



Housing Priorities for New Administration and Congress

PICO is a national community organizing network of 53 faith-based organizations working in 17 states. PICO has a long track record of expanding housing opportunities for working families, including: \$175 million in redevelopment money for Camden, NJ; restructuring Kansas City's housing department and helping bring \$20 million for community development to the city; and helping create Housing Trust Funds across the country. After Hurricane Katrina, PICO worked to help to build support for \$4.5 billion in federal reconstruction funding to the Gulf Coast. In October 2008, PICO launched a national campaign to stop preventable foreclosures, holding the largest public meeting to date on the foreclosure crisis and winning a commitment from Bank of America/Countrywide to co-host community-based loan modification sessions in 25 cities.

PICO's housing priorities for the New Administration and Congress include:

- 1. Treasury should (a) require banks receiving tax payer investment to adopt systematic loan modification protocols that apply to subprime, Option ARM and other Alt-A loans, set monthly payments at 31 percent of income, where necessary reduce principal to reflect current property values, and make modifications sustainable over the life of the loan; and (b) use the powers in the bailout bill to fully guarantee modified loans to create an incentive for investors to agree to new loan terms and provide payments to servicers for undertaking sustainable loan modifications.**

We cannot wait any longer to end the drift in federal foreclosure policy. On October 26, PICO released a report [*Too Big to Fail: How broad-based loan modification can save millions of families from foreclosure and put a floor on falling property values*](#) calling for an aggressive approach to loan modification that is: (a) mandatory for borrowers meeting certain criteria; (b) systematic, following the FDIC-IndyMac protocols; (c) reduces payments to affordable levels to prevent re-default; and (d) reduces principal where necessary to make payments affordable and reflect reduced housing value. The Emergency Economic Stabilization Act of 2008 gave Treasury powers that it could use to dramatically slow the rate of preventable foreclosures and stabilize housing markets. They need to start using these powers now.

- 2. New policy initiative by HUD, FDIC and Treasury to address bank-owned foreclosed vacant properties, including (a) additional CDBG resources for CDCs to acquire, renovate and market vacant homes to homeowners; and (b) pressure on lenders to responsibly dispose of bank-owned property to owner-occupants and cities and non-profit community organizations.**

The U.S. is experiencing one of the highest vacant housing rates in 50 years, and the external costs of vacant homes are undermining property values. Municipalities experiencing high levels of vacant properties are going to need more assistance for both local governments and non-profit organizations to acquire, renovate and market vacant homes to families. This housing stock is a valuable opportunity to help families get into stable and affordable housing. At the same time, there is widespread anecdotal evidence that servicers are unloading large numbers of foreclosed homes by selling them to speculators. This disposition of bank owned foreclosed homes is a neglected policy area that needs greater attention. We anticipate that the \$3.9 billion in funding provided in this summer's housing bill will not be sufficient to help municipalities that are already strapped for resources deal with abandoned property.

- 3. Restructure and rebuild HUD to help communities create stable and affordable housing markets, including resources for effective models of community-based development.**

As local non-profit housing and community development organizations have become more effective, federal housing leadership has weakened. As part of broader effort to rebuild HUD, one area that needs great attention is increasing resources and financing tools to support comprehensive housing and neighborhood development strategies.