

Rebuilding the Commonwealth

*Recovering from the
Foreclosure Crisis and
Setting the Foundation for
Future Success*



APRIL 2014

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INTRODUCTION

In 2007, the country confronted the beginning of a foreclosure crisis that drove the entire economy into the largest recession since the Great Depression.

More than 5 million people lost their homes nationwide.

The Massachusetts Attorney General's Office took action to address this crisis in a comprehensive way, seeking to keep people in their homes and hold those responsible for the crisis accountable. It did this through groundbreaking legal action, legislative solutions, by establishing a first-of-its-kind program to directly help distressed borrowers, and by expanding its program to rehabilitate abandoned properties in local communities.

Massachusetts' foreclosure rates have largely stayed below the national averages and the housing market generally has begun to recover quicker than most other states.¹

On the second anniversary of HomeCorps, the program established with national settlement funds to directly assist distressed borrowers, this report offers a transparent record of the actions taken by this office during the crisis. It documents the various ways more than \$850 million was recovered and provided to Massachusetts homeowners and investors since 2007. It also provides a record of the programs that were supported and funded from settlement funds to assist borrowers and help local communities recover from the foreclosure crisis.

1 RealtyTrac: www.Realtytrac.com

LEADING THE WAY ON FORECLOSURE FRAUD ENFORCEMENT

More than 5 million people across the country lost their homes to foreclosure during the crisis, including more than 45,000 people in Massachusetts with thousands more on the brink of foreclosure.

Since 2007, AG Coakley has been a national leader in addressing the foreclosure crisis by holding banks and investment giants accountable for their role in the economic downturn.

Individual and multi-state actions were brought against some of the country's largest banks and mortgage servicers alleging several types of consumer fraud and ultimately returning millions of dollars in direct relief, loan modifications and principal reductions to borrowers and investors.

To date, more than \$850 million from 17 national banks and lenders has been recovered by the AG's Office in its continued effort to protect consumers from foreclosure fraud and keep residents in their homes.

In February 2012, an historic \$25 billion national state-federal settlement with the country's five largest banks over unlawful foreclosures, including the robo-signing of documents, brought an additional \$318 million of assistance to Massachusetts residents and helped to start the HomeCorps program and hotline.

June - Enacted emergency regulations which barred "foreclosure rescue transactions" to protect homeowners from losing their homes in these scams.

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October - Attorney General Coakley testified before the U.S. House of Representatives Committee on Financial Services about racial and ethnic disparities in mortgage lending.

November - Released a summary report about new consumer protection regulations governing mortgage lenders and brokers entitled "The American Dream Shattered: The Dream of Homeownership and the Reality of Predatory Lending."

January - Implemented new consumer protection regulations governing mortgage brokers and lenders.

February - The Massachusetts Superior Court issued a first-in-the-nation order prohibiting Fremont Investment & Loan and Fremont General Corporation from foreclosing on certain “presumptively unfair” mortgage loans because they posed an unacceptable risk of default and foreclosure. In a December 2008 unanimous decision, the Supreme Judicial Court upheld the injunction, providing protection against the foreclosure of thousands of ultra risky Fremont loans.

November – After suing Option One in June 2008 alleging the company originated thousands of risky subprime loans in Massachusetts, a preliminary injunction was obtained prohibiting Option One from initiating or advancing foreclosures on mortgage loans that were considered “presumptively unfair” under the order.

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May - First-in-the-nation **\$60 MILLION SETTLEMENT** with Goldman Sachs in which the company agreed to provide loan restructuring for over 700 Massachusetts homeowners.

June - **\$10 MILLION SETTLEMENT** with Fremont Investment & Loan and Fremont General Corporation in which Fremont resolved claims that it wrote 15,000 Massachusetts mortgages that were considered “doomed to foreclosure.”

February - With the SEC, reached a **\$310 MILLION SETTLEMENT** with State Street Bank to resolve allegations that the financial giant misled fund investors, including Massachusetts charities and retirement funds, regarding the extent of the funds’ subprime exposure.

March - Secured \$3 billion in loan modifications for homeowners nationwide with Countrywide Financial Corporation, including an estimated **\$22 MILLION** for Massachusetts including an estimated \$18 million in loan modifications for homeowners and a \$4.1 million payment to the Commonwealth.

June - **\$102 MILLION SETTLEMENT** with Morgan Stanley over its role in financing and securitizing subprime loans.

October - AG Coakley sent letters to four major lenders, GMAC/Ally, J.P. Morgan Chase, Wells Fargo and Bank of America, calling upon them to cease foreclosures in light of "robo-signing" revelations.

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January - AG Coakley, State Senator Karen Spilka, and State Representative Steven Walsh sponsored state legislation mandating loan modifications when it is in the financial interest of the borrower and the lender.

August - Settled an enforcement action against *Option One Mortgage Corp.* which alleged predatory lending and discriminatory lending, providing an estimated **\$115 MILLION TO MASSACHUSETTS BORROWERS** and a \$9.8 million payment to the Commonwealth.

November - **\$52 MILLION AGREEMENT** with *Royal Bank of Scotland* to settle allegations that it financed, purchased, and securitized residential loans that were presumptively unfair, resulting in more than \$40 million to homeowners and almost \$9 million to the Commonwealth.

November - AG Coakley testified in support of state legislation which would prevent foreclosures by requiring loan modifications when it is in the financial interest of the borrower and the lender.

February - **\$25 BILLION NATIONWIDE STATE-FEDERAL SETTLEMENT** with five major banks over unlawful servicing practices. Bank of America, Wells Fargo, JP Morgan Chase, Citi, and GMAC provided more than **\$300 MILLION TO MASSACHUSETTS RESIDENTS**; including \$14.6 million to borrowers, \$257 million worth of mortgage relief, and \$44.5 million to the Commonwealth.

February - Letter sent by AG Coakley to the Federal Housing Finance Agency, insisting compliance with state law and allow for principal forgiveness for homeowners. AG Coakley also called for new leadership at Fannie Mae and Freddie Mac.

April - AG Coakley launched first-in-the-nation HomeCorps program to prevent unnecessary foreclosures, increase the number of loan modification specialists available to help distressed borrowers, and provide grant opportunities aimed at easing the foreclosure crisis in Massachusetts.

August - Governor Deval Patrick signed *An Act Preventing Unlawful and Unnecessary Foreclosures*, a law sponsored by AG Coakley along with co-sponsors Senator Karen Spilka and Representative Steven M. Walsh. The new law is designed to mandate loan modifications when they make economic sense, and demonstrate the Commonwealth's commitment to protecting homeowners and stabilizing the housing market.

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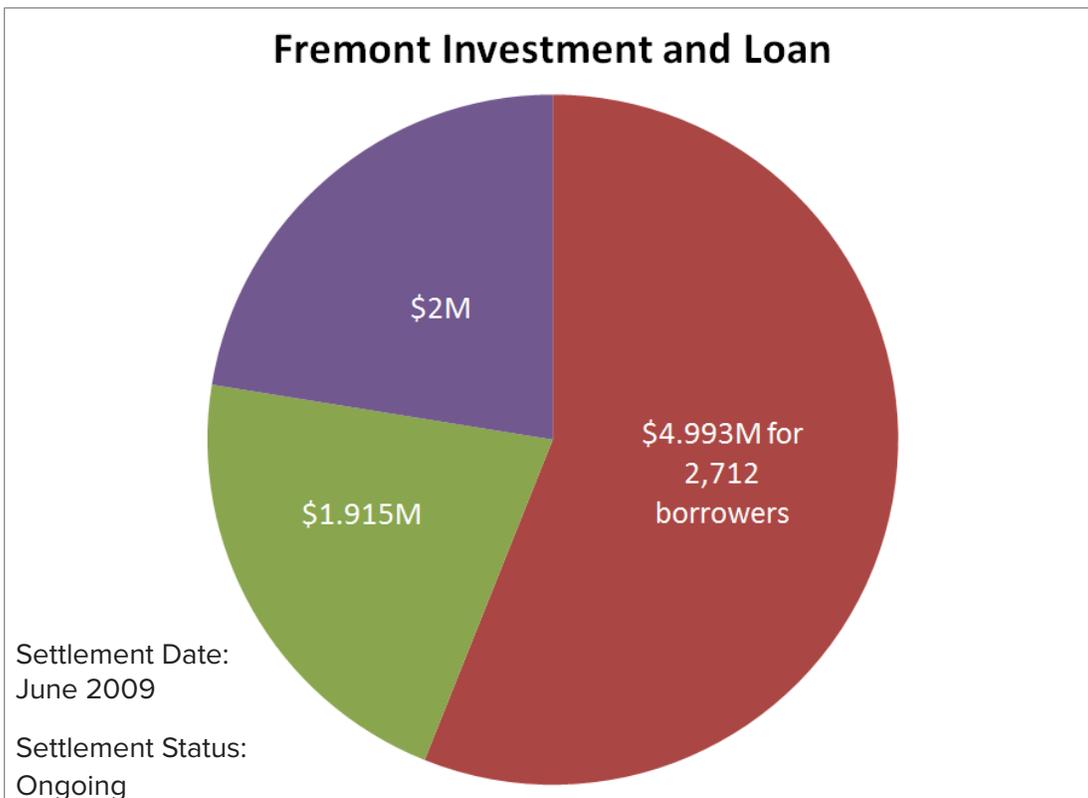
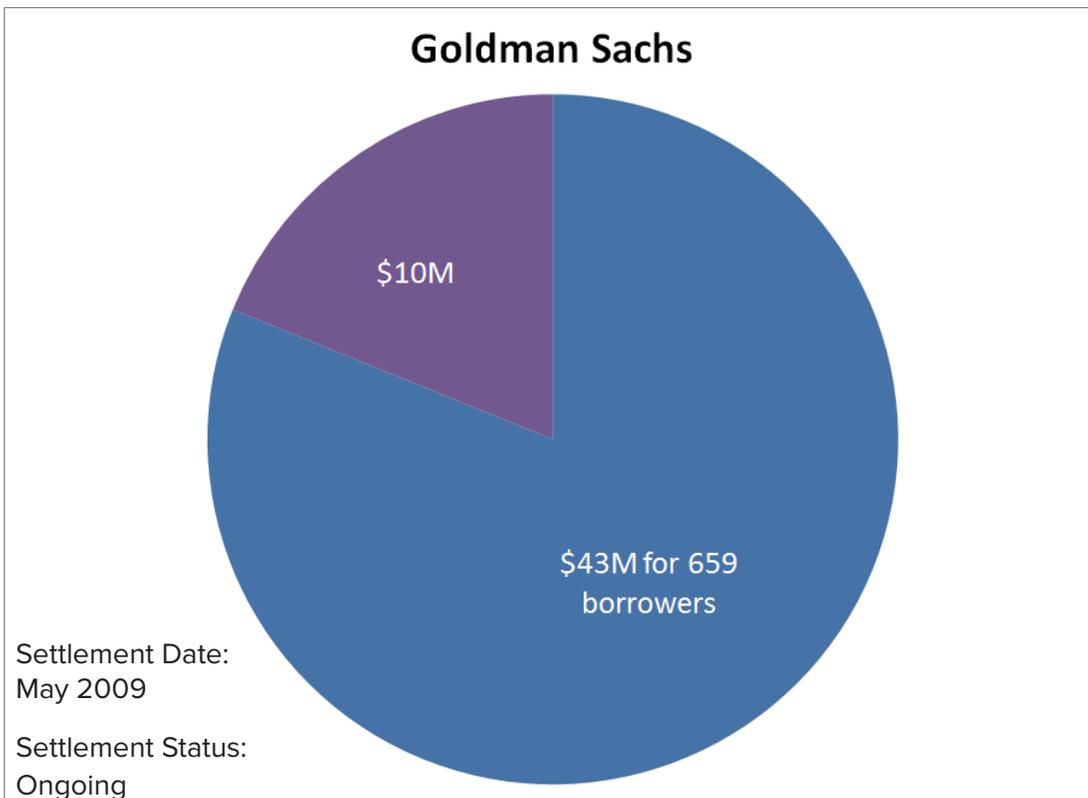
January - *Lender Processing Services, Inc.* agreed to pay \$120 million in a multi-state settlement to resolve allegations it “robo-signed” documents and engaged in other improper conduct relating to mortgage loan default servicing. Massachusetts received close to **\$1.6 MILLION** to help revitalize distressed properties.

