

# Fairfax County's Response to the Foreclosure Crisis and the Neighborhood Stabilization Program

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**Affordable Housing Advisory Committee**  
**December 12, 2008**

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# The Foreclosure Crisis in Fairfax County

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- As of the end of October, there were a total of 2,226 net foreclosures
- Fairfax County foreclosures appear to be clustered in specific areas of the County, which include Springfield, Annandale, Herndon, Centreville, and the Richmond Highway Corridor

# Board of Supervisors Foreclosure Initiative

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- On June 30, 2008 the Board of Supervisors approved groundbreaking new foreclosure initiative
  
- Three-pronged approach consists of:
  - Assistance to homeowners in distress
  - “Silver Lining” Initiative – helping first-time homebuyers purchase foreclosed properties
  - Neighborhood preservation efforts

# Status of the Initiative

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- Counseling began in June 2008; 522 persons counseled (as of 12/1/2008)
- Implementation of the Silver Lining Initiative and Neighborhood Preservation efforts underway
  - Seven bank-owned, foreclosed properties purchased using shared-equity second trusts to date
  - Reviewing first housing for county purchase
- Upcoming events:
  - Video ready for release on Channel 16: Foreclosure 101
- Preparing for implementation of the federal Housing and Economic Recovery Act of 2008
  - Neighborhood Stabilization Program Applications submitted on December 1
  - Coordinate with Virginia DHCD to access state funding

# Housing and Economic Recovery Act Components

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- ❑ Low-income housing tax credits/tax exempt bonds
- ❑ Establishment of National Housing Trust Fund
- ❑ Government Sponsored Enterprise reform
- ❑ “Hope for Homeowners” Program:
  - Authorizes FHA to refinance up to \$300 billion in at-risk mortgages
- ❑ Neighborhood Stabilization Program

# Neighborhood Stabilization Program (NSP)

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- ❑ \$3.92 billion was appropriated nation wide to tackle one of the major effects of the foreclosure crisis – Abandoned or Foreclosed Homes
- ❑ Household Eligibility:
  - Funds may be used to assist households earning up to 120 percent of AMI (county program proposed to serve 100 percent of AMI);
  - 25 percent of funds must serve very low-income households (50 percent AMI and below)
- ❑ Funds must be obligated in 18 months; expended in four years
- ❑ Must serve areas with greatest number of foreclosures

# The Neighborhood Stabilization Program Nationally

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- ❑ 50 States and 250 local governments and municipalities are to receive funds in January/February 2009
- ❑ Virginia state allocation is \$38.7 million
- ❑ Fairfax County allocation is \$2.8 million
- ❑ Fairfax County one of only two local jurisdictions in Virginia to receive direct allocation

# Incorporating NSP Funds into the Fairfax County Foreclosure Initiative: Silver Lining Plus

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- The Silver Lining Initiative is the primary means by which staff proposes to implement the federal Neighborhood Stabilization Program funds; this program will be known as “**Silver Lining Plus**”
- Will use federal funds first
- Will apply for additional federal funding through the State in 2009

# Proposed Silver Lining Plus Program

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## □ *Allocation of Funding:*

- First-time homebuyers: 54 percent, or \$1.5 million for equity-shared second trusts.  
Limited to purchase of foreclosed single family and townhouse units
- Non-profits: 36 percent, or \$1 million for no-interest deferred loans to non-profits buying foreclosed units, including condominiums
- Administration: 10 percent, or \$280,000

# Proposed Silver Lining Plus Program

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## □ *Incomes to be served:*

- Individual purchasers: 100 percent AMI and below
- Non-profit organizations: Must serve 50 percent AMI and below; satisfies federal income targeting requirement

# Proposed Silver Lining Plus Program

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- *Purchase price limits and maximum shared equity:*

<b>Unit Type</b>	<b>Purchase Price Limit</b>	<b>Silver Lining Plus: Proposed FCRHA Maximum Loan</b>	<b>Comparison to Existing Silver Lining Initiative</b>
<b>Condominium</b> (non-profits only)	\$180,000	\$90,000	Not applicable
<b>Townhouse</b>	\$270,000	\$66,200	\$91,767
<b>Single Family</b>	\$362,790	\$91,767	\$91,767

