



## **BOARD OF HENNEPIN COUNTY COMMISSIONERS**

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### **Testimony before the House Subcommittee On Housing and Community Opportunity Minneapolis, Minnesota January 23, 2010**

Chairwoman Waters, on behalf of the residents of Hennepin County and my colleagues on the County Board, I am pleased to welcome you to Minneapolis and Hennepin County for this important field hearing of the Subcommittee on Housing and Community Opportunity. Our own Congressman, Keith Ellison, has been at the forefront of efforts to effectively respond to the foreclosure and housing crisis both nationally and here at home. We are thankful for his leadership and representation of our community.

I am Gail Dorfman. I have served as a Hennepin County Commissioner for eleven years and Chair the Health and Human Services Committee of the County Board. Today you are hearing from leaders in our community who have been wrestling with the neighborhood devastation and the displacement of thousands of our residents wrought by the foreclosure crisis. I will say up front that the most important and effective action we've taken is to come together as a community to collaborate and innovate as partners through the Minnesota Foreclosure Partners Council. And while the pace of new foreclosures slowed in 2009 and our prevention and revitalization efforts grew in large part due to the influx of federal support, we cannot yet say that we have turned the corner. Instead, we have seen the foreclosure problem begin to shift from the city to the suburbs, and from being caused by mortgage products to now being impacted by job loss and unemployment.

Hennepin County is the largest unit of local government in Minnesota. There are 46 municipalities within the County, with a population of just over one million people. The number of annual mortgage foreclosure sales in Hennepin has increased from 3,055 in 2006 to 5,668 in 2007, to 7,348 in 2008, and returned to the 2007 level this past year. That's just shy of 22,000 foreclosures in four years, representing 4% of our overall housing stock and particularly devastating for urban and suburban communities with the highest concentrations. As a result, home values have fallen dramatically in the neighborhoods with the most foreclosures, with a 14% decline in home values in North Minneapolis and 10% and 12% declines in the Cities of Brooklyn Park and Brooklyn Center. We've also seen an increase in commercial foreclosures, with 150 last year.

Let me report on what we have been doing at the County to address this crisis. Our focus has been on foreclosure prevention through education and outreach, providing affordable housing opportunities for impacted renters and homeowners, investing in communities with concentrations of boarded and vacant housing, and prosecuting mortgage fraud.

We've provided prevention counseling resources for at-risk homeowners and renters through the Minnesota Home Ownership Center, HOME Line and Legal Aid that have been accessed by more than 3,200 households. We've held 25 foreclosure prevention workshops at libraries across the County and distributed a workshop video seen by thousands more.

We've stepped up efforts through the Sheriff's office and community partners to make sure that both owners and tenants facing foreclosure understand the foreclosure process and their rights under the law.

We've been aggressively prosecuting mortgage fraud cases through County Attorney Mike Freeman's office. To date, twenty-four persons and companies have been convicted, and charged cases involve 210 properties with over \$60 million in fraudulent loans.

Hennepin County was awarded \$8.6 million in Federal Neighborhood Stabilization Program funding to work with seven targeted suburban cities to acquire and rehab abandoned and foreclosed homes and to primarily assist first-time homebuyers, with our NSP goal of providing affordable home ownership opportunities for 200 households. We have invested an additional \$2 million through the County affordable housing capital fund and the federal HOME program to acquire and rehab another 79 foreclosed and vacant properties in 2009. Since 2000, the County has provided \$35.6 million in local county funding to assist in the preservation and new construction of over 3400 affordable housing units. We also contributed \$1.25 million to assist the City of Minneapolis in the demolition of foreclosed properties that were beyond saving.

We are targeting some of our federal Homeless Prevention and Rapid Re-housing (HPRP) funds to help renters at-risk of homelessness due to foreclosure. Sixty-five percent of the foreclosures in Minneapolis involve rental properties, and approximately 10% of the families in our homeless shelters over the past two years are renters coming from these foreclosed properties.

HPRP is the best tool we have right now to address the problem of renters impacted by foreclosure, through the HPRP City/County partnership and our contracts with community agencies. Legal Aid is providing the legal assistance that buys the family a little more time and St. Stephens provides the relocation assistance so that families never have to enter shelter to get help. Just since October, these two agencies have served over 130 people in 40 families.

Let me share one story that illustrates how well this is working. Legal Aid has been working with a single Mom with two children who has rental housing with a Section 8 voucher. She moved in last year and was notified just before Thanksgiving that she had to move out within 48 hours because the house was in foreclosure. Despite the requirements of state and municipal law, the landlord had not disclosed the foreclosure. Legal Aid attorneys were able to get the 48 hour notice retracted. The bank then issued a 90 day notice, but Legal Aid informed the bank of her Section 8 status and was able to extend the family's stay to when their lease ends next summer. Legal Aid is now working with the family and St. Stephens Housing Services to make sure the utilities remain on and that the family is resettled into a new home next summer. Without this help, this family would have ended up in shelter this winter.

So, in Hennepin County, we're tackling the foreclosure and housing crisis from every angle that we can, but we're still falling short. For every family we get out of shelter, there's another family in line to take their place. For every family we work with to prevent foreclosure or find alternative affordable housing, there are new families walking away from their homes because they owe more than the home is worth.

While NSP is working well to leverage other public and private resources, to stabilize communities and provide affordable housing for primarily first-time homebuyers, it is not a model that works well for renters and for households at 30% or below the average median income. We're also struggling with NSP dollars to compete with private investors and speculators who put cash down and can move more quickly to acquire properties, because they don't have to comply with environmental assessments, appraisals, 1% discounted prices, and inspections. We worry that we'll not meet the September 30<sup>th</sup> deadline of having all our NSP funds committed.

We are thankful for the new federal assistance we've received over the past year to address the foreclosure and housing crisis, but government cannot solve this problem alone. Hennepin County, our cities, and our community partners have stepped up to fill the gaps, to help our neighborhoods impacted by foreclosures and families who have lost their housing. For Hennepin County, responding to the foreclosure crisis didn't fit neatly into our organizational structure or mandated services, but we did it anyway and took on roles that we normally wouldn't do. I don't see the financial sector doing that. While we have some strong partnerships with banks, for the most part lenders have been unwilling or unable to manage scattered-site single family rental properties or aggressively work on homeowner loan modifications. It's time for the financial sector to do what the rest of us are doing – step up and help us turn the corner on this crisis and do right by our communities.

Thank you for being here today and for the opportunity to testify.

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