Financial Literacy

Policy Recommendation

PHA could collaborate with Charlottesville area institutions such as the School Board and City Council (among others) to increase outreach and financial education programs at various levels in order to mitigate the effects of foreclosure in the City.

Why this policy? PHA could be more effective in reaching a broader base in the Charlottesville community if resources for financial literacy education are extended into the community, and if City of Charlottesville and

⁴⁸ "Winning Strategies in the NeighborWorks Network: The Ohio Foreclosure Prevention Initiative" <<http://www.nw2.org/WinningStrategies/display.asp?strategy=1323&offset=0>>

⁴⁹ Columbus Housing Partnership Housing Counseling <<http://www.chpcolumbus.org/foreclosure.htm>>

⁵⁰ "About Us," Virginia Foreclosure Prevention Taskforce <<http://www.virginiaforeclosureprevention.com/about.asp>>

⁵¹ Virginia Mortgage Clinic Online <<http://www.virginiaforeclosureprevention.com/clinic.asp>>

⁵² "Legislative Updates," Virginia Foreclosure Prevention Taskforces <<http://www.virginiaforeclosureprevention.com/updates.asp>>

⁵³ "Foreclosed or Vacant Properties" Fairfax County, Virginia <<http://www.fairfaxcounty.gov/foreclosures/>>

⁵⁴ "Foreclosure Prevention Resources" City of Alexandria, Virginia <<http://alexandriava.gov/housing/info/default.aspx?id=10336>>

⁵⁵ Housing and Development Division, City of Danville, Virginia <<http://www.danville-va.gov/departments.asp?menuid=2820&sub1menuid=2829&sub2menuid=2873>>

Charlottesville School Board officials recognize financial literacy education to be of critical importance in Charlottesville. Combining the efforts of both the Charlottesville School Board and City Council will allow PHA to expand their resources to a larger constituency. Financial literacy education in Charlottesville must include information regarding foreclosures and loans, because this area is particularly susceptible to the effects of foreclosure. As a result, this integrative education at various levels (within the K-12 and adult sectors) could ensure long-term financial security and provide a better quality of life for a wider audience of peoples.

Background and Data

There are several areas of the city and county which have either not known to report to or have not been reached by PHA's services. This could mean that demand for PHA's services exceeds availability, certain people were not aware of PHA's services, or they chose not to report their foreclosure concerns to PHA for another reason. [Figure 4.1 outlines the number of foreclosures which were reported to PHA (denoted in yellow) versus the rest of the foreclosures which people did not report to PHA (denoted in blue)]. By making financial literacy education standardized across various levels, for example, in the K-12 sector as well as for adult venues, more people will become aware of the effects of foreclosure on their community, and as a result, people will become more comfortable asking questions and accessing resources such as PHA to help them mitigate any delinquency or other potential financial problems. [Figure 4.2 outlines the five foreclosure hotspots which have experienced the highest rates of foreclosure in the City of Charlottesville, again with the foreclosed properties that knew to report their status to PHA versus those properties that did not make a report]. PHA's experience with Charlottesville residents and their knowledge of housing counseling make them one of the best institutions to raise awareness of this issue in the City. PHA could act as an organizer and catalyst among School Board and City officials to start a dialogue within local schools and communities regarding financial literacy education and foreclosures.

Figure 4.1 (Map prepared by PLAC 401 Neighborhood Planning, UVa School of Architecture, 2008)