# Proposed Silver Lining Plus Program

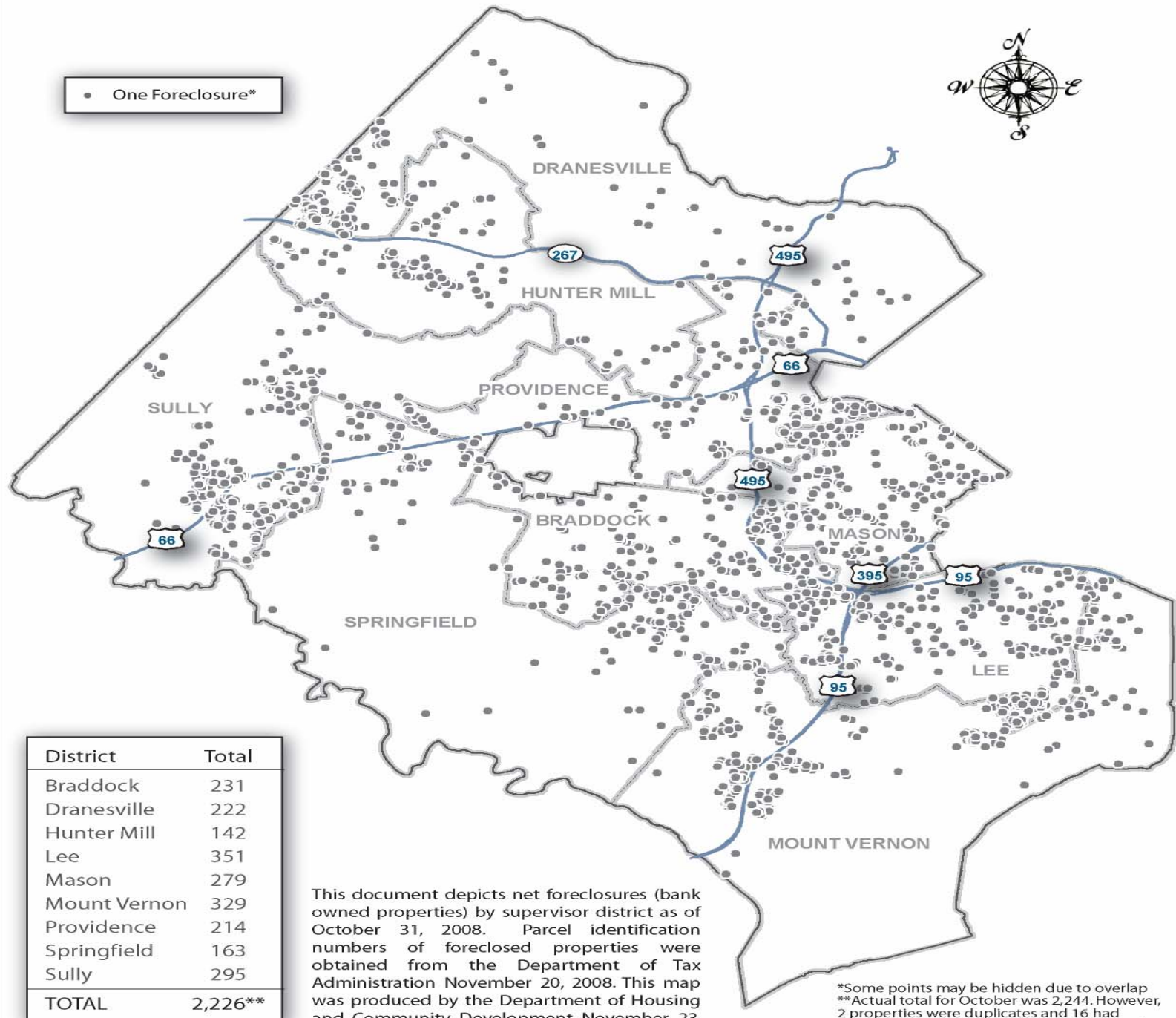
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## □ *Geographic areas:*

- Silver Lining Plus program must follow federal requirements
- Generally will be limited to geographic areas with greatest concentration: Annandale, Springfield, Herndon, Centreville and Richmond Highway
- Strategic purchases in other areas may occur
- Supervisor approval required for non-profit purchasing for rental more than one home in a single neighborhood

