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Northside Residents Redevelopment Council

The Northside Residents Redevelopment Council is a 35 year old resident controlled community development council established in 1970 by residents of the Near North and Willard Hay neighborhoods after the 1968 rebellions. The two neighborhoods came together in an effort to rebuild the communities.

NRRC's commitment to rebuilding the fabric of the neighborhood began with civic engagement and a deliberate strategy focused on the development of affordable homeownership opportunities. In the 1970's the homeownership rates in the community were less than 25%. NRRC and two other non-profit partners, PPL and GMHC over almost 30 years have rehabbed existing homes and built new homes on the abundance of vacant lots (at one time almost 200 lots). This work was successful in changing the asset base of our community, so much so, that by the 2000 Census, homeownership rates in Willard Hay were at almost 60% and between 30% to 35% in the near North neighborhood.

During the time that NRRC and others were increasing the homeownership opportunities; there were a growing number of mortgage foreclosures in the mid eighties. In response to the growing number of foreclosures, NRRC and NHS came together in to create a response. The response was, the Mortgage Foreclosure Program which was funded by the Family Housing fund and today has grown into a state-wide network of organizations counseling and advocating for families facing foreclosures.

Our community has always battled sustainable homeownership simultaneously while building opportunities for families to build wealth. The initial wave of foreclosures in the communities was followed by an egregious wave of mortgage flipping in the late 1990's in to the new century. Over 800 cases were identified in the city of Minneapolis with the majority in North Minneapolis.

NRRC Mortgage Foreclosure Program in 2006

325 households Assisted

117 Households applied to the program for intensive case management

Who are the clients? They are families, individuals, seniors, young and old. They are good people reaching for the Minnesota Dream, Homeownership.

- Their median income is \$31,149
- Their Average PITI is 1,206
- Average number of months past due at time of application is 5.2
- Average amount past due is \$6,028

We know that there are many reasons for delinquency, but most cases are unemployment, loss of income, multiple refinances- predatory products

As consistent with our community demographics and the aggressive targeting of the community, 66% are African American.

An interesting change in the types of mortgage loans in the community is that over 85% of them are uninsured conventional mortgage loans with less than 9% FHA. This would have been the reverse 20 years ago.

Mortgage flipping in the 90's was not the end of our community's troubles. Sub prime lending became the standard with the new twist and appeal of Adjustable rate mortgages. In our community, a low income community has a diversity of cultural groups who traditionally see homeownership as a desirable goal, but one out of reach. The marketing of predatory lending, providing quick and easy financing swayed people who had thought there were no opportunities to believing that they had found the only way possible.

Our low income, diverse community had worked to change the paradigm of homeownership is now not just slipping, but has fallen back to where we were 30 years ago.

In the years of 2000 to 2003, we saw increased values in our community. North Minneapolis had lagged in appreciated values in the city. The value adjustment was followed by property taxes that were reflected in the 2006 and 2007 Real Estate statements coinciding with the ARM adjustments. Consequently, the value of homes has now reversed, and has lost \$30,000 to \$50,000 in value during the past two years. Yet, real-estate taxes projected from when values had increased are now up by 10%. If you're not affected by bad financing, the increase in taxes is challenging you. Example: a caller to our office said they were a Habitat for Humanity home owner and they were facing troubles with their mortgage. As the conversation went on, the issue was not the Habitat for Humanity mortgage; it was the increase in real estate taxes that potentially caused the loss of their home.

What is happening to our community over the past three years? North Minneapolis' 13 neighborhoods

The number of foreclosures from **2004 was 228** that increased **to 487 in 2005** and at the end **of 2006 the foreclosures were 693.**

Racial disparities play an impact in foreclosures in North Minneapolis

In a study done by the National Community Reinvestment Council - **Income is No Shield against Racial Difference in Lending**

There is no mistake that North Minneapolis has been aggressively targeted with predatory lending, mortgage flipping and the Adjustable Rate Mortgage – ARM's. The dangerously over priced lending products are flipping our neighborhoods. Many people of color are being ousted from the community through these products. We have gone through redlining in the 1960's – refusing to provide financing and insurance. Today, we face a new redlining financing products based on the greed of investors to make money on the backs of moderate income families and particularly families in the African American and Latino communities. These products have stripped family's dreams of wealth building and stability. Dan Shaaridan in **Assets for the Poor** talks about how there three ways that low income families can transition to wealth are building, they are through Education, Business and Homeownership. He also talks about the impact homeownership plays in crafting positive life changes for children of homeowners who will perform better in school, graduate, go to college, and avoid teen pregnancy and involvement crime.

Foreclosure impacts on families are Shame, Guilt, Embarrassment, feelings of not being smart enough. Families are taking the responsibility - but is it really all theirs? They were seeking the American Dream! The Minnesota Dream! Where home ownership is the highest in the country.

African American and Latinos are at most risk to get high cost loans or sub prime lending products. In North Minneapolis, the Willard Hay and Near North Communities, African Americans represent 63% of the population and Latinos are at about 10% and growing. The concentration of Predatory lending, sub prime loans and ARMs is in North Minneapolis, our community. We are experiencing a NEW type of RED LINING. This data is supported by the fact that in a recent study of the 10 worst MSA's for lending disparities nationally, Minneapolis was included.

Our community characterizes

The Near North and Willard Hay neighborhoods are two racially and economically diverse communities where African Americans represent the majority, but there are Whites, Asians, Native Americans and Latinos. Recent Immigrants, Liberian and Somali communities have chosen Near North and Willard Hay for homeownership in the past 5 years.

We are a community of cultural transitions from 1990 to 2000 the White and Black populations decreased as the Asian and Latino populations increased by 200%. Our home ownership rates, which in the 1960's were below 25% by 1990, we had achieved 26% in Near North and 57% in Willard Hay. This increase in homeownership continued and by 2000, Near North was up to 30% and Willard Hay was at 60%.

In 2004, the number of foreclosures started multiplying from approximately 400 and by 2006 we had reached over 600. This year alone North Minneapolis comprised of thirteen neighborhoods in the first quarter of the year has 384 of the city's 678 foreclosures. This compounded by the increasing number of Boarded and condemned properties; totaling 199 added to the 95 vacant properties places the livability of our neighborhood in jeopardy.

What happens in our community?

- Foreclosures often attract investors who see the opportunity to flip homes and make money quick.
- Foreclosed properties become vacant
- Vacant properties become targets for the copper stripping thieves
- Vacant properties become opportunity locations for criminal activities
- Decrease in property values - In north Minneapolis neighborhood values have dropped \$30,000, which means the increased equity gained in 2000 has been wiped out.

In Minnesota, Sub prime mortgage defaults by February 2005 were at 7.8%, which increased in Feb 2007 to 16.8%, above the national average of 12.4. This is a prelude to greater foreclosures across the state where Minnesota is higher than the national average. The Joint economic committee report – Senator Charles Chumer – D. NY, Sheltering neighborhoods from the Sub prime foreclosure storm.

In closing, I have the following suggestions.

- Revitalizing the HUD FHA to a prominent role in mortgage financing again
- Putting a stop to predatory and sub prime lending must happen.
We have taken the first step in Minnesota, but we need congress to act!
- Regulators must take a strong position in regulating lenders and holding them accountable
- The CRA 2007 bill needs to be passed.

Homeownership is important parts of building the fabric of a community, help us make this a real life opportunity for our families.