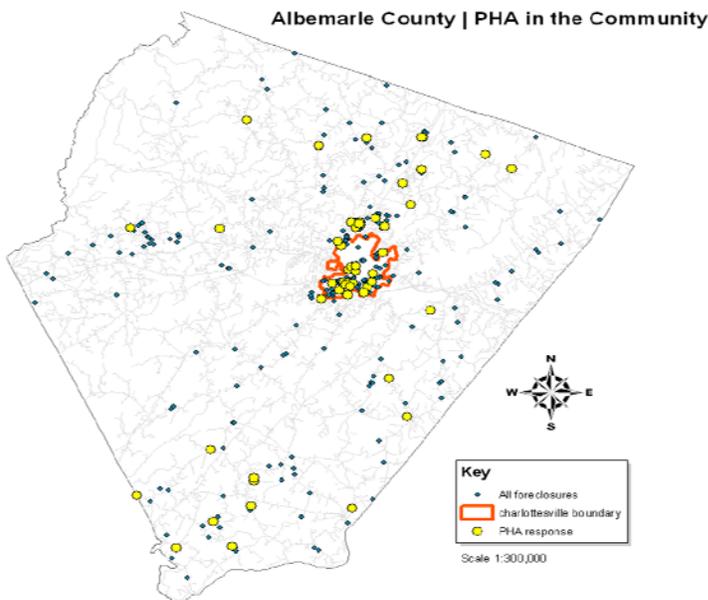
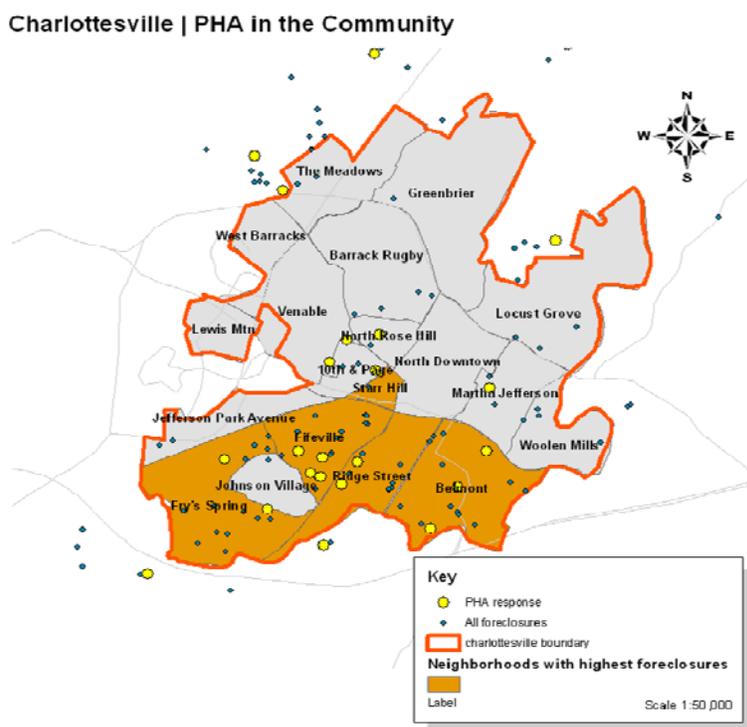


Figure 4.2 (Map prepared by PLAC 401 Neighborhood Planning, UVa School of Architecture, 2008)



National, State, and Local Models

There are multiple national institutions and entities that are working towards increasing opportunities for financial literacy in the United States, either through funding, leadership training, or by setting standardized goals for financial literacy education. Some of these national organizations are:

- National Endowment for Financial Education - the largest national grant-making institution for the funding of financial education projects and organizations.⁵⁶
- President's Advisory Council on Financial Literacy - a body of specialists in the realm of financial education that advise the president and make policy suggestions related to what financial literacy should look like in the United States and what its purpose should be. This body is known to cosponsor teacher-training programs on financial literacy.⁵⁷
- MoneySmart (FDIC) - MoneySmart is a standardized national financial literacy curriculum that was created by the FDIC and approved by 50 states. It is easily translatable from school to school and allows for flexibility so that it can be amended by localities and states to fit the financial education needs of that specific area. It is thus far the most comprehensive and holistic national financial literacy curriculum available.⁵⁸

While these organizations and institutions are important components of raising awareness about financial literacy education, they are not active in applying educational curricula in the classroom. The state examples below reveal a more proactive approach to incorporating financial literacy education into local school systems.

⁵⁶ www.nefe.org

⁵⁷ <http://www.ustreas.gov/offices/domestic-finance/financial-institution/fin-education/council/index.shtml>

⁵⁸ <http://www.fdic.gov/consumers/consumer/moneysmart/>

In Virginia, the General Assembly approved Senate Bill 950 for Financial Literacy in 2005⁵⁹. This bill mandated that the Virginia Council on Economic Education should host training institutes for educators who would then be incorporating financial literacy education and skills into their coursework (i.e. into already established mathematics and economics courses). The goal of this bill is to help middle and high school students receive instruction in economics and financial literacy.

The Virginia Jump Start Coalition for Personal Financial Literacy⁶⁰ is another institution that hosts summits and conferences for teacher training. Jump Start also acts as a coordinator between policymakers, parents, children, school systems and local grassroots institutions in increasing the need and application of financial literacy. The majority of their efforts however are centralized around surveying the financial literacy of America's youth and therefore proposing ways in which to increase these numbers.

There are many examples of localities taking strides to form standard curricula for their school systems. Many have started providing literature to students or have taken on part of the FDIC's MoneySmart curriculum (see previous section). In Boston the Mayor and others initiated the "Money Talk\$" consumer guide for teens⁶¹. This information is distributed to teens and aims to help keep them from being taken advantage of by unfair business practices through informing them about credit and debit cards, cell phone contracts, phone cards, gift certificates and return policies. While this does not specifically talk about mortgages and home purchasing, it aims to build an important foundation of financial literacy that will help build good money practices for life.