# October 2008 Net Foreclosures by Supervisor District

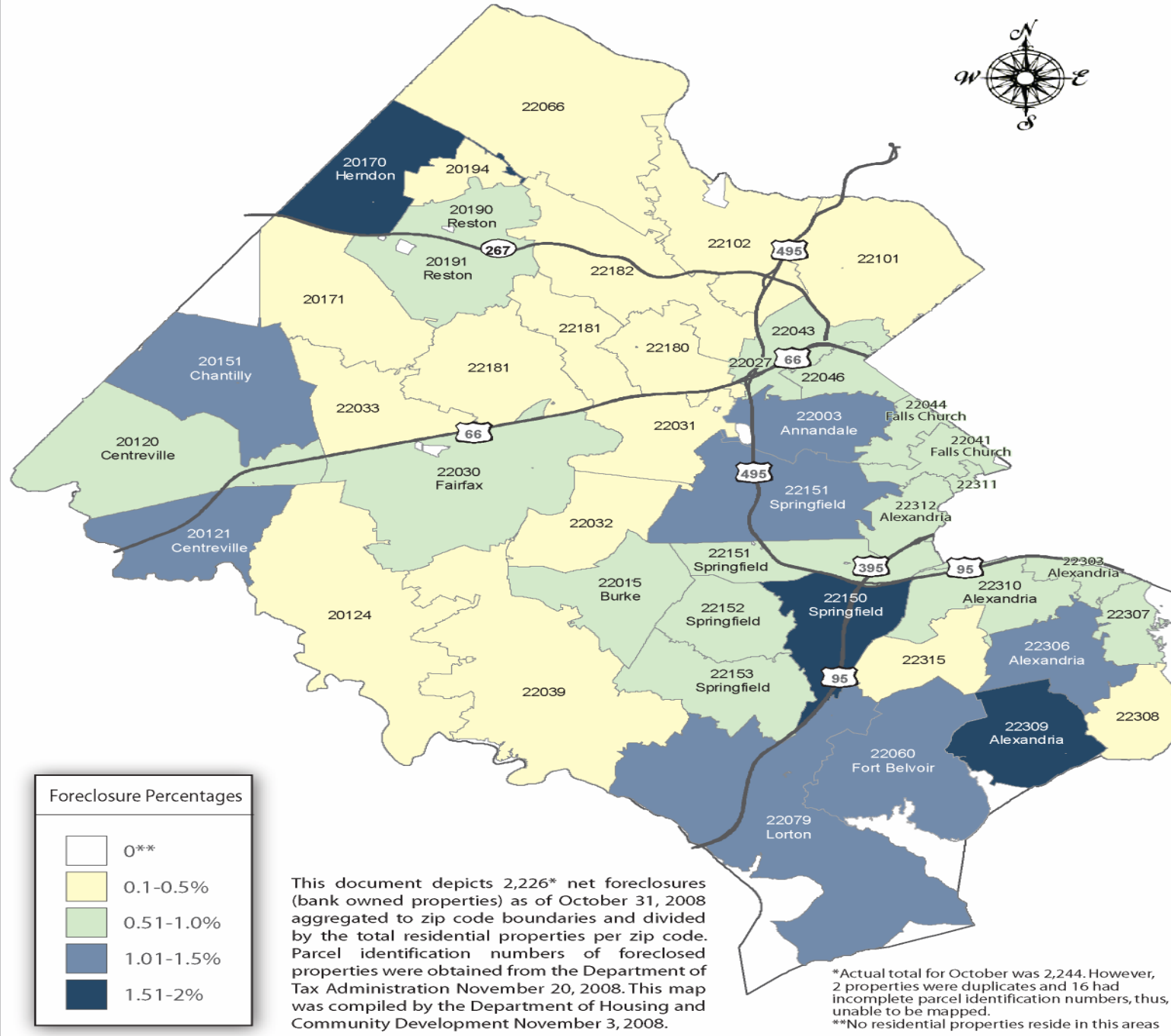


District	Total
Braddock	231
Dranesville	222
Hunter Mill	142
Lee	351
Mason	279
Mount Vernon	329
Providence	214
Springfield	163
Sully	295
<b>TOTAL</b>	<b>2,226**</b>

This document depicts net foreclosures (bank owned properties) by supervisor district as of October 31, 2008. Parcel identification numbers of foreclosed properties were obtained from the Department of Tax Administration November 20, 2008. This map was produced by the Department of Housing and Community Development November 23, 2008.

\*Some points may be hidden due to overlap  
 \*\*Actual total for October was 2,244. However, 2 properties were duplicates and 16 had incomplete parcel identification numbers, thus, unable to be mapped.

