



Foreclosure Resources

Foreclosure resources help homeowners in jeopardy of losing their homes avoid or navigate the foreclosure process. Programs include homebuyer education, debt and financial counseling, and facilitating mortgage refinance. Jurisdictions with high foreclosure rates may also use foreclosure mitigation and recovery strategies to support homeowners and neighborhoods.

Background

Foreclosure happens when a homeowner is no longer able to make mortgage payments as required, allowing the lender to seize the property, evict the homeowner and sell the home, as stipulated in the mortgage contract. There are many reasons a homeowner may not be able to make a mortgage payment, including change in income or rise in other expenses.

As the economy declined in the late 2000s and unemployment rose, many homeowners became unable to afford their mortgage payments. When home values declined sharply and interest rates increased, homeowners found themselves “upside-down” or “under water” on their mortgages— making prohibitively higher payments than the new worth of their home and having few options to refinance. Lenders, unwilling to re-negotiate mortgages with homeowners in default, moved to repossess property through foreclosure. This situation had an acute and lasting effect on moderate and low-income homebuyers, who were more often victims of unsound lending practices and adjustable rate mortgages, and thus more exposed to the faltering economy and housing crisis.

TOOL PROFILE

Objectives

[Housing Options in Expensive Markets](#)

[Mitigate Residential Displacement](#)

[Addressing Racial Inequities](#)

Type of Tool

Renter/Homeowner Assistance

Project Type

Single family

Multifamily

Ownership

Affordability Level

Market-rate incentives



The foreclosure and housing crisis created unforeseen impacts and outcomes, including: abandonment and neglect of bank-owned foreclosure properties (“zombie properties”); displacement due to evictions of tenants renting units in bank-owned foreclosure properties (Real Estate Owned or REO); and banks selling foreclosed properties to investors rather than individuals. While many of these unforeseen impacts are outside the scope of local government, cities and counties can take steps to address some of these impacts including [addressing zombie properties](#) and providing resources for recently displaced residents.

RESOURCES TO PREVENT FORECLOSURE

While the historic uptick in foreclosures has significantly lessened as the region has recovered from the Great Recession, many homeowners are still at risk of losing their homes. The [US Department of Housing and Urban Development](#) offers numerous educational and financial support programs for homeowners at risk of foreclosure and homeowners with negative equity (“under water”).

The Washington State Department of Commerce’s [Foreclosure Fairness Program](#) provides homeowner foreclosure assistance by offering free housing counseling, civil legal aid, and foreclosure mediation. Jurisdictions with persistently high foreclosure rates of REO properties and investor-owned properties may seek to implement policies and programs that improve the likelihood of low- and moderate-income homeowners staying in their homes and ensure that foreclosed upon homes remain affordable in the long-term.

Counties also have the option to prevent foreclosures by reducing the interest rate on unpaid property taxes. HB 1410 (2021) changes the way that counties may assess property tax interest and penalties, making it more difficult to foreclose on units of fewer than four dwelling units. The interest rate on unpaid taxes for “all residential real property with four or fewer units per taxable parcel, including manufactured/mobile homes” is lowered, and no penalties may be assessed on such property.

Additionally, [alternative home ownership models](#), such as Community Land Trusts, often see lower rates of delinquency and foreclosure. The high prevalence of comprehensive stewardship practices—spanning education, prevention, and intervention activities—may help to explain the low rates of delinquencies and foreclosures and high cure rates in community land trusts.

RESOURCES

MRSC: [What Can Be Done about “Zombie” Properties?](#) (2020)

Washington State Department of Commerce: [Foreclosure Fairness Program](#) (2020)

US Department of Housing and Urban Development: [Avoiding Foreclosure](#) (2020)