September - **\$36.1 MILLION SETTLEMENT** with *Barclays Bank PLC* over allegations that it financed, purchased, and securitized residential loans that were presumptively unfair, resulting in more than \$25 million for homeowners, and \$7 million to the Commonwealth.

October - Within 18 months of launching, AG Coakley’s HomeCorps program successfully achieved more than **\$46 MILLION IN PRINCIPAL REDUCTION** and directly assisted more than 8,700 borrowers in Massachusetts. HomeCorps developed working relationships with 174 mortgage servicers across the country, including many local Massachusetts banks.

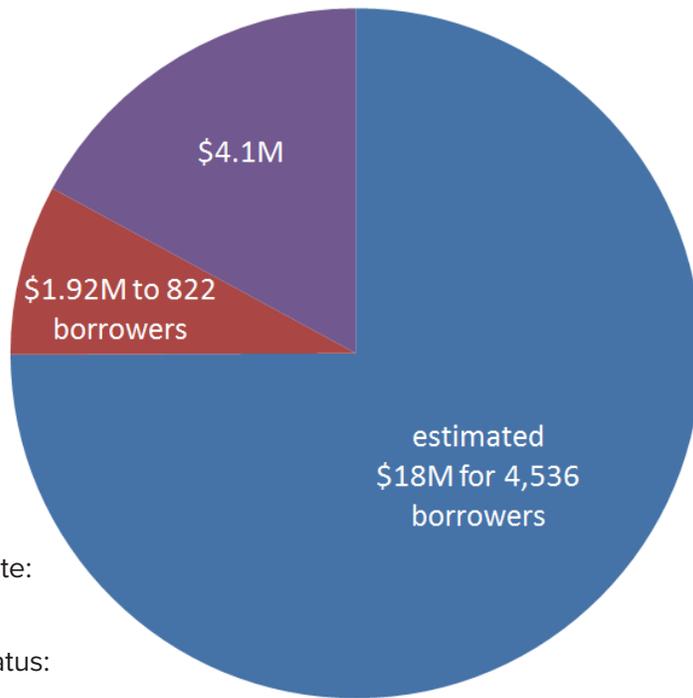
November - *JPMorgan Chase and Co.* agreed to pay \$13 billion in a joint federal-state settlement over the practices of its mortgage-backed security activities. Massachusetts directly received **\$34.4 MILLION** to settle the AG’s own investigation of JPMorgan’s securitization practices.

December - *Ocwen Financial Corporation* agreed to provide Massachusetts homeowners with an estimated **\$80 MILLION IN PRINCIPAL REDUCTION and cash payments** to resolve claims of loan servicing misconduct and unlawful foreclosures.



- PRINCIPAL REDUCTION
- PAYMENTS TO THE COMMONWEALTH
- DIRECT RELIEF
- PAYMENTS TO PENSION RESERVES INVESTMENT MANAGEMENT (PRIM)
- GRANTS
- PAYMENTS TO NON-PROFITS

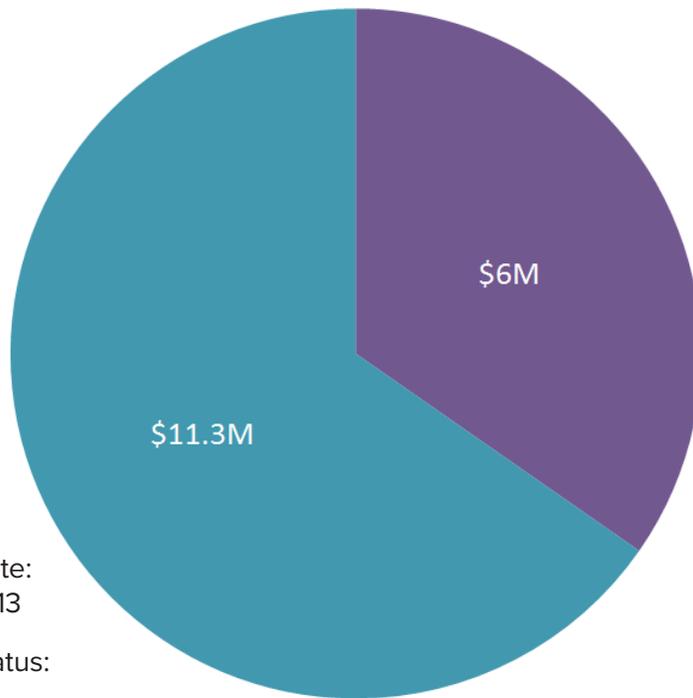
Countrywide Financial Corp



Settlement Date:
March 2010

Settlement Status:
Complete

Countrywide Security Corporation

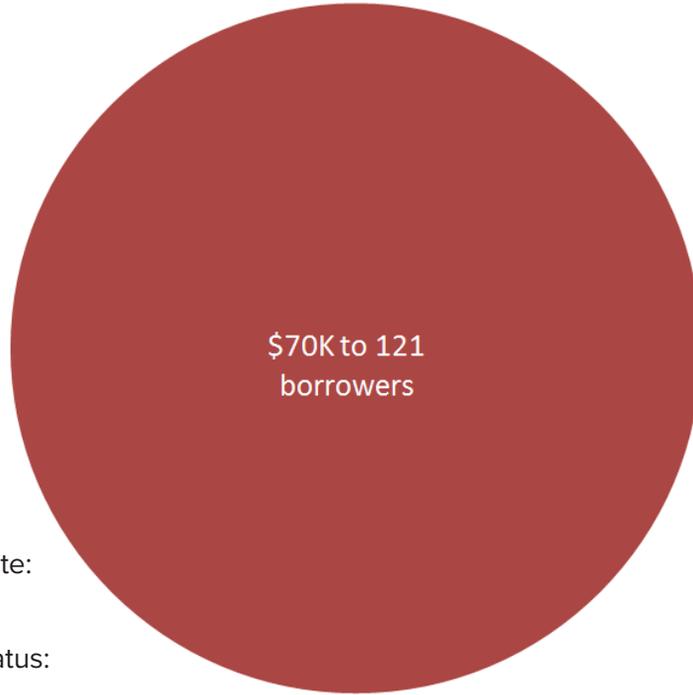


Settlement Date:
December 2013

Settlement Status:
Complete

- PRINCIPAL REDUCTION
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- DIRECT RELIEF
- PAYMENTS TO PENSION RESERVES INVESTMENT MANAGEMENT (PRIM)
- GRANTS
- PAYMENTS TO NON-PROFITS

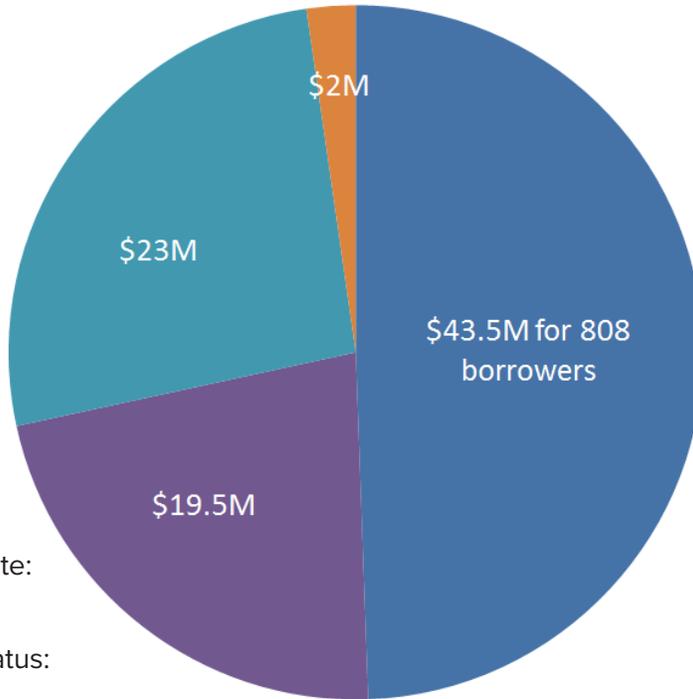
Mortgage Master



Settlement Date:
May 2011

Settlement Status:
Complete

Morgan Stanley

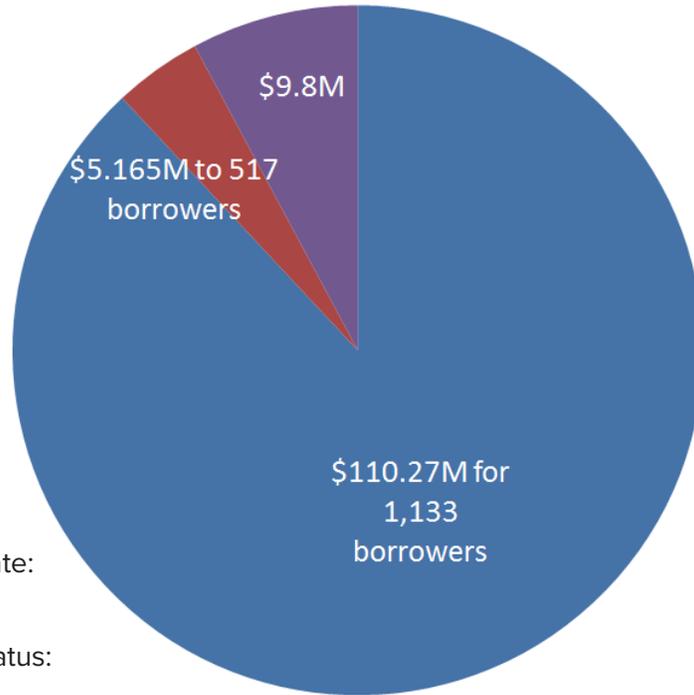


Settlement Date:
June 2010

Settlement Status:
Ongoing

- PRINCIPAL REDUCTION
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- GRANTS
- PAYMENTS TO THE COMMONWEALTH
- PAYMENTS TO PENSION RESERVES INVESTMENT MANAGEMENT (PRIM)
- PAYMENTS TO NON-PROFITS

