

An Organizing and Investment
Framework for Minnesota's
Economic Recovery from
Foreclosures

Foreclosures Present an Imminent and Significant Threat to Minnesota's Economy

- **70,000 foreclosures predicted 2007-2009**
- **The spillover of the loss of 39,000 (more) homes in 2008 and 2009 will impact values of 546,000 (one of every three) homes, which will decline \$2.3 billion.**
- **Minnesota's gross state product will grow two-tenths of a percent less in 2008, a loss of \$451 million.**
- **Lower housing starts results in loss of \$40 million in state and local taxes.**
- **Lower housing starts translates to a one-time loss of \$3.5 billion of local income and 61,900 jobs. Recurring annual losses include \$698 million of local income and 13,700 jobs.**

Only Effective Response

**The Only Effective Response at
this Scale is to Activate and
Assist the **Private Market** to
Work In **Concert** with the **Public**
and **Non-Profits** Sectors.**

Plan Principles

1. Provide incentives that reactivate and redirect the **marketplace**
2. The **government** and **nonprofit** institutions have instrumental roles: providing clear and consistent signals to the marketplace; taking the lead on “research and development” of new credit products; and filling gaps in markets that are not profitable for, or of interest to, the private sector.
3. Unique community circumstances will require a commonly available set of tools and resources, which can be applied in a way that utilizes **local knowledge**.
4. Look to the **future**— build on likely future economic and demographic trends.
5. Urgent, yet **sustained** effort over the long run

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Three Primary Strategies & Goals

1. Prevent Foreclosures

Goal: prevent 10,000 foreclosures

2. Reactivate and Guide Private Investment and Home Purchases

Goal: develop new products for a first round of 2,850 mortgages

3. Assist Communities in Distress

Goal: acquire and rehab 4,500 properties

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Plan Scale and Resources

Estimated cost of gap funding: \$223 million over three years

- **10,000 homeowners assisted w/ private workout incentives to prevent foreclosure (\$1,500 ea.)**
- **1,850 contract for deed/ lease purchase loans (\$10,000 ea.)**
- **1,000 purchase rehab mortgages (\$10,000 ea.)**
- **1,000 homeowners assisted by rehab advisors (\$2,000 ea.)**
- **2,850 homeowners assisted w/ pre-and post counseling (\$500 ea.)**
- **4,500 homes purchased/rehabbed/reconstructed through facilitated acquisition (\$33,700 ea.)**
- **150 community stabilization block grants (\$250,000 ea.)**
- **Misc. administrative and technical assistance costs**

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Resources

Working capital:

- **Federal legislation provides new authorizations and capital**
- **Existing programs: City Living, MURL, Fix-up Fund, revenue bonding authority, etc**
- **Community Stabilization Trust Fund intends to bring national resources for acquisition**
- **Private capital**

Gap funding:

- **Federal legislation**
- **Foundations**
- **State**

To Weigh In

<http://mnrecoveryplan.ning.com/>

Minnesota's Economic Recovery from Foreclosures

For More Information

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Minnesota Foreclosure Partners Council

http://www.fhfund.org/_dnld/reports/foreclosure_08_March.pdf