

Cover Sheet – Social Service Activity

AGENCY NAME: Valley Community Development Corporation
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 2012 CDBG REQUEST: \$24,162

1. Project Name: Foreclosure Prevention Counseling
2. Project Description (1-2 sentences) Valley CDC proposes to provide intensive counseling and advocacy for at least 12 Amherst households immediately facing or at risk of foreclosure. The households will be either in mortgage delinquency or paying extraordinarily high costs for their homes and will therefore be either facing or at risk of homelessness and unable to maintain their home while paying bills and buying groceries.
3. Project Location: Town wide
4. Budget Request: \$24,162
5. Type of Activity (check one):
 - Homelessness and sheltering
 - Youth development and afterschool care
 - Adult education and job training
 - Emergency & preventive services: emergency rental assistance, emergency fuel assistance, emergency food and emergency shelter services that can include case management and coordination.
 - Other – please explain – The counseling and advocacy services include: homelessness prevention, adult education, referrals for job search & training, information & referrals for the emergency services listed above and intensive case management
6. Demonstrate Consistency with Community Development Strategy: Prevention of homelessness. Loan modifications with national banks result in less \$ transferred from Amherst homeowners to national banks. Homeowners then have more \$ to spend in Amherst.
7. Describe how you will ensure that participants meet low/moderate income requirements: participants will self-certify and we fully examine income as an integral part of the counseling and advocacy. At least 51% will be LMI. Historically (during the last 5 years), more than 80% of our foreclosure prevention clients have been LMI.
8. National Objective

Benefit to low- and moderate-income persons: Homelessness prevention
Estimate the number of low- and moderate-income persons to benefit from the Project:
At least 10 LMI Amherst homeowners

Total number of individuals served: At least 12 Amherst homeowners
Total Low/Mod individuals served: At least 10

Amherst Foreclosure Prevention Counseling Narrative Questions

- A. Project Description:** Valley CDC will provide individual household counseling for at least 12 Amherst households immediately facing; or at risk of foreclosure. The households will either be in mortgage delinquency or paying extraordinarily high costs for their homes and will therefore be unable to maintain their home and/or unable to pay other bills and afford groceries, due to high cost mortgages and other high cost loans. Our advocacy for homeowners will include, but not be limited to: negotiations with national loan servicers, advocacy and advice for obtaining loan modifications, refinancing and loan restructuring whenever possible, with local lenders, short sales, deed in-lieu of foreclosure, bankruptcy counseling, debt reduction, credit management and repair. Assistance will be provided for homeowners in distress to gain access to: The Amherst Survival Center, food stamps, MassHealth/Commonwealth Care, fuel assistance, weatherization and energy efficiency resources, housing rehab programs, handicapped accessibility loans, a wide variety of pro-bono and fee-reduced legal assistance & resources for clutterers. Our staff assists in negotiations for sustainable repayment plans with the IRS, Mass DOR and municipal tax collectors.
- B. Need:** During the last 5 years our office has experienced strong demand for foreclosure prevention services. Amherst has lower rates of foreclosure than neighboring communities such as Ware, Belchertown, South Hadley and Granby. Nonetheless, during the last 4 years, without marketing our foreclosure prevention services in Amherst, our office has worked with 31 Amherst homeowners to avoid foreclosure. Most of the homeowners we provide foreclosure prevention counseling services for, contact us before there is a petition to foreclose on their property. So, the attached statistics include only one Amherst household with whom we are currently working. Our other Amherst foreclosure prevention clients are 30-90 days late on their mortgages or are eminently facing default. We have attached the Warren Group Foreclosure statistics for Amherst for 2008, 2009, 2010 & 2011 to show that while Amherst has comparatively low rates of foreclosure activities, the number of foreclosure petitions and auctions in Amherst has increased in the last couple of years. We are also at the beginning of another dramatic push to foreclose, based upon recent industry statements by BOA, Wells Fargo and Chase spokespersons, who are encouraging the Obama administration to "pull off the band-aid". The nature of the needs remains urgent and has increased in complexity. Now, the vast majority of the new homeowners we counsel have loans serviced by national loan servicers such as BOA, Wells Fargo, Chase or American Home Mortgage Servicing Inc and they have already sought assistance directly through their loan servicer and subsequently have been turned down at least once. Therefore, in order to begin new loan modification applications, we must first provide clear financial evidence that the homeowners have the ability to sustain payments. We can only begin these processes, once we have demonstrated successfully to the loan servicer that the previous loan modification application was denied erroneously. Self-employed borrowers often

need assistance in generating profit and loss statements that clearly document their repayment ability. Many have also paid scammers \$2,500 or more and received no substantive help. The homeowners are routinely told that they don't qualify for programs, for which they do qualify. Homeowners are strongly encouraged to sell their homes, regardless of whether or not they have successfully made substantive household income and competing debt adjustments; to again sustain timely payments. Many sub-prime loan servicers tell homeowners to get a second job or sell their home. While some of Valley CDC's clients are able to secure a second job, many clients now understand themselves to be very fortunate if they are able to retain full-time employment. Selling their home is often not the best financial option for the homeowners. Amherst continues to have low rental vacancy rates and relatively high rents (due to the five colleges, including UMass). If a homeowner has missed payments, damaged credit will be a barrier to securing an apartment.