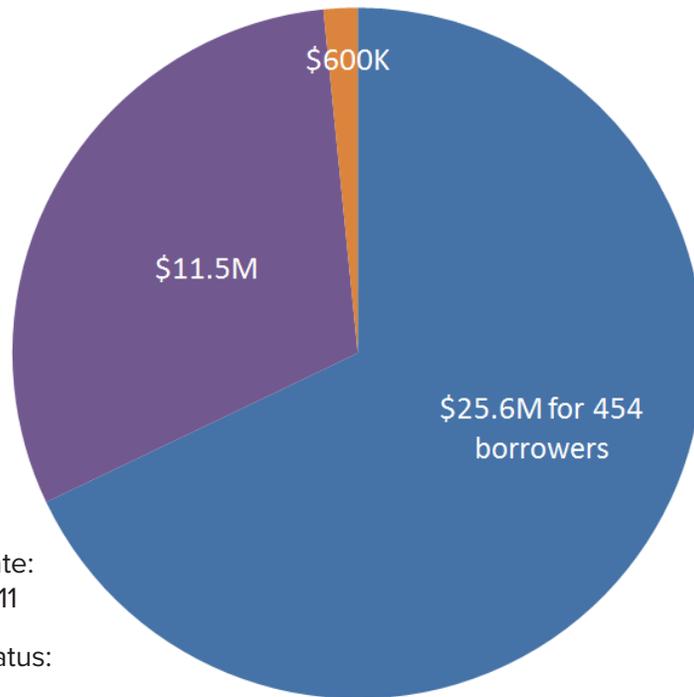
Option One



Settlement Date:
August 2011

Settlement Status:
Ongoing

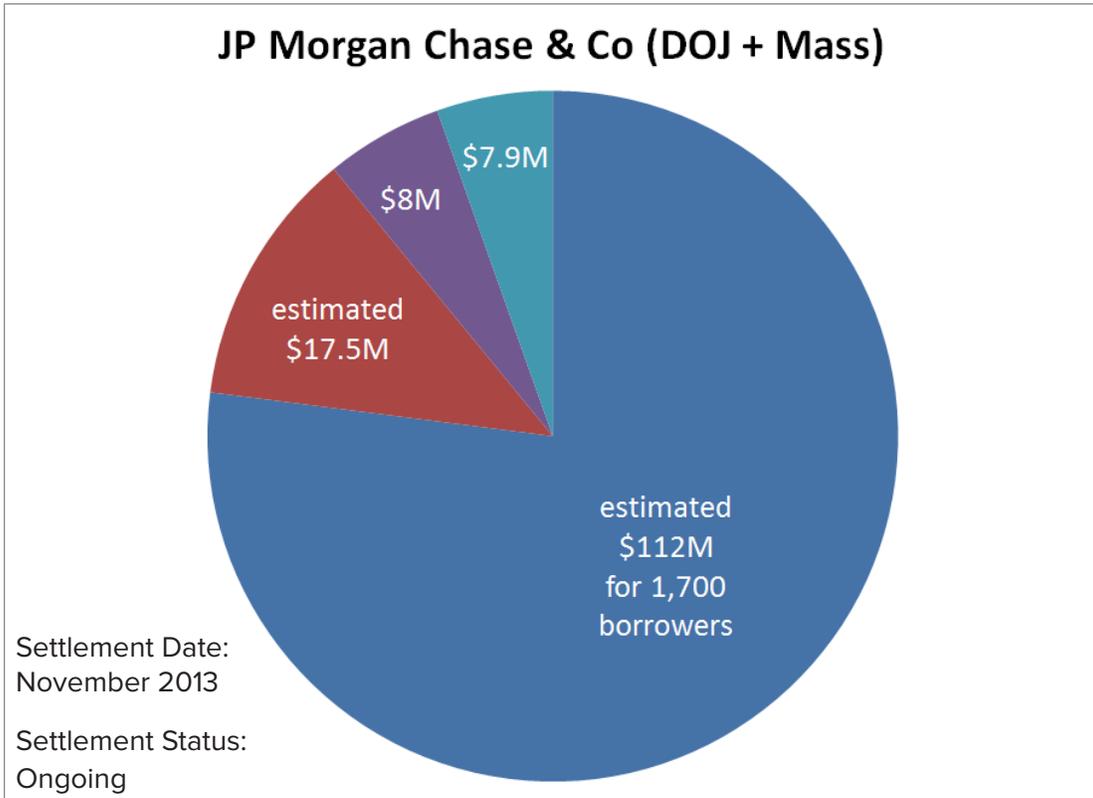
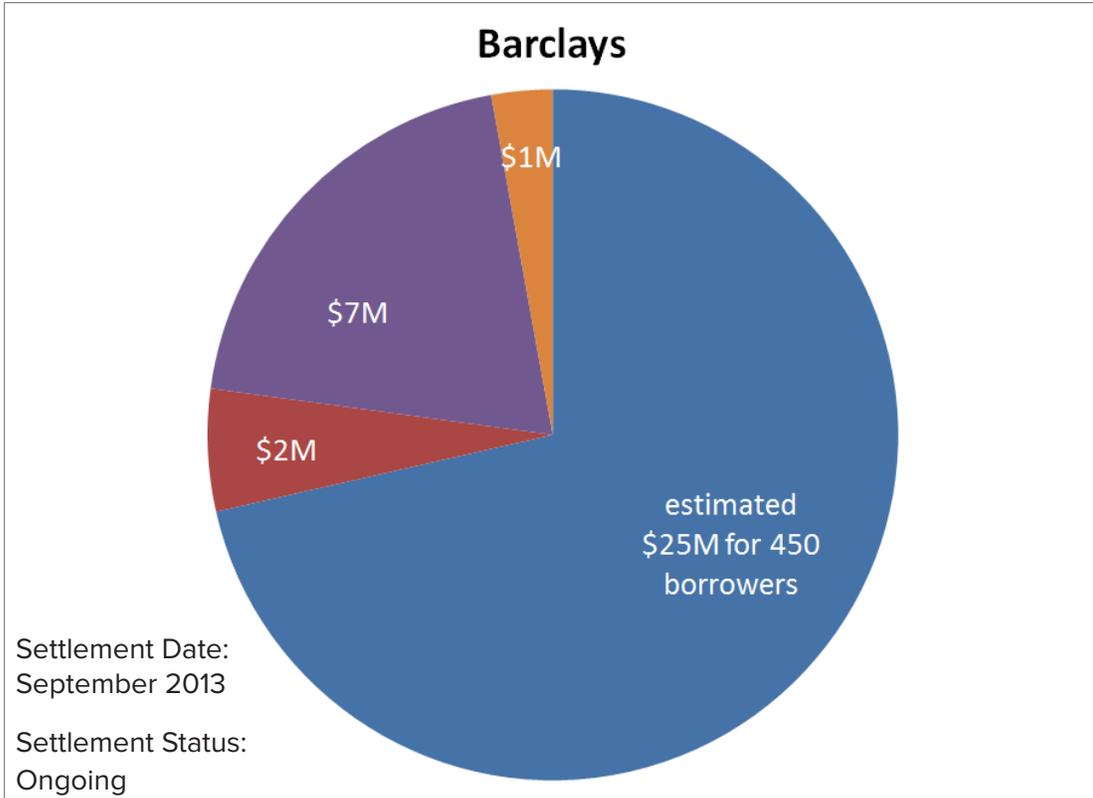
Royal Bank of Scotland



Settlement Date:
November 2011

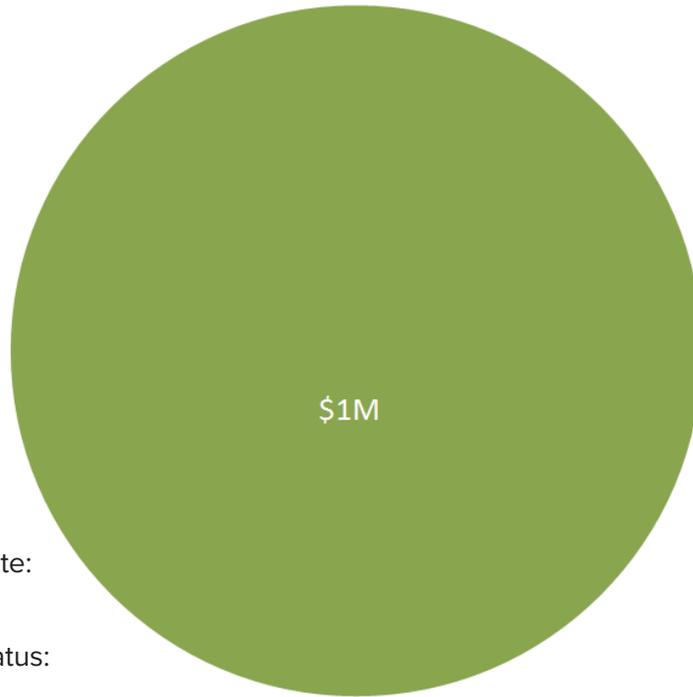
Settlement Status:
Ongoing

- PRINCIPAL REDUCTION
- PAYMENTS TO THE COMMONWEALTH
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- PAYMENTS TO PENSION RESERVES INVESTMENT MANAGEMENT (PRIM)
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- PAYMENTS TO PENSION RESERVES INVESTMENT MANAGEMENT (PRIM)
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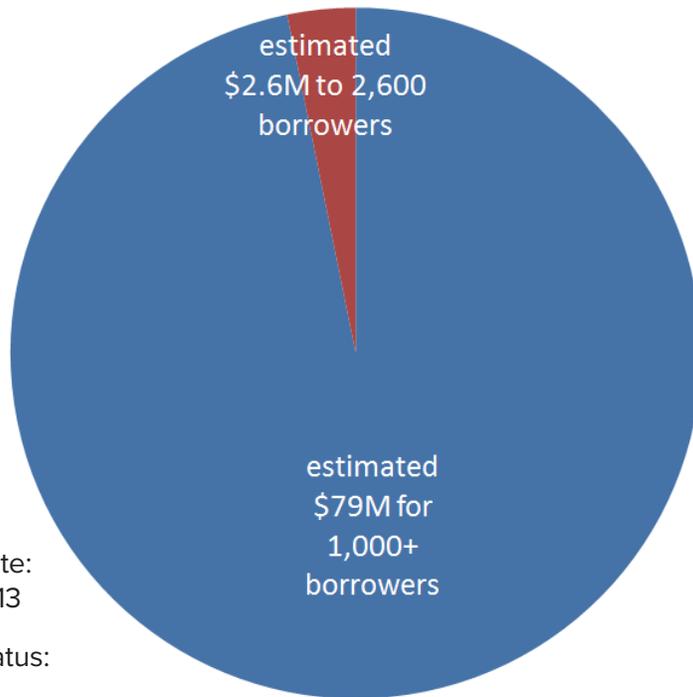
Lender Processing Services, Inc.



Settlement Date:
January 2013

Settlement Status:
Ongoing

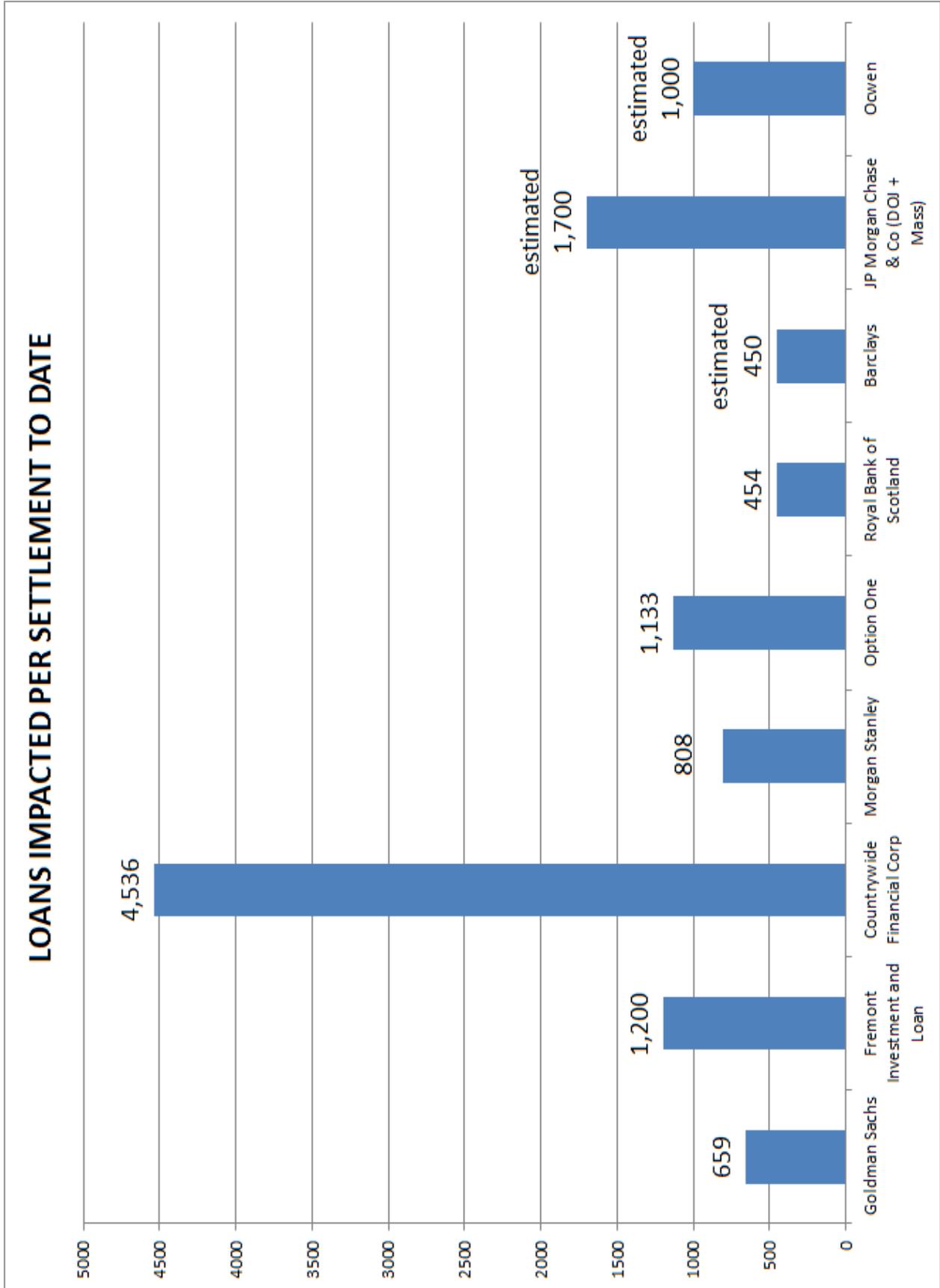
Ocwen



Settlement Date:
December 2013

Settlement Status:
Ongoing

- PRINCIPAL REDUCTION
- PAYMENTS TO THE COMMONWEALTH
- DIRECT RELIEF
- PAYMENTS TO PENSION RESERVES INVESTMENT MANAGEMENT (PRIM)
- GRANTS
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NATIONAL MORTGAGE SETTLEMENT

The landmark national settlement resolved allegations that five of the country’s largest banks committed unlawful foreclosures including the robo-signing of documents. Participating banks included: Bank of America, JP Morgan Chase, Wells Fargo, Citigroup and GMAC/ Ally.