Still other localities are going beyond literature and are creating programs for specific groups of children. For example, in Jackson, MS the Mayor's Entrepreneurial Program for at risk youth⁶² was begun with funding from the Dollar Wi\$e initiative⁶³ of the US conference of Mayors. This program is part of the city's larger Youth Credit Initiative which aims to gradually increase curriculum and hands on programming to increase youth financial savvy in the community. The specific goal of the Mayor's Entrepreneurial Program for at-risk youth offers at-risk young people ages 10 to 17 the opportunity to learn about entrepreneurship and money management while also being involved in community service, mentoring and skills training. Santa Fe, NM is another example of a community using Dollar Wi\$e funding to increase financial education.

Though Jackson may wish to expand their programs to all youth, and there are certainly advantages to targeting at-risk youth, there are other localities following more holistic models of financial literacy education. For example, in San Diego, CA the city started a program in the high schools within the city school system this fall (2008) called "Personal Financial Literacy, the Game of Life."⁶⁴ A group of bank officials, teachers and a bankruptcy judge collaborated to create the curriculum specifically tailored to the area's needs and school system, but general enough to benefit the students for life. The program takes the form of a required 10-day mini-course that will be added into senior economics classes that are required to graduate. The San Diego Unified School District is the first large, urban district in California to require such a course (see sources below). Such a program - a blanket course that is required of all students to graduate from high school (not just at-risk students) - is a model that approaches the entire community. This is important because as the United States enters a recession and foreclosures strike both the underprivileged and the wealthy the problem of financial literacy becomes one not of any particular demographic and solutions must be approached accordingly.

Learning life skills such as personal finance is a crucial step towards the well being of children as they grow older and affects the future of the community as a whole. Even though Charlottesville is a smaller community than San Diego, their educational model could fit well with the current situation in central Virginia. The impact of an all-

⁵⁹ <http://www.doe.virginia.gov/VDOE/Instruction/CTE/FinancialLiteracy.html>

⁶⁰ <http://www.vajumpstart.org/>

⁶¹ <http://www.bostonyouthzone.com/MYC/projects.asp>

⁶² <http://www.reuters.com/article/pressRelease/idUS300556+31-Jan-2008+PRN20080131>

⁶³ http://www.usmayors.org/dollarwise/bowlinggreen_092705.asp

⁶⁴ <http://www.signonsandiego.com/news/education/20081016-9999-1n16money.html>

inclusive education program created specifically for Charlottesville, taking into account the foreclosure crisis in this city, could lower future foreclosure rates as more people across demographic and socio-economic boundaries are exposed to financial literacy and foreclosure education.

Policy Implications for Charlottesville

The potential this policy could have in Charlottesville is tremendous. To start off the policy would require collaboration with many Charlottesville organizations such as PHA, the Charlottesville School board, City Council, and other groups to hold program sessions at a variety of times to get as many people involved as possible. With the help of PHA, outreach and financial education can also be increased as the basis for introducing this program in the community. The main targets for this policy are elementary schools for a more long-term solution and at risk neighborhoods for a possible short-term solution to increasing financial literacy. In order for this program to be effective, communication could be enhanced through fliers, word of mouth, meetings, brochures, childcare centers, radio, and other venues.

A). Suggestions for childhood financial literacy education

The City of Charlottesville's mission could be to implement a standardized financial literacy curriculum (K-12) required for high school graduation. This requires that the Charlottesville School Board mandate a required financial literacy curriculum modeled off of the MoneySmart (FDIC) program. This program however should be amended to include specific foreclosure related information as it pertains to identified location hotspots - for example, neighborhoods such as Fry's Spring, Starr Hill, Fifeville, Belmont, and Ridge Street, which have experienced the highest level of foreclosures in the city. As such, this curriculum should be incorporated into the Virginia Standard of Learning (SOL), so as to ensure that all students receive financial literacy education before graduating from high school. This curriculum can also be translated to YMCA's, after-school childcare programs and other community centers.

B). Suggestions for adult financial literacy education

Some suggestions for creating opportunities of financial literacy education to adults would be to increase access to financial literacy resources and education throughout the Charlottesville community. A similar MoneySmart (FDIC) curriculum could be incorporated into adult venues, such as professional workplace settings and community centers. Also neighborhood associations could introduce an agenda and task force that could incorporate events, speakers and neighborhood conferences related to financial literacy education and how foreclosures are affecting their neighborhoods, schools, and families. Furthermore, the City could require all potential loan customers to enlist in an obligatory workshop on financial literacy, foreclosures and loan-mortgaging basics before they are approved for any financial support from banks or lenders. These workshops could take the form of a collaborative effort between banks, mortgage companies and organizations such as PHA. This would make it such that these organizations also take financial education seriously, and consequently it will increase transparency between lenders and decrease predatory lending practices.

