

Request for City Council Committee Action from the Department of Community Planning and Economic Development - CPED

Date: August 24, 2010
To: Council Member Lisa Goodman, Chair, Community Development Committee
Subject: Approval of \$100,000 to redirect the Don't Borrow Trouble Campaign funds

Recommendation: Approve the redirection of \$100,000 currently dedicated to the Don't Borrow Trouble Campaign to the Tenants in Foreclosure Project.

Previous Directives: In March the City Council approved adding \$100,000 to a contract with the Family Housing Fund in support of the Don't Borrow Trouble Campaign.

Prepared by: Mark Anderson, Senior Contract Management Specialist
Approved by: Tom Streitz, Director of Housing Policy and Development _____
Charles T. Lutz, Deputy CPED Director _____
Presenters in Committee: Mark Anderson

Financial Impact

No financial impact

Supporting Information

In February 2004, the CD Committee reviewed a report from a committee convened by the City Attorney's Office to study predatory lending activities occurring in many Minneapolis neighborhoods. After reviewing the report, the Committee directed CPED staff to present a proposal in response to its recommendations. CPED, in-turn, recommended that the city contribute money to an existing educational campaign called "Don't Borrow Trouble Campaign."

The Don't Borrow Trouble Campaign has been largely successful in increasing public awareness of predatory lending practices. In fact, it was the intent of staff that the last \$100,000 contributed by the City this past spring be the last funding the City provides to this campaign.

CPED has now received a request from the Family Housing Fund to redirect the \$100,000 to another foreclosure initiative. This new initiative, which is called the Tenants in Foreclosure Project, connects affected tenants with counseling and support services through Legal Aid and HOME Line.

The Legal Aid Society of Minneapolis ("Legal Aid") provides civil legal services to low-income, disabled, and elderly people in Hennepin County. HOME Line provides legal, organizing, educational and advocacy services, including a tenant hotline, for tenants throughout Minnesota.

The impact of foreclosures on tenants living in one- to-four unit properties in foreclosure has been a hidden problem both nationally and locally, with few resources made

available in response. Statistics show that one out of every three foreclosures in the nation affects a renter. Hennepin County Taxpayer Services data show that one out of every two properties in foreclosure in Minneapolis affects a renter.

The Tenants in Foreclosure Project provides direct counseling and legal assistance services for tenants, with Legal Aid serving very low income households and HOME Line serving households with incomes exceeding Legal Aid's income limits. The agencies also provide extensive outreach and education aimed at reaching tenants and professionals serving tenants, including judges, attorneys, social workers, ministers and church groups, local government staff and officials working with tenants in foreclosure.

One of the major difficulties faced by tenants and staff working with tenants in foreclosure is a lack of knowledge about the foreclosure process and how it affects tenants. Rapid changes in the laws have compounded this problem. Both Legal Aid and HOME Line have been the leading advocates for legislative change to support tenant's rights during a foreclosure and this helps these tenants to avoid homelessness. Policy advocacy by Legal Aid and HOME Line persuaded the 2008 Minnesota Legislature to create protections for tenants in foreclosure. In 2009, a new federal law created further protections.

Many tenants are unaware of these legal protections and they make detrimental decisions that affect their future housing. For instance, when tenants learn their house is in foreclosure, many assume that they must move immediately, that the landlord no longer has to maintain the property in habitable condition, and that the tenant no longer has to pay the rent. All of these assumptions are incorrect. In fact, some tenants do not even know that the house is in foreclosure because their landlord fails to disclose the foreclosure, which is a violation of state law and Minneapolis ordinances.

Tenants who are either forced to move or who mistakenly believe they must move quickly, are more likely to become homeless than tenants who have more time to prepare. The Legal Aid and HOME Line services help these tenants to understand their rights in a foreclosure situation. Also, because of the changes in the laws, banks and purchasers are more willing to rent to the tenants beyond the end of the foreclosure, preventing tenants from being forced to move and properties from being vacated and boarded.

The Family Housing Fund wants to redirect the Don't Borrow Trouble funds to this project to allow its continued function and expansion of services in Minneapolis. The Family Housing Fund is seeking additional funds from Minnesota Housing and private foundations, but that process requires more time. This funding will help the agencies to bridge the gap until additional funding is secured. CPED staff supports the redirection of the Don't Borrow Trouble funds to the Tenants in Foreclosure Project.