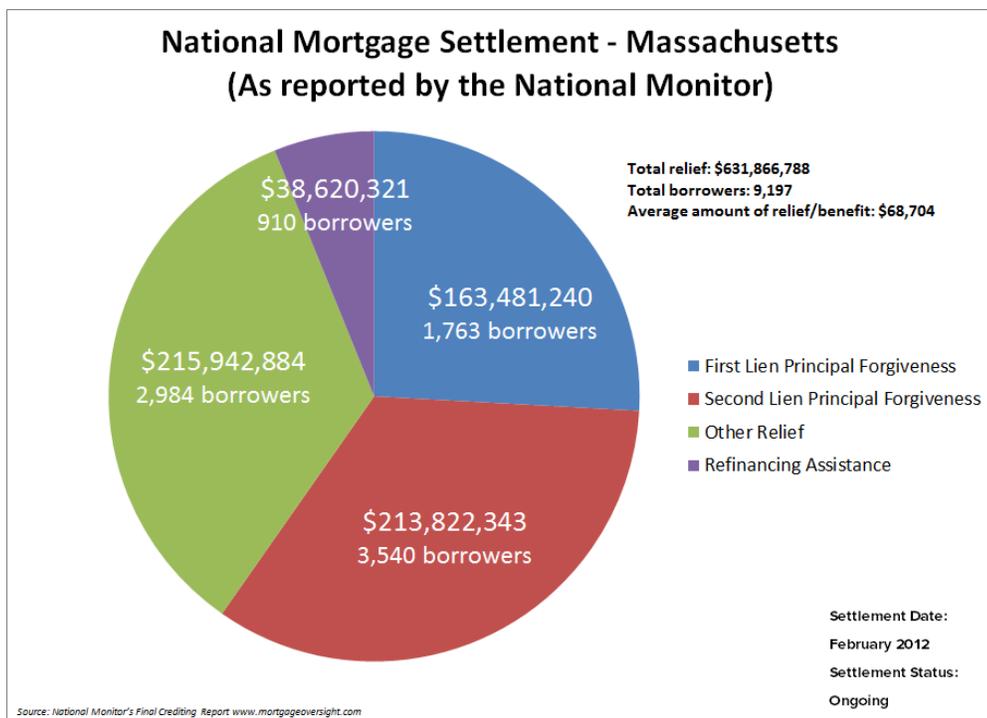
As part of the settlement, Massachusetts residents were guaranteed \$318 million in assistance, of which \$44.5 million was paid directly to the Commonwealth.

Additionally, even though the National Monitor has certified that all banks involved in the settlement have met their monetary obligations, new servicing standards included in the settlement will continue to be a powerful tool that the AG’s Office and housing advocates can use to assist homeowners in crisis. The 304 new servicing standards and 32 enforcement metrics require certain behavior and processes of all mortgage servicers and will allow for a long-term change in behavior of the mortgage servicing industry. By using the NMS standards to hold servicers accountable since the NMS was effective, the HomeCorps program has been instrumental in setting the tone for the changes occurring in the mortgage servicing industry.

According to the terms of the national settlement, Massachusetts borrowers were to receive more than \$224 million in benefits from loan modifications and other direct relief. Residents who lost their homes due to foreclosure between Jan. 1, 2008 and Dec. 31, 2011 and suffered servicing abuse would qualify for more than \$14 million in cash payments.

In March 2014, the National Monitor certified that the five banks had completed their obligation under the terms of the national settlement. The final report showed the banks had provided more than \$50 billion in gross relief nationwide, which translated into more than \$20 billion of credited relief under the terms of the settlement. As part of the agreement, different forms of relief were credited at different percentages, with the banks receiving full credit for principal forgiveness.

In Massachusetts, the five banks reported to the National Monitor that they had provided more than \$631 million of gross relief, impacting more than 9,000 borrowers. More than \$375 million of this relief came in the form of principal forgiveness for first and second liens, providing critical relief to more than 5300 borrowers in Massachusetts. In addition, 11,163 borrowers who lost a home to foreclosure received a direct payment of around \$1,480 for a total value of \$16 million.



HomeCorps

HomeCorps was launched in April 2012 using funds from the National Mortgage Settlement. This groundbreaking initiative aimed to prevent unnecessary foreclosures by increasing the number of loan modification specialists to help distressed borrowers and by providing a wide range of grant opportunities aimed at easing the foreclosure crisis in Massachusetts.



The HomeCorps team consists of 31 people specifically trained to assist borrowers facing foreclosure. HomeCorps also established satellite offices in the communities of Brockton, Lowell, and North Adams.

“This comprehensive HomeCorps program directly assists Massachusetts homeowners with avoiding unnecessary foreclosures and helping to prevent this crisis from deepening further,” said AG Coakley. “Our office has worked hard to ensure the best possible outcome for Massachusetts borrowers after the housing and foreclosure crisis. I have firmly believed that the best way for the economy to recover from its recession is to stabilize the housing market and through HomeCorps and other similar relief programs, we have made significant strides toward accomplishing that goal.”

As part of the program, the AG’s Office established a HomeCorps Hotline with loan modification experts available to assist borrowers facing foreclosure. A designated HomeCorps section of the AG’s website and Twitter account were also launched to provide information to homeowners in trouble.

Although HomeCorps was launched with funding from the national settlement with the country’s five major lenders, HomeCorps specialists help any homeowner in trouble, even those with mortgages held by other lenders.

In the first week after its launch, the HomeCorps hotline received a staggering 1,100 calls. The hotline has now received almost 25,000 calls in the first two years of operation. The HomeCorps team has prevented more than 1,000 foreclosure auctions, allowing time to either modify a loan, resolve outstanding issues or refer homeowners to other support services and stabilize their housing situation.

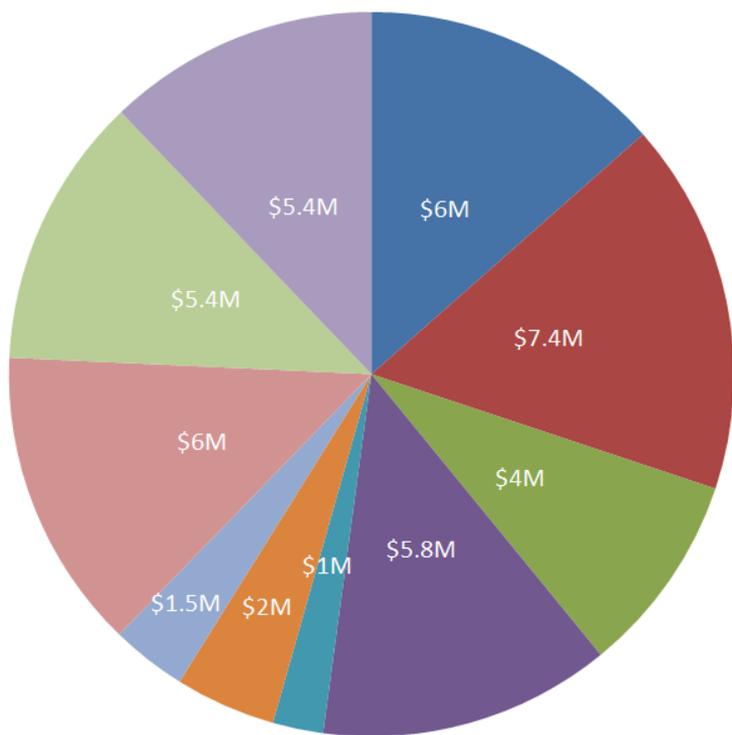
As of March 31, 2014, HomeCorps has helped secure about 2,300 permanent loan modifications and more than \$63 million in principal reduction for homeowners.

“The best way for the economy to recover from its recession is to stabilize the housing market and through HomeCorps ... we have made significant strides toward accomplishing that goal.” – Attorney General Martha Coakley

We were totally hopeless. After 41 years in this home, we had boxes packed and thought it was over. But your office was the light at the end of a very dark tunnel.”
- Sandra Spooner, Dartmouth MA

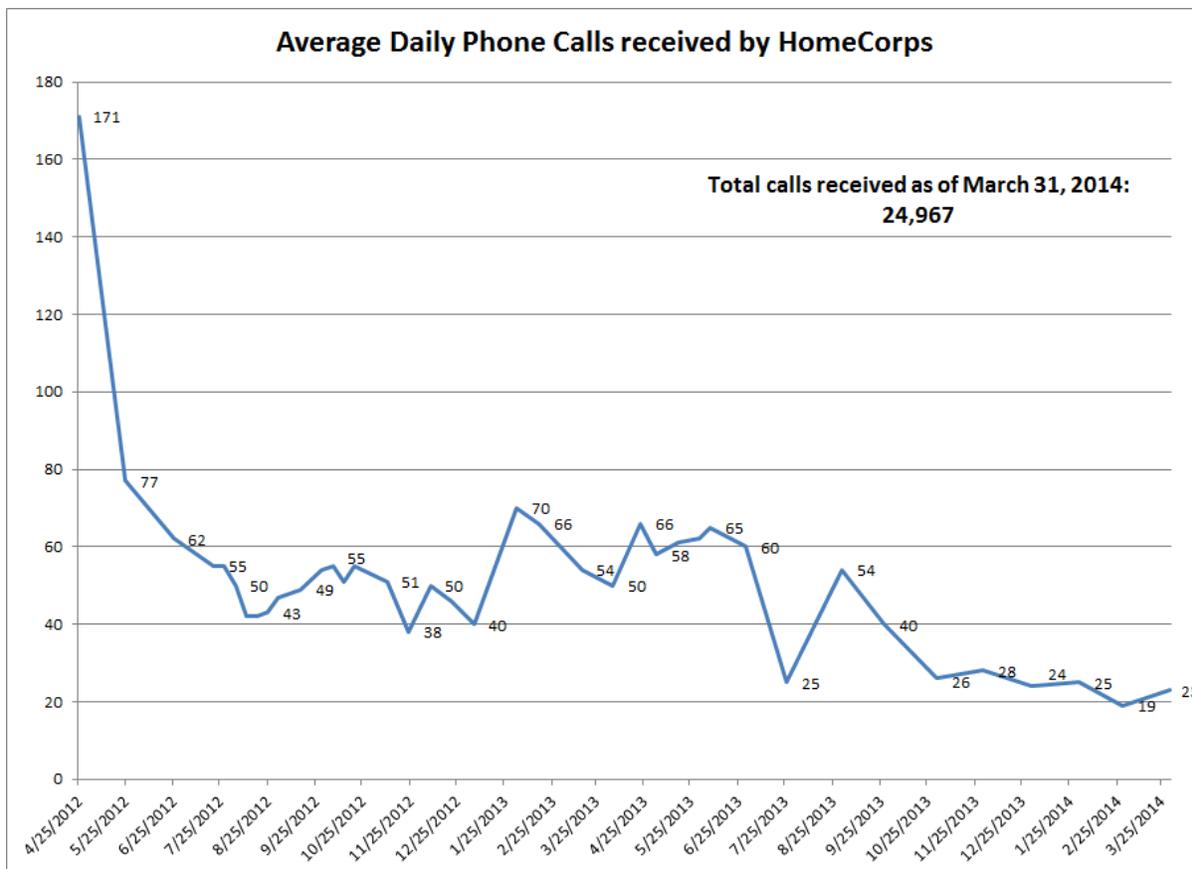
“They took the load off of my mind and they helped me tremendously. It’s reassuring to have one person at the end of the line, to know that they would pick up when I called. We became a team. My husband loves our house, this is our home and we’re so happy to stay.” – Barbara Catalini, Gloucester

