

FORECLOSED PROPERTIES AND HOUSING RENTAL MARKET

Implications foreclosed properties

“Tenants who never missed a rent payment lose their homes and, in this high-demand rental market, can't find new ones. Lenders hold properties that produce no revenue to cover taxes or maintenance. Neighborhoods bear new signs of blight in the form of empty or abandoned buildings, and there are fewer residents around to patronize local stores or keep an eye on things.” [“Helping foreclosed renters” (2008, December 5) *Los Angeles Times* p.A28]

- “In the last two years, over 10,000 properties containing approximately 13,000 units have been foreclosed in the City of Los Angeles.” Ordinance No. 180441 December 17, 2008.
- “A neighborhood full of empty (and possibly vandalized) foreclosed homes means that those homes will drop in value, thus making any sale less profitable.” (Portman 2009)
- “A vacant home will negatively affect the value of the asset and, in turn, the investor’s portfolio upon sale. But an occupied home collecting monthly rent insures a positive return on the investor’s asset and boosts the value of the portfolio.” (Golobay 2009)

Proposed Solution: Allow Section 8 tenants to remain in bank-owned foreclosed properties

- ***Affordable housing.*** The Housing Choice Voucher Program (HCVP) is the federal government's major program for assisting very low-income families, the elderly, and the disabled to afford decent, safe, and sanitary housing in the private market.
- ***Reliable income stream.*** HCV are administered locally by Public Housing Agencies (PHAs). The PHAs receive federal funds from the U.S. Department of Housing and Urban Development (HUD) to administer the voucher program. A housing subsidy is paid to the landlord directly by the PHA on behalf of the participating family. The family then pays the difference between the actual rent charged by the landlord and the amount subsidized by the program.
- ***Good tenants.*** The family and the landlord sign a lease and, at the same time, the landlord and the PHA sign a housing assistance payments contract that runs for the same term as the lease. The family is expected to comply with the lease and the program requirements, pay its share of rent on time, and maintain the unit in good condition.¹

References

- Golobay, Diana (2009, January 20) “Turning to Tenants to Mitigate Foreclosure Losses” Access: January 20, 2009
<http://www.housingwire.com/2009/01/20/turning-to-tenants-to-mitigate-foreclosure-losses/>
- Hong, P. Y. (2009, January 31) “Freddie Mac to keep borrowers in foreclosed homes” *Los Angeles Times* p.C3
- Portman, J. 2009, January 19 “Can tenant stay after foreclosure?” *Los Angeles Times* p.C10

¹ Source: Housing Choice Vouchers Fact Sheet http://www.hud.gov/offices/pih/programs/hcv/about/fact_sheet.cfm