# October 2008 Net Foreclosures over Total Residential Properties per Zip Code



# Proposed Silver Lining Plus Program

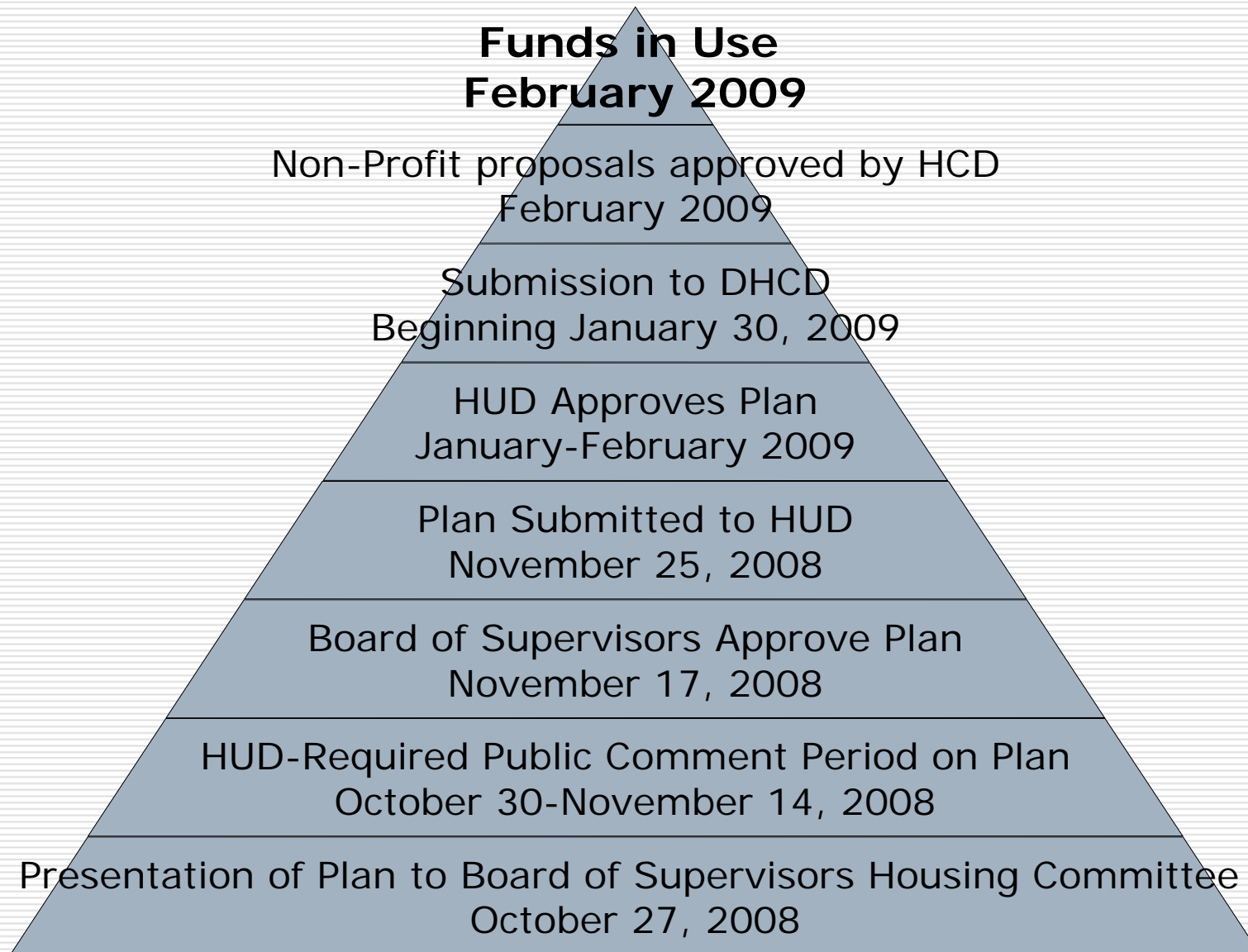
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## *Financing terms:*

- 30-year affordability period; loan is forgiven after 30 years
- At sale or transfer in Years 1-30, the greater of the principle and interest or the FCRHA equity share is due and payable
- Income recertification at Year 15; if over 120 percent AMI:
  - Deferred simple interest (2 percent) will begin to accrue in year 16
- Recommend sale and loan terms be adopted for Silver Lining as well; affordability period applies to both programs

# Neighborhood Stabilization Program: Next Steps



# Virginia Neighborhood Stabilization Program

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- ❑ \$39.7 million allocated to Virginia
  
- ❑ Four methods of distribution:
  - Open Submission
  - Planning Grants
  - Competitive Program
  - Performance Pool

# Virginia Neighborhood Stabilization Program (continued)

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- **Open Submission** to be accepted on a rolling basis beginning January 30, 2009 through April 3, 2009; \$20,000,000 reserved
- **Competitive Applications** due on June 1, 2009; \$10,000,000 reserved
- **Performance Pool** to be used by high performers with requests beginning June 1, 2009; approximately \$4.8 million reserved

# Virginia Neighborhood Stabilization Program (continued)

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- ❑ Proposals will be evaluated based on need, impact, readiness, capacity, and leveraging (significant consideration)
- ❑ Activities not introduced into a neighborhood so as to change the pre-existing nature, characteristics or stability of the neighborhood