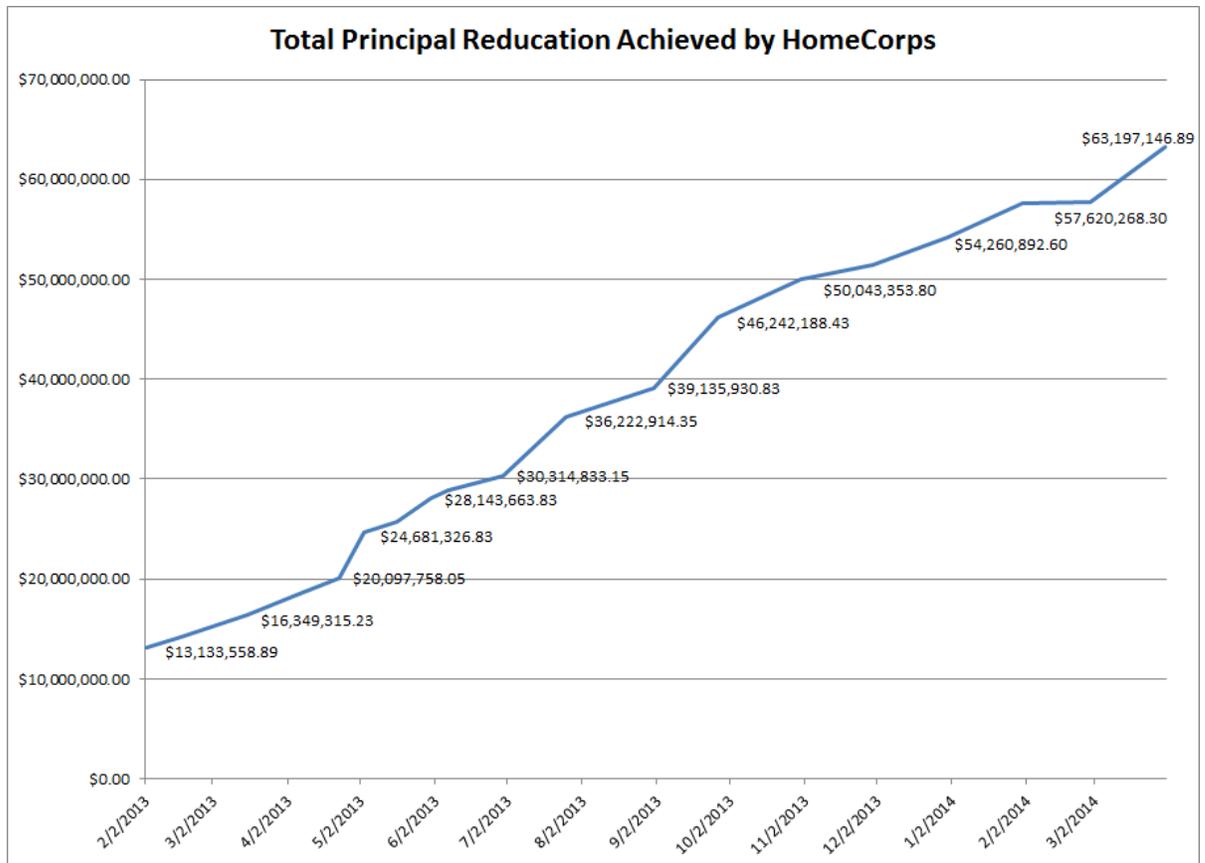
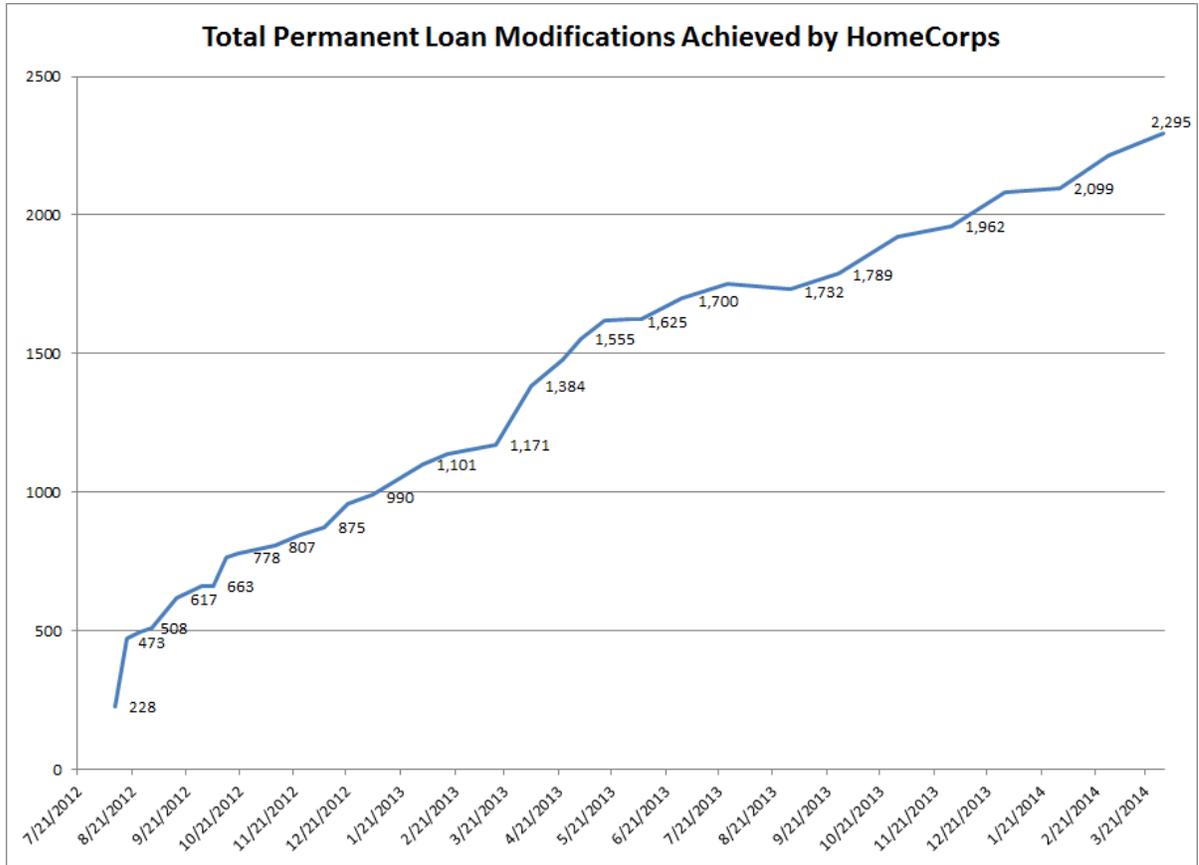
How the \$44.5 Million was Distributed



- Borrower Representation Initiative
- Borrower Recovery Initiative
- Crisis Response Innovation Grants
- Municipal and Community Restoration Grants
- Distressed Properties Identification and Revitalization Grants
- Abandoned Housing Initiative Receivership Fund
- Assisting Homeowners at Risk of Foreclosure or Eviction Grant
- AGO Loan Modification Initiative
- Payment to the Commonwealth (includes civil penalties and legal expenses)
- Additional AGO Grant Funding

Average Daily Phone Calls received by HomeCorps





HOMECORPS GRANT FUNDING

HomeCorps also launched a series of housing grant initiatives worth more than \$26 million. The grants were provided to programs that supported the housing recovery effort in a variety of ways, including the legal representation for distressed borrowers, support for foreclosed residents looking for new places to live, and the identification of and response to neighborhoods particularly hard hit by foreclosures and abandoned houses.

BORROWER REPRESENTATION INITIATIVE

The Massachusetts Legal Assistance Corporation (MLAC) and the National Consumer Law Center (NCLC) were awarded a two year grant totaling \$6 million to administer the Borrower Representation Initiative. MLAC and NCLC used the grant to fund 14 locations statewide staffed by 19 attorneys dedicated to foreclosure-related cases and delivered direct legal representation to homeowners facing foreclosure or eviction.

Legal services included assessing potential causes of action to challenge foreclosures and evictions, providing direct legal representation to borrowers in both the pre-foreclosure context and in post-foreclosure proceedings, and helped families receive appropriate assistance, including referrals to Borrower Recovery Initiative sites. To date, these legal services have helped resolve 541 separate cases.

“Doris and I are very thankful for the help we have received. We are very pleased that through the AGO program we were able to get a place of our own. We can’t imagine what we would have done without the aid we received from the program because we do not have any savings to rent an apartment on our own. And we could have end up homeless with my five-year-old sister. We are truly grateful and we appreciate all you have done for us. If there is any thing we can do to help keep this program running, please let us know.”
- Regina and Doris Nutakor, Worcester

BORROWER RECOVERY INITIATIVE

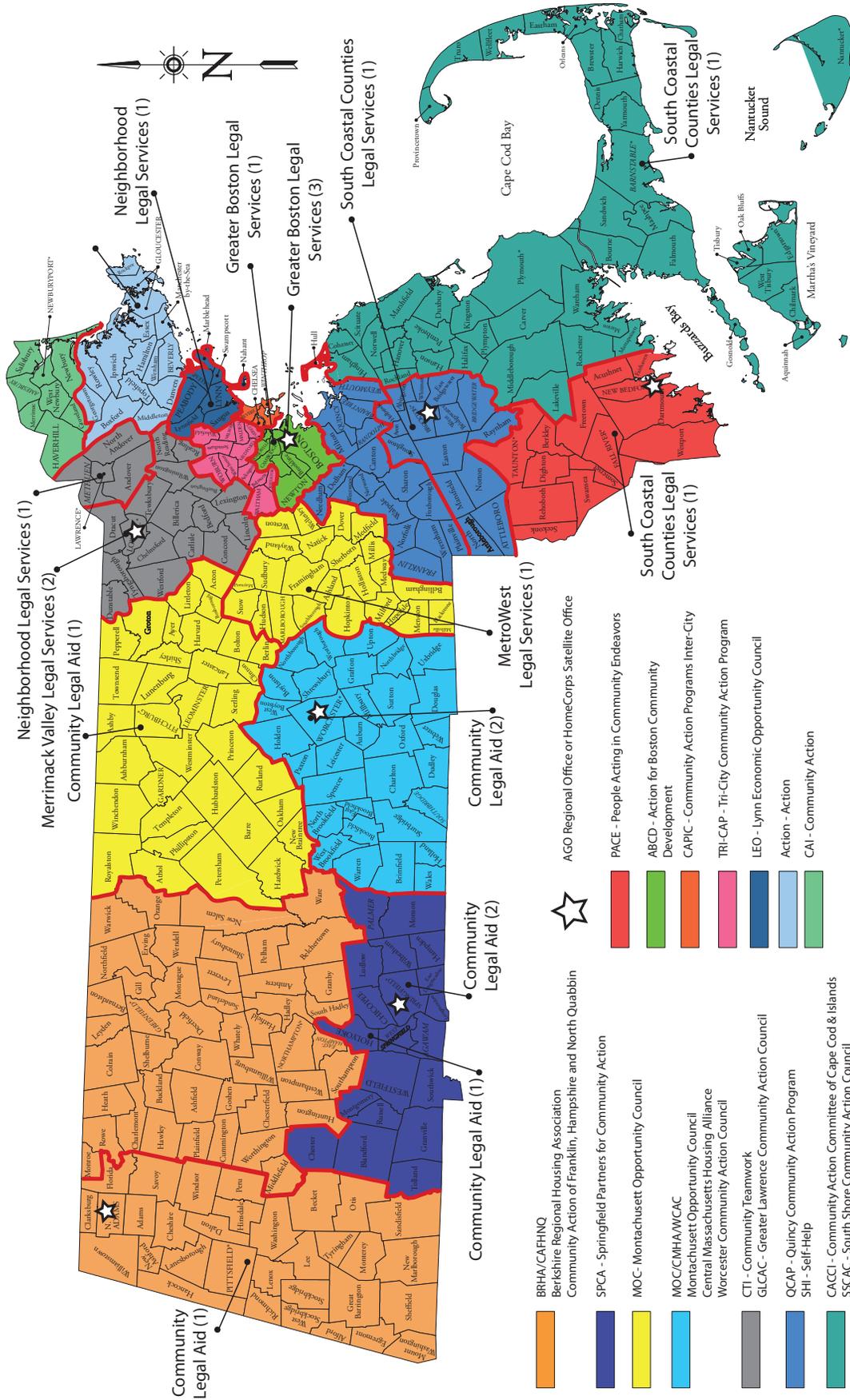
The Massachusetts Association for Community Action (MASSCAP) was awarded a two year grant totaling \$7.4 million to administer the Borrower Recovery Initiative.

Beginning in September 2012, the grant funded 19 borrower recovery sites supported by 21 case managers to work directly with families and individuals to prevent homelessness, provide assistance to families transitioning from homeownership following foreclosure, and provide financial education and counseling to individuals and families facing eviction. The sites received referrals from the AG’s Office and the funding enabled direct assistance for up to 2,400 households over the course of the 2-year grant term. In addition, the program has provided 236 stabilization payments to families and individuals facing homelessness, for a total value of \$632,398.

