

Op ed about the Homeowner's Bill of Rights

Written by Lyndel Owens
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The tragedies of foreclosures for the family involved are no mystery. Yet, the burden foreclosure creates also rests squarely, and silently, on the shoulders of local and state taxpayers. Minnesota municipalities expend nearly \$20,000 *per vacant property* each year for maintenance costs, and houses within an eighth of a mile of a foreclosed home lose almost \$2,000 in equity simply because of proximity. To discontinue the trend of Minnesota having three times as many foreclosed homes in "post-crisis" 2012 compared to 2005, or 20,000 foreclosures per year for the sixth year in a row, I support enacting the Homeowner's Bill of Rights, currently in the legislature. The bill enacts common sense laws to give basic rights to families who face foreclosure.

Critics may object, stating that the crisis has passed and regulation stunts development, but the facts stand that regulating banks' foreclosure will safeguard the state's economic recovery. For example, a Californian bill is credited with lowering foreclosure levels by 39.5% from December 2012 to January 2013, when the bill took effect. If such a bill had been made law in Minnesota in 2008, at the peak of the crisis, approximately 140,000 more Minnesota families would be in homes, and an estimated 94,000 Minnesota school children would have remained in stable living situations.

The Homeowner's Bill of Rights is needed to protect families and the larger community. This bill guarantees that people going through the foreclosure process have a single point of contact within their banking institution when they are seeking loan modification or facing foreclosure. It also bans dual tracking, a deceptive procedure in which banks continue to foreclose on a house despite the homeowner having a petition for loan modification under review. (In some circumstances banks such as Wells Fargo and Bank of America asked borrowers to purposefully miss payments so that they could qualify for a modified loan, only to be foreclosed on instead). Basically, this bill codifies the foreclosure process and guarantees clarity and due process for both banks and homeowners.

Consider the impact of one vacant home. On average, a municipality pays \$19,227 to maintain the utilities, fire suppression, inspections, etc. of a vacant foreclosure. If this home is in the 5th ward, where 1,530 homes have been foreclosed on since 2008, that amounts to \$29,417,310 of public money being spent. Obviously that money would be better spent elsewhere, and obviously it'd be better to have a family in the home thereby reducing the risk of neighborhood blight caused by multiple vacant properties in an area.

Negative equity is also a problem as surrounding homes lose an average value of \$1,971 simply by being within an eighth of a mile of a foreclosed home. That means \$3,015,630 of lost home value in the 5th ward since 2008, a circumstance that makes it more difficult for families to use their homes as equity to fund everything from retirement to tuition.

The Homeowner Bill of Rights ensures that the foreclosure process is fair, transparent, and clear for both the bank and homeowner. For maximum effectiveness, the Homeowner Bill of Rights should include these four points:

1. *Single point of contact.* As homeowners navigate the system and try to keep their homes, they are guaranteed to work with a single point of contact who knows the facts of their case.

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2. *Ban on dual tracking.* The banking institution is forbidden from advancing a foreclosure while the homeowner is working on a loan modification or while a loan modification is under review.

3. *Option for mediation.* This allows the homeowner a face to face meeting with a bank representative to discuss alternatives to foreclosures such as a loan modification or refinancing.

4. *Enforceability.* Homeowners have a right to take the bank to court if the above three guidelines are not met.

The version of the Homeowner Bill of Rights currently before the legislature contains the first two points. However, the second two points, which have been proven to be the most effective, are not yet included in the bill.

Taxpayers ... Community members ... School children ... We are all adversely impacted by the fallout of foreclosures in our communities, so we should all have a voice in fixing the problem. In fact, a bill similar to the Homeowner Bill of Rights passed the Minnesota legislature in 2009. At that time bank lobbyists *from outside of our state* flew in to trim the bill and ultimately defeat it. It worked; their voices trumped the voice of the citizen, Governor Pawlenty vetoed the bill, and the adverse economic impact continues to be borne by *those within the state*

. Currently, foreclosures levels are three times higher than they were before the subprime mortgage bubble burst in 2008.

This is why I support the Homeowner Bill of Rights as a set of laws for both banks and homeowners that provide transparency and clarity to the process. Ultimately it protects our communities against faulty lending practices that imperil all of us. By enacting this bill and including the mediation and right to action measures, Minnesota can clearly outline the process of foreclosure, thereby giving peace of mind and due process to all involved.

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