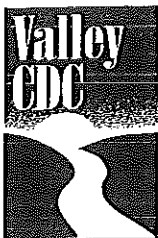
- C. Community Involvement:** Valley CDC has run an active first time homebuyer program since 1994 in the communities of: Northampton, Amherst, Easthampton and Hadley. We currently are counseling 7 Amherst homeowners facing foreclosure. We have done no marketing or outreach in Amherst, as we have no specific funding for Amherst, which would enable us to focus more of our foreclosure efforts in Amherst. We currently have Northampton CDBG funding, allowing us to focus foreclosure prevention marketing and services in Northampton. We believe that with modest marketing efforts in Amherst, we could significantly increase counseling services for Amherst homeowners in early mortgage delinquency or eminent default. Over the past 4 years, we have enabled approximately 30 Amherst homeowners to either retain their homes with lower payments (modified loans or refinancing), to file bankruptcy if necessary, or to sell their homes and transition to a more affordable rental.
- D. Project Feasibility:** In June, 2011 we completed a successful CDBG contract with the City of Easthampton for a similar program. We successfully worked with 30 Easthampton households during that program period. Several of the Easthampton homeowners had two loans on their properties and we worked with the homeowners to attain modifications to both loans. One of the Easthampton households chose foreclosure due to dramatic decreases in their household income. We are working with that household to secure affordable decent rental housing. We are also using pro-bono legal assistance to challenge an illegal foreclosure in Easthampton. Valley CDC is currently running a CDBG funded homeownership counseling program for the City of Northampton (allowing us to both market and focus our efforts on pre- and post-purchase sustainable homeownership counseling for Northampton residents). We have run a Homeownership program for the City of Northampton since 1994. We have met or exceeded our projected counseling numbers and we have the commensurate CDBG compliance and reporting experience. We have a successful track record of attaining some funding over the last 4 years from the Mass Division of Banks and the Community Foundation of Western Mass for foreclosure prevention to all communities in Hampshire County. These funds will run out on 12/31/11 and we have no news of any foreclosure prevention funding for the state or for Hampshire

County. These funds have not allowed us to market or focus our efforts in any one community. Our CDBG contracts with Easthampton and Northampton have allowed us to focus our efforts in those communities, as has our previous first time homebuyer CDBG contract with the Town of Amherst. Our Homeownership Director will administer the proposed Amherst Foreclosure Prevention Program. She has more than 12 years of experience in pre- and post-purchase homeownership counseling and 12 years of experience administering CDBG funds for various homeownership programs, including housing rehab. The Homeownership Director attended a week long foreclosure prevention training through Neighborworks.

- E. Impact:** Our staff will assist at least 12 Amherst households to avoid foreclosure and improve their household's finances. The program will primarily assist homeowners to keep their homes, as that is most often our clients' strong preference. The counseling will improve the homeowner's understanding of their options for continued homeownership and how to attain them. Most often, a loan modification is absolutely necessary for financially sustainable payments and to address any mortgage arrears. When appropriate, households will also receive assistance with short-sales, sustaining post-foreclosure tenancy and information and referrals on rental opportunities. The homeowners will increase their financial literacy as a result of the individualized counseling and will be assisted in developing realistic monthly budgets and tracking monthly expenses. They will be coached and assisted as needed in negotiations with other creditors. When appropriate we provide bankruptcy referrals and counseling. Our office works with attorneys from the National Consumer Law Center to provide the best possible student loan debt management advice. We offer advocacy in dealing with illegal debt collection practices, repossessions, access to utilities and we provide information and referrals as needed for bankruptcies. We assist our clients to identify and avoid predatory lending in its' many forms (tax refund anticipation loans, payday loans, etc.).
- F. Evaluation:** Counseled homeowners will be surveyed in 6 months from their initial counseling session to learn what was most helpful and what portion of the services could be improved and how. In general foreclosure prevention counseling is a on-going relationship, until the underlying financial issues have been resolved.
- G. Agency Information:** Valley CDC has been working to empower LMI and minority residents in the communities of Northampton, Amherst, Easthampton and Hadley since 1988. We offer small business development counseling for existing and start-up businesses, affordable housing development and pre- and post-purchase