“The BRI program was truly a lifesaver for our family. We would not have been able to get an apartment on our own without the financial support to pay first, last & security deposit. I hope this program continues for a long time. It’s hard enough to go through foreclosure but to have to deal with finding a place to live without the financial help is even harder.” - Colleen and Ernest St. Francis, Auburn

“The Attorney General did a smart thing by establishing your services to help folks like us through a deception this big. I hope others meet our angels and know they will get the help and relief you brought to us.” - Julie Scott, Worcester

HomeCorps: Supporting Borrowers Across the Commonwealth



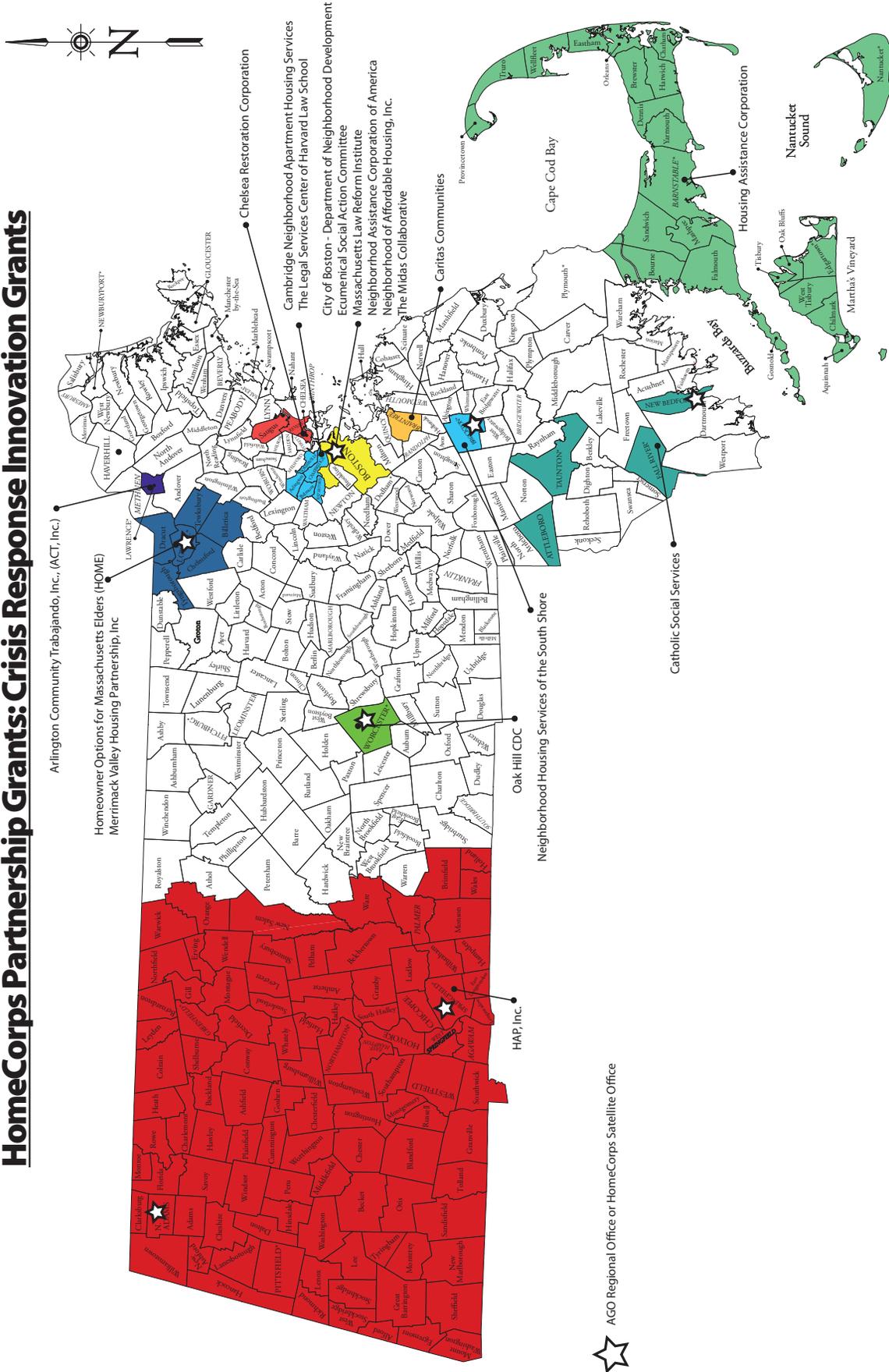
CRISIS RESPONSE INNOVATION GRANTS

The Crisis Response Innovation Grants were designed to mitigate the impacts of the foreclosure crisis on our communities, and to guard against future financial harm like that witnessed during the foreclosure crisis. The 18 organizations that were awarded this funding provided individual counseling and financial literacy education, assistance to veterans, foreclosure counseling, and bilingual financial services.

- Arlington Community Trabajando, Inc., of Lawrence used funding to help double the amount of clients assisted by hiring new staff to expand financial counseling capacity with individual counseling, loan modification assistance, and homebuyer education classes. Additionally, ACT, Inc. rehabilitated four units of housing.
- Cambridge Neighborhood Apartment Housing Services expanded services to three additional locations to offer one-on-one individual financial counseling, financial literacy education and first time homebuyer counseling.
- Caritas Communities in Braintree repurposed a vacant police station into 24 units of affordable housing for veterans and their families.
- Catholic Social Services in Fall River services Fall River, New Bedford, Attleboro, Taunton and Hyannis. The organization hired a Housing Counselor and a Housing Advocate to assist more clients through one-on-one foreclosure counseling including loan modifications and mitigation, financial literacy and credit rebuilding, and homeownership education.
- Chelsea Restoration Corporation used grant funding to expand and enhance their bilingual financial counseling, foreclosure mitigation and homeowner education, and counseling support programs in Chelsea, Saugus, and Revere.
- The City of Boston's Department of Neighborhood Development developed a series of grants for families displaced by foreclosure to assist with costs related to avoiding homelessness including moving expenses and provided assistance with finding replacement housing.
- Ecumenical Social Action Committee, INC. (ESAC) in Jamaica Plain increased its capacity to provide foreclosure prevention counseling and worked with clients on submitting loan modifications and other alternative strategies to prevent foreclosure.
- HAP, Inc. services Hampden, Hampshire, Springfield and Berkshire and Franklin Counties. It developed a series of grants designed to provide consumer financial education, individual financial counseling, employment assistance referrals, and group foreclosure prevention workshops to the Western Massachusetts region.
- Homeowner Options for Massachusetts Elders (HOME) is a statewide organization based in Lowell. Its grant funding as used to conduct statewide outreach to senior citizens and to add three additional financial counseling staff to increase the capacity to better serve senior citizens statewide.
- Housing Assistance Corporation in Hyannis, serves Barnstable, Dukes and Nantucket Counties. Armed with grant funding, it hired a Counseling Coordinator to the foreclosure-prevention staff and made its foreclosure counselor a full-time position to address the growing demand for foreclosure prevention services.

- Massachusetts Law Reform Institute of Boston worked with the Framingham District and Worcester Housing Courts to provide legal counsel to tenants at risk of losing their apartment through eviction.
- Merrimack Valley Housing Partnership, Inc. in Lowell, provided individual financial counseling and first-time homebuyer education and trainings. Classes were made available in English, Spanish, and Khmer and address financial literacy and homeownership education.
- Neighborhood Assistance Corporation of America, a statewide organization based in Jamaica Plain, Boston, hired four new housing counselors in Boston, Lawrence and Springfield to provide loan modification and foreclosure mitigation services.
- Neighborhood Housing Services of the South Shore in Brockton hired three foreclosure prevention counselors to assist with one-one-one counseling for loan modification and home preservation, and to provide financial literacy education workshops on how to avoid foreclosure.
- Neighborhood of Affordable Housing, Inc. in East Boston expanded its foreclosure prevention services to the North Shore with a special focus on Hispanic households. Through a bilingual staff, clients received foreclosure housing and assistance with the ultimate goal of mortgage modifications but also assisting with short sales, non-profit purchase, and other alternative measures. Clients also accessed to first-time homebuyer and credit smart financial literacy courses.
- Oak Hill CDC in Worcester, hired one additional financial literacy counselor who will incorporate financial literacy curriculum into pre and post foreclosure individual and group counseling and education.
- The Legal Services Center of Harvard Law School in Cambridge hired two attorneys with experience in housing and foreclosure defense and eviction defense to oversee Law School Students to provide representation for homeowners facing foreclosure and former homeowners and tenants facing post-foreclosure eviction.
- The Midas Collaborative, a statewide organization in Allston, provided personal financial assistance and coaching to underserved residents by phone, email, or Skype. Services included assistance with budgeting, housing, credit repair, foreclosure prevention and home buying education.

HomeCorps Partnership Grants: Crisis Response Innovation Grants



MUNICIPAL AND COMMUNITY RESTORATION GRANTS

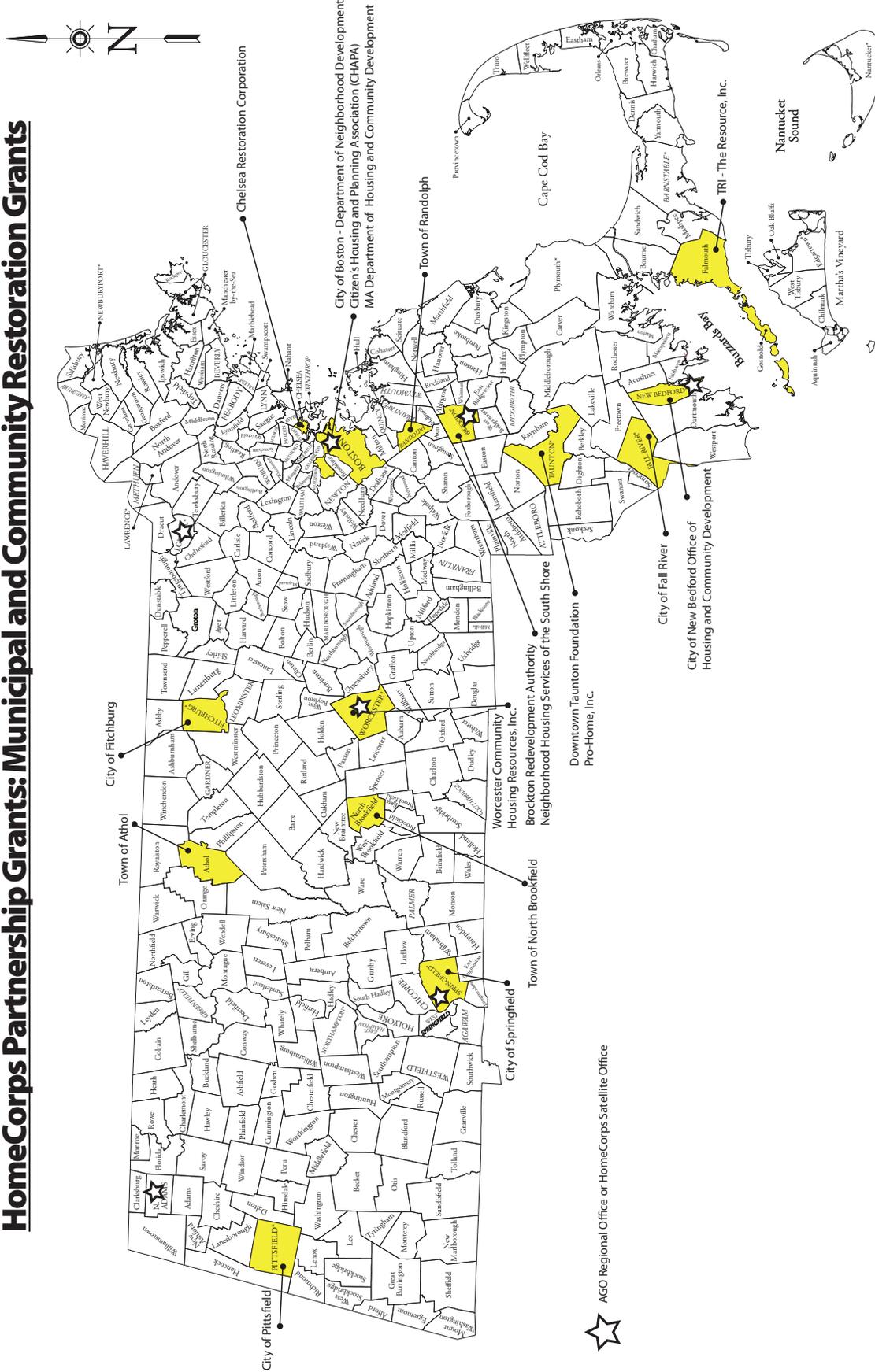
Eighteen other innovative organizations received funding from the Municipal and Community Restoration Grants to help cities and towns revitalize distressed neighborhoods that have suffered the impact of foreclosure clusters, promote home ownership and affordable housing and other related revitalization goals.

