

Frequently Asked Questions about the Proposed Foreclosure Programs

1. What is being proposed?

The City is considering three programs to address the foreclosure problem in Menlo Park:

- a) The Neighborhood Stabilization Program – purchase foreclosed homes, rehabilitate the homes, and sell them to households on the Below Market Rate (BMR) wait list that includes households earning between 60% and 110% of the Area Median Income (AMI).
- b) The Habitat Acquisition and Rehabilitation Program – provide a contribution to Habitat for Humanity. Habitat will acquire and rehabilitate homes and sell them to households on the BMR wait list earning between 40% and 60% of the AMI.
- c) Foreclosure Prevention Program – assist households at risk of foreclosure by negotiating with their mortgage companies to reduce mortgages to the current market value of the home, with a City loan for up to 30% of the home value to further increase affordability for the owner.

2. Will the homes purchased and rehabilitated through the programs be rented?

No. These homes will be sold to households on the BMR wait list.

3. How many foreclosed units are there in Menlo Park?

According to realtytrac.com, there are about 90 homes that are bank-owned or are in default.

4. How many homes will these programs impact?

The City's acquisition and rehabilitation program will process 10 to 15 homes. The Habitat program will include 5 homes. The Foreclosure Prevention Program will impact 8 to 11 homes.

5. Shouldn't the money be used to help address the City's budget deficit?

The money used for these programs will be taken from the BMR Housing Fund. This fund cannot be used for anything but the provision of affordable housing.

6. Who will run these programs?

City staff will oversee the operation of the Neighborhood Stabilization Program. The Housing Division has a Rehabilitation Specialist who is a licensed contractor and has extensive experience managing rehabilitation projects. The Habitat program will

be run by Habitat project managers. The Foreclosure Prevention Program will be run by City staff with assistance from The EARN Group, an investment counseling firm that brought the concept to the City for consideration. The EARN Group will be assisting in the program at no cost.

7. Shouldn't we let the market fix this problem?

Perhaps the market could eventually make the necessary corrections to return these homes to productive use, but it might take several years for the excess housing stock to be fully absorbed. The City's plan to purchase and rehabilitate the homes to sell to BMR wait list households will reduce the stock for vacant homes in Menlo Park, improve the condition of the housing stock, incorporate green building standards in the rehabilitation of the units, and offer the homes to new homeowners.

8. Why should we help people who made bad investments?

On the one hand, maybe we shouldn't. They made a choice and got in over their heads. On the other hand, the impact of additional foreclosed units on the community could affect everyone in Menlo Park in undesirable ways. With foreclosed housing comes more vacant housing in our neighborhoods, which could attract vandals, and continued downward pressure on prices, impacting the value of other homes in the community. Helping keep families in their homes may have more of a public benefit than an individual benefit, depending on how you measure it.

9. Who can get on the BMR wait list?

Households who have lived or worked in Menlo Park for at least one year and earn below 110% of the AMI (about \$104,500 for a 4 person household – income is adjusted according to family size).

10. How can I get on the BMR wait list?

Submit an application to the Housing Division. The application is available on-line at <http://www.menlopark.org/departments/hsg/bmrapp.pdf> or by calling 650-330-6706.