

Summary of VOICE's \$300-500 million Reinvestment Proposal for Financial Institutions

Prince William County, Manassas, & Manassas Park

Background

Sub-prime lending, foreclosures, and a broken mortgage modification process have devastated Prince William families and neighborhoods. More than 20,000 Prince William County, Manassas, and Manassas Park residents have lost their homes to foreclosure, while remaining residents have lost significant equity from declining real estate values. Foreclosed properties have often been resold to absentee investors or remain abandoned, destabilizing neighborhoods with crime, blight, and declining homeownership rates. 5,000-7,000 Prince William families are currently in immediate danger of foreclosure & 47.4% of Prince William families are currently underwater on their mortgage (the 26th highest jurisdiction in the United States).

Reason for Proposed Amount

The \$300-500 million of VOICE's reinvestment proposal is linked to the total value of the subprime loans that went into foreclosure in the Prince William area that were originated by **GE (through WMC Mortgage, \$220-300 million)**, **Bank of America (through Countrywide, \$100-200 million)**, and **JP Morgan Chase (through Long Beach Mortgage, BearStearns, & Washington Mutual, \$100-200 million)**.

Three Prongs of the Proposal

- **Principal Reduction & loan modifications to Stabilize Communities** – *\$150-\$250 million* – Through the National Mortgage Settlement and other innovative strategies, financial institutions can help families avoid foreclosure & provide meaningful debt relief at a time when half our county is underwater. At average rates of principal reduction, this could serve between 1,500-2,500 families in Prince William County, Manassas, and Manassas Park.
- **Credit Restoration & New Mortgage Loans to Rebuild Homeownership** – *\$75-\$125 million over a period of time* – Subprime, “high cost” lending devastated homeownership rates in specific neighborhoods and had disastrous effects on the wealth & credit of low- and moderate-income families. By working with families to rebuild credit & making new mortgage loans to qualified borrowers, particularly families who experienced the direct effects of the housing crisis, we can rebuild wealth for families, including minority, immigrant, low-wealth borrowers directly targeted for sub-prime, predatory loans that were structured to fail. This could help 1,500-2,500 families become homeowners again in Prince William County, Manassas, and Manassas Park.
- **Below market-rate loans & investments to stabilize communities** –
– Because of the foreclosure crisis, vacant & blighted homes dot our neighborhoods, particularly in some townhome communities across these jurisdictions. There is additional need for rental housing for families. Strategic investment by financial institutions in mutually agreeable intermediaries to initiate development & acquire properties for rehab & redevelopment would help ensure housing for families of all income levels. This could preserve and/or build 1,000-2,000 units for families in Prince William, Manassas, & Manassas Park.

Potential market-driven strategies for Reinvestment

See examples below of potential market-driven strategies that can help make VOICE's reinvestment proposal effective & sustainable.

- **Ocwen** – Ocwen is a for-profit mortgage servicer that has done principal reduction for almost 500,000 families using formulas that save investors money. Their model uses shared appreciation and follows the suggestion of economists of all persuasions.
- **2012 Wells Fargo / Memphis-Shelby Settlement** – In response to predatory lending allegations, Wells Fargo has agreed to make \$432.5 million in loans over the next 5 years. \$125 million will be for home purchases for low & moderate income borrowers.
- **CDFI investment in affordable housing across the United States** – CDFIs are non-profit financial institutions who serve as intermediaries to larger financial institutions like Bank of America. They take loans from larger banks, make investments in affordable housing & homeownership, and pay their loans back with interest.

Critical to all aspects of this proposal is a long-term investment in HUD & VHDA approved housing & financial counselors to help families avoid foreclosure, rebuild credit & financial literacy, and prepare for homeownership.

VOICE will work with its Metro Industrial Areas Foundation affiliates, local non-profits, experienced & high-performing financial intermediaries, state & local governments, and the target financial institutions to implement this reinvestment plan. Collectively, VOICE's sister organizations in the Northeast, mid-Atlantic & Midwest have developed over 6,000 Nehemiah homeownership units for first-time homebuyers earning between \$25,000--\$75,000 over the last 30 years (with 1,200 more in the pipeline & with a foreclosure rate of less than 1%). Metro IAF affiliates have also developed over 500 units of affordable rental housing (with 700+ units in the pipeline); its organizing has secured \$1.8 billion in dedicated funds to finance affordable housing and neighborhood revitalization that have constructed and preserved thousands of additional units of affordable homeownership and rental housing. This includes – in 2011 – a \$33 million investment from banks dedicated to rebuilding one Milwaukee neighborhood working with our sister organization, Common Ground.