- The Brockton Redevelopment Authority received funding to purchase and rehabilitate foreclosed properties in blighted neighborhoods to be sold to low and moderate income homebuyers. Money was also given to residents whose houses were in need of repair.
- The Chelsea Restoration Corporation received funding to rehabilitate properties in Chelsea, Revere, and Saugus, and was to be used primarily to help military veteran homebuyers.
- Grant funds promoted the expansion of the Citizens' Housing and Planning Association's (CHAPA) five-day "first look period" that gives qualified purchasers access to foreclosed properties. Banks provide an adjusted sale price, property access and up-to-date listings of foreclosed properties which ensures transparency and responsibility on behalf of lenders.
- The City of Boston's Department of Neighborhood Development received money to purchase and renovate homes and to provide first-time, income eligible buyers to purchase and make needed repairs to foreclosed properties as well.
- The City of Fall River was provided funding to acquire and renovate foreclosed homes with the assistance from unemployed at-risk youth and veterans. The homes are then sold to well qualified buyers. Funding also allowed for the expansion of the city's Buildings Blocks initiative – a revitalization effort with active citizen participation to make the neighborhoods safer, cleaner, and better places to be.
- The City of Fitchburg acquired properties for rehabilitation and resale and assisted homeowners with rehabilitation costs.
- The City of New Bedford Office of Housing and Community Development implemented a revolving loan program for receivers that provides the funding required to address code violations in order to stabilize abandoned properties and offer potential homeowners down payment or gap financing to assist in the acquisition of homes.
- The City of Pittsfield constructed a revolving loan fund to rehabilitate locally foreclosed properties and provided grants to income eligible home-owners and tenants for code-related home improvements repairs.
- The City of Springfield gave loans to income eligible homebuyers seeking to purchase, own and occupy single, two and three family homes in the Old Hill neighborhood. Funding was also provided to homeowners for repairs and improvements to their properties including energy efficient upgrades, new roof, window replacements and building life safety systems.

"The Attorney General's Municipal and Community Restoration Grant through HomeCorps has been of great benefit to the Town of Randolph. Through the loans we have serviced many homeowners who were able to renovate their homes, who otherwise may not have had the opportunity. The overall return on investment will be felt by the homeowners, their neighborhoods and the Town as a whole."
– John McVeigh, Commissioner of Public Health for the Town of Randolph

- The Downtown Taunton Foundation received money to focus on downtown Taunton by generating new housing in order to increase economic activity and to aid in the organization's revitalization mission by acquiring and rehabilitating foreclosed units.
- The Massachusetts Department of Housing and Community Development, a statewide service organization, received funding to acquire and renovate housing units. Additionally, the organization was able to provide relief of direct homebuyer assistance grants for income eligible buyers seeking to purchase in target stabilization neighborhoods.
- The Neighborhood Housing Services of the South Shore, servicing Brockton and New Bedford, received funding for down payment assistance grants so that qualified and educated homebuyers could purchase foreclosed properties in blighted neighborhoods. Each buyer was required to attend First Time Homebuyer Education classes and receive counseling from a Neighborhood Housing counselor.
- Pro-Home, Inc. in Taunton renovated an abandoned home in a blighted neighborhood in Taunton. The home will then be made available for sale to a first-time, low to moderate income, homebuyer selected out of a lottery drawing. To be eligible, the homebuyer must have completed Pro-Home's pre and post purchase counseling programs.
- The Town of Athol received funding to develop a revolving loan fund to ensure positive local and regional development while prioritizing the need for affordable housing.
- The Town of North Brookfield used a grant to secure and maintain abandoned properties in order to help reduce theft, vandalism, the treat of arson, and bring the properties in compliance with the state sanitary code.
- Town of Randolph used its grant to establish a revolving fund for receivership that enabled the town to save the economic viability of entire neighborhoods and allowed for public health and safety concerns to be addressed.
- Within one year of receiving funding, The Resource, Inc. in Falmouth purchased and renovated foreclosed properties on Cape Cod and the islands to create energy efficient, renovated homes for rent or sale to low and moderate income households with energy efficient and green equipment and materials.
- Worcester Community Housing Resources, Inc. made available grants and loans to income-eligible homebuyers who wanted to purchase or repair homes in targeted blighted communities.

HomeCorps Partnership Grants: Municipal and Community Restoration Grants



DISTRESSED PROPERTIES IDENTIFICATION AND REVITALIZATION GRANT

The Distressed Properties Identification and Revitalization (DPIR Grant) program provided 21 towns funding to not only identify and prioritize a list of real estate owned properties but to ensure that individual property owners comply with state and local ordinances to bring properties into a state of good repair.

“Many Massachusetts municipalities have high rates of distressed and vacant properties and we are pleased to bring this direct relief through our grant program,” AG Coakley said. “These funds will help a wide range of communities who have suffered from foreclosure crisis, by effectively identifying these properties and encouraging productive rehabilitation.”

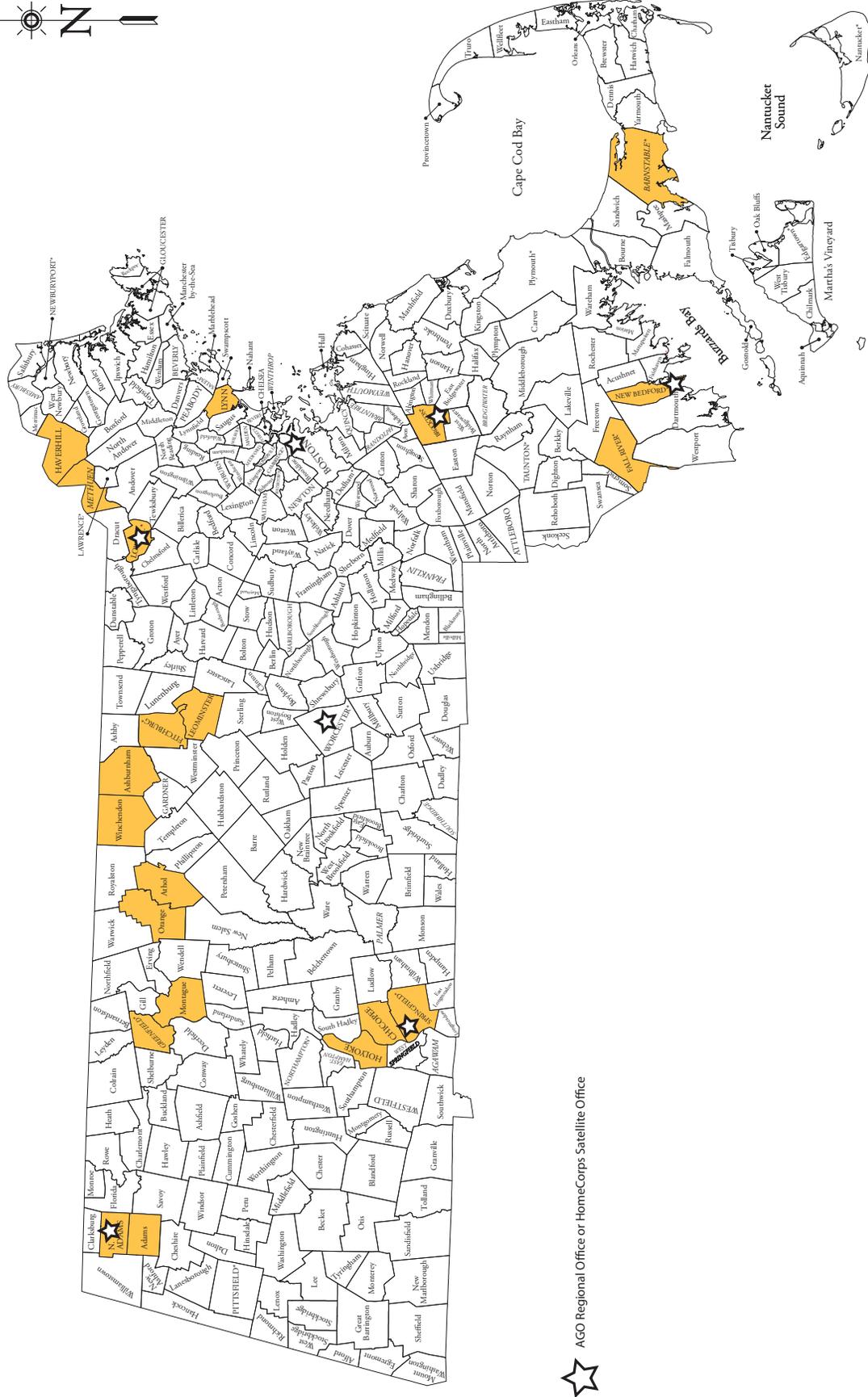
Recipients include the municipalities of Adams, Ashburnham, Athol, Barnstable, Brockton, Chicopee, Fall River, Fitchburg, Greenfield, Haverhill, Holyoke, Leominster, Lowell, Lynn, Methuen, Montague, New Bedford, North Adams, Orange, Springfield, and Winchendon.

If further enforcement is needed, the properties identified can also be referred to AG Coakley’s Abandoned Housing Initiative (AHI).

“Through the AG’s HomeCorps program, Brockton has seen thousands of dollars worth of restoration to previously blighted properties and neighborhoods. Homes that were once uninhabitable are being renovated for first time homebuyers, putting families back in homes and increasing public safety.” – Robert Jenkins, Director of Housing for the City of Brockton



Distressed Properties Identification and Revitalization Grants



THE ABANDONED HOUSING INITIATIVE

Blighted properties abandoned by their owners in residential areas create safety hazards, attract crime and lower property values. Since 2004, the AG's Abandoned Housing Initiative (AHI) uses the enforcement authority of the State Sanitary Code to turn these properties around.

Working in close partnership with cities and towns, the AG's Office seeks out delinquent owners of abandoned residential property and encourages them to voluntarily repair their properties and make them secure. If owners refuse, then Assistant Attorneys General petition the relevant court to appoint a receiver to bring the property up to code.

"Thank you for your assistance! It really was a good meeting and generated a lot of interest, it is great to feel the possibility of change for these buildings that have been neglected. I will also be forever impressed by the Attorney General ninjas, so ready to jump out in any weather and check out the condition of these buildings! It should be your tag line. I am going to put all of your comments into the existing spreadsheet and pass it along to Code Enforcement for further action, where necessary. Thanks again!" Justine Dodds, Housing Specialist & Fair Housing Officer, Pittsfield Department of Community Development

Receivers can be individuals, for profit or non-profit organizations. Receivers do not work for the AGO or the municipality. Instead, they are agents of the appointing court.

The sanitary code allows the receiver to place a lien against the property for all costs incurred during the project. That lien is given a priority over all existing liens, except municipal liens.

While the receivership process is a code enforcement tool, the AHI program strikes a balance between private property owner's rights and the public's right to be free from dangers posed by health, safety and building code violations. The owner never loses legal title to the

property during the receivership. The receiver takes only an equitable ownership interest during the receivership, which grants him or her authority to manage the property and make the necessary repairs.