In conclusion, financial literacy education will help ensure a better quality of life and greater long-term financial stability if implemented in foreclosure hotspots. It will help localities that experience higher rates of foreclosure to mitigate the effects of foreclosure and prevent delinquencies before they occur. Furthermore, as more people become financially literate, predatory lending practices can be avoided.

CONCLUSION

The participants in the Neighborhood Planning Workshop, in partnership with PHA, have spent the past three months getting familiar with the foreclosure crisis and its local effects. Beginning with intensive data collection from

the Daily Progress, foreclosures.com, and PHA data, students provided a quantitative and spatial analysis of the foreclosure crisis in Charlottesville. Through conversations with PHA and a nationwide policy scan, the class determined what best practices Charlottesville could adopt to address local foreclosures. After examining national policies and best practices, the students' policy recommendations for each of the four themes are as follows:

Theme 1: Identifying Priority Areas

Redevelopment funds should be targeted to the Fifeville, Fry's Springs, and Ridge Street neighborhoods. These three communities were in the top 6 neighborhoods impacted by foreclosure in Charlottesville. All are classified as moderate to low income. Further, both the Fifeville and Ridge Street neighborhoods have a high concentration of African Americans. NSP requires a foreclosure concentration of at least 10% in order for an area to qualify to receive funding. Although these neighborhoods do not qualify as a whole, there may be some possibility of drawing tighter boundaries in order to qualify for funding. Five initial houses within the neighborhoods have been identified as potential priorities for rehabilitation based on their assessed value, year built, and number of bedrooms.

Theme 2: Correlating Blight and Foreclosure

Charlottesville could augment its anti-blight ordinance with consequences for violations in order to encourage the prevention of blight. A comparison of the blighted properties and foreclosed properties in Charlottesville showed that the Ridge Street and Fifeville neighborhoods had high percentages of both types of properties. Elimination of blighted conditions is linked to increased property values, community pride, private investment, and public safety. Preventing blight and maintaining property values protects financial stability, which helps prevent foreclosure.

Theme 3: Forecasting Foreclosure

The number of foreclosures per month in Charlottesville show two distinct peaks: one in June of 2007 and one in May of 2008. In order to prepare for future potential waves of foreclosure, it is recommended that Charlottesville establish an interactive neighborhood program that works closely with at-risk neighborhoods, such as Fifeville and Ridge Street, to educate owners and prevent foreclosure. Further, it is recommended that Charlottesville establish a NEWS to identify and monitor at risk properties using existing municipal data on economic hardship.

Theme 4: Increasing Financial Literacy

Spatial comparisons of the calls placed to PHA regarding foreclosure to the distribution of foreclosures across Charlottesville-Albemarle demonstrate that there are several areas in the Charlottesville region that are not reaching out to PHA when hit by foreclosure. Increasing financial literacy may be a significant way of proactively reaching out to these communities. Therefore, it is recommended that PHA collaborate with local government and school boards to increase financial literacy among both adults and children. Initiatives for adults might include: requiring workshops in preparation for current and future financial transactions, working with neighborhood associations to implement work groups for financial literacy, targeting at-risk homeowners, and increasing the accessibility of web materials on foreclosure. Initiatives for children and youth might include: mandating a more robust financial literacy education for local K-12 schools, using the FDIC Money Smart curriculum, and advocating for the incorporation of a financial literacy curriculum into the Virginia Standards of Learning.

Thus far, Charlottesville has been fortunate enough to escape the brunt of the foreclosure crisis. The neighborhood with the highest percentage of foreclosed homes reached has a foreclosure rate of 2.55%, which is much lower than other areas of concentration nationally. While this is encouraging news, it is essential that Charlottesville continue to proactively and aggressively address the issue of foreclosure in order to maintain its healthy status in the housing market. This report emphasizes the need for additional resources to be invested in the rehabilitation of foreclosed properties and in the prevention of foreclosure through augmenting anti-blight measures, establishing a program to monitor economic hardship, and partnering to increase financial literacy. We certainly hope that this report has shed light on the state of foreclosure in Charlottesville and that the data analysis and policy recommendations will provide government officials and others with the information needed to make proactive and informed decisions regarding housing policy in Charlottesville and beyond.

APPENDIX 1: FINAL PRESENTATION

APPENDIX 2: FINAL PRESENTATION HANDOUT

*These appendices may be downloaded online at: <http://people.virginia.edu/~nhb3b/courses2.html>.