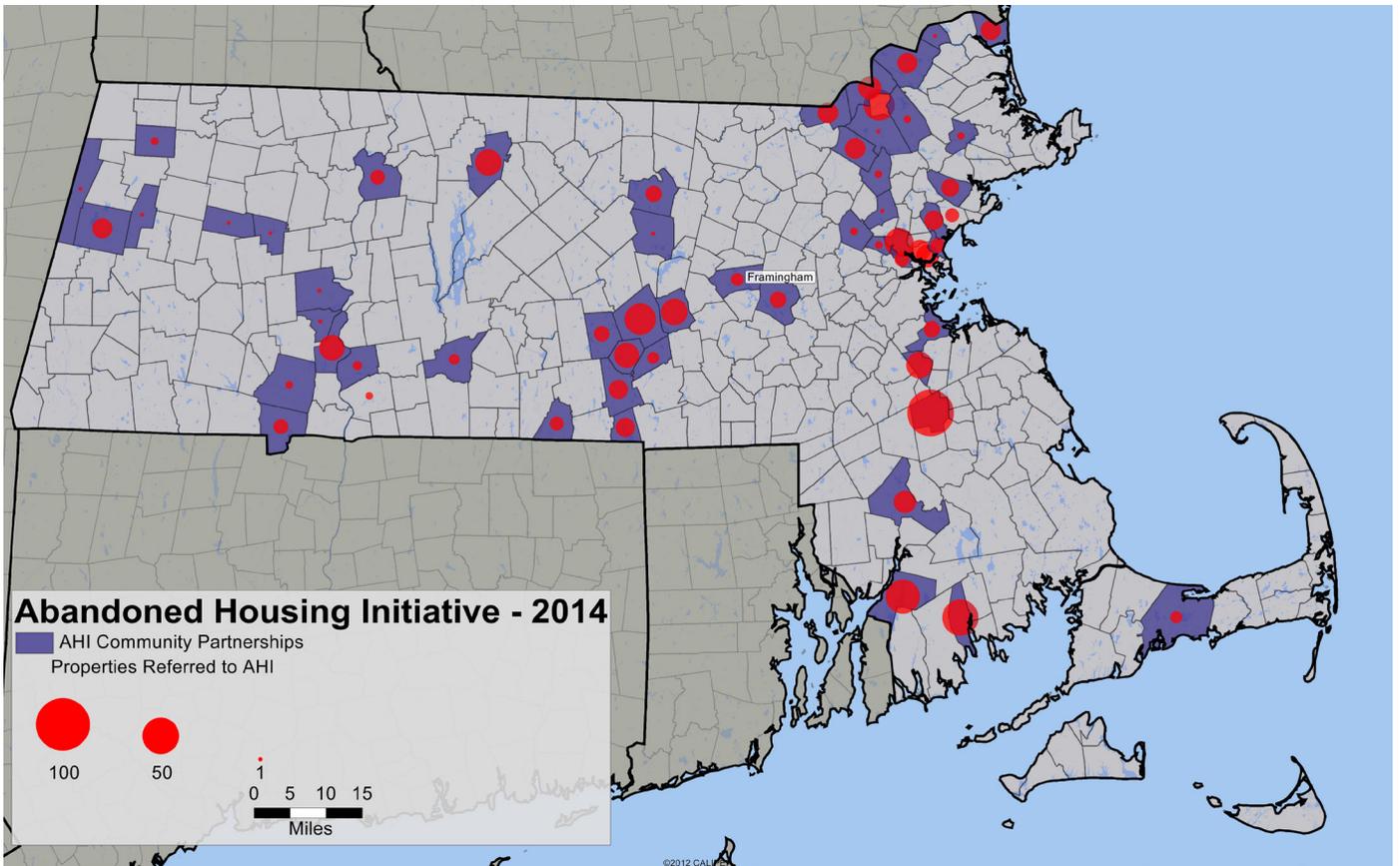
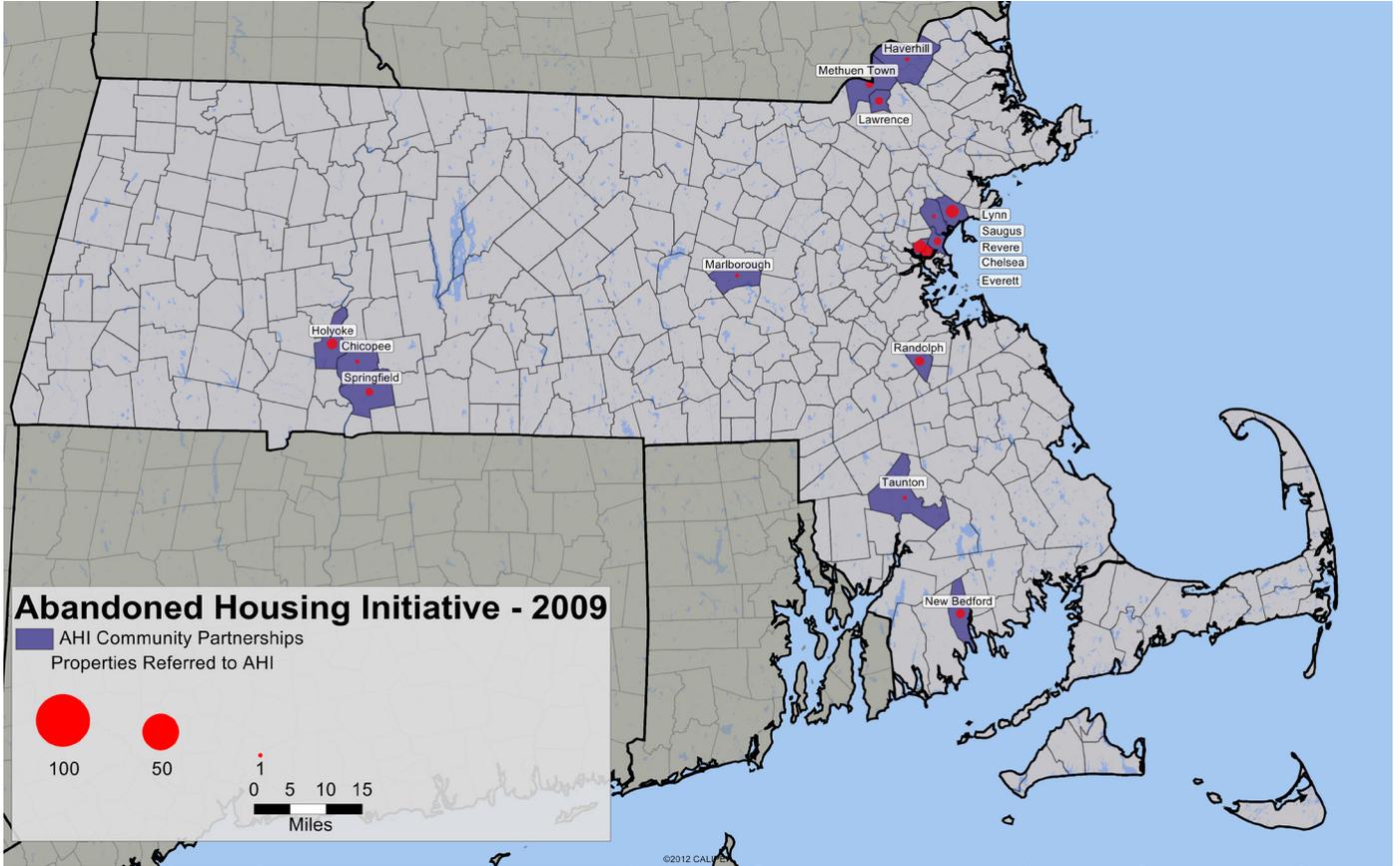
The owner is always given the opportunity to step in and take responsibility for the property at any time during the receivership, but must complete the required work to the court's satisfaction.

Moreover, the AHI program is intended to work as a partnership between the AG's Office and interested communities. While the AG's Office may take the formal role of petitioner in court, its role is really to help communities achieve their goals for the relevant properties and neighborhoods. The program is available to all communities: those that may have a significant number of abandoned properties, as well as those that may only be dealing with one abandoned home.

There are currently 241 houses in 41 communities in the AHI program. In 42 of these cases, receivers have been assigned and are currently working to rehab the property. In eight cases, AHI has reached a settlement agreement with the identified owner and repairs are currently underway. The remaining 182 properties are in some stage of litigation.

Since the program expanded in 2009, 345 cases have been closed after the property was repaired and brought up to code by either a receiver or an owner in response to the program's pressure.

To date, the AHI has rehabilitated 358 houses across the Commonwealth.



ABANDONED HOUSING INITIATIVE RECEIVERSHIP FUND

Blighted properties abandoned by their owners in residential areas create safety hazards, attract crime and lower property values. The AG's Abandoned Housing Initiative (AHI) uses the enforcement authority of the State Sanitary Code to turn these properties around.

Working in close partnership with cities and towns, the AG's Office seeks out delinquent owners of abandoned residential property and encourages them to voluntarily repair their properties and make them secure. If owners refuse, then Assistant Attorneys General petition the relevant court to appoint a receiver to bring the property up to code.

Working in concert with the AHI, the Abandoned Housing Initiative Receivership Fund provided \$500,000 to four organizations dedicated to the rehabilitation of properties that were abandoned after foreclosure. Focusing on specific neighborhoods that were especially hard hit by the foreclosure crisis, the four organizations included:

- The Chelsea Restoration Corporation (CRC) oversees a program that revitalizes distressed neighborhoods and communities in the Metro-Boston region that have suffered the impact of foreclosure clusters, promote home ownership, and support revitalization efforts.
- Providing housing rehab loans and grants to municipalities in Western Massachusetts, including the counties of Franklin, Hampden, Hampshire and Berkshire the Massachusetts Housing Investment Corporation (MHIC) provides flexible combinations of loans and grants to enable the rehabilitation of properties in need of receivership.
- The City of Fall River enabled its Community Development Agency to administer grants and loans in Southeastern Massachusetts including the communities of Barnstable, Brockton, New Bedford and Taunton, to fund rehabilitation costs for abandoned, foreclosed, and/or vacant residential properties.
- Worcester Community Housing Resources, Inc. (WCHR) targeted properties in Central Massachusetts that have been most affected by foreclosed and abandoned properties, and provided outreach and training materials to locate additional receivers that might be valuable participants in this program.

LEGISLATION AND REGULATORY UPDATES

On the regulatory side, in 2008 AG Coakley enacted regulations to prevent predatory lending, and worked together with the Massachusetts Division of Banks for the enactment of legislation that provides additional protections for borrowers facing foreclosure.

AG Coakley's Office issued new regulations, effective in January 2008, governing the mortgage brokers and mortgage lenders in Massachusetts. These regulations, 940 CMR 8.00, significantly expanded consumer protections to address an array of unfair and deceptive practices in home lending that have contributed to the ongoing foreclosure crisis and harmed thousands of Massachusetts residents and their communities.

In January 2011, AG Coakley filed legislation in an effort to tackle the ongoing foreclosure crisis. An Act to Prevent Unnecessary and Unreasonable Foreclosures was signed into law in August 2012 and sets standards for determining when a loan modification, instead of foreclosure, is appropriate and requires creditors to modify loans when an analysis shows that it's more profitable to modify the loan than to foreclose.

The legislation filed with Senator Karen Spilka and Representative Steven M. Walsh, sets standards and mandates loan modifications when it is financially beneficial for the banks.

"The effects of the housing crisis have rippled through all sectors of our economy, and we needed to continue to address the subprime lending which largely contributed to this crisis in order to appropriately stabilize our economy," AG Coakley said. "We know that voluntary loan modifications will not prevent unnecessary foreclosures. This bill establishes standards to ensure creditors undertake commercially reasonable efforts to avoid unnecessary foreclosure."

The legislation aims to prevent additional foreclosures by mandating loan modifications in certain circumstances. Specifically, the loan modification legislation requires creditors to take commercially reasonable efforts to avoid foreclosure upon certain mortgage loans secured by homes which are occupied by the owners as their principal residences.

Additionally, these loans must contain certain risky features, such as interest-only loans, adjustable rate mortgages, and loans with short-term introductory interest rates. The legislation also provides a safe harbor for creditors to comply with this requirement of commercial reasonableness.

The legislation also addresses problems with foreclosures highlighted in the U.S. Bank v. Ibanez decision by the Massachusetts Supreme Judicial Court by prohibiting foreclosures where creditors lack the documents supporting their purported right to foreclose, and prohibits passing on certain fees and costs to homeowners.

Specifically, the legislation:

- Codifies the Ibanez decision by requiring a creditor commencing foreclosure to show it is the current legal holder of record of the mortgage. The bill also forbids misrepresentations to courts concerning holder status;
- Prohibits passing on to third parties the costs of remedying prior improper foreclosures or absence of recorded assignments;
- Prohibits “junk fees” (for goods or services not performed) tacked on during foreclosure and prohibits bribes, referral and similar fees for foreclosure business; and
- Requires recordation of assignment establishing the creditor as present holder of the mortgage before it can foreclose on the property.

A violation of this legislation constitutes a violation of the Massachusetts Consumer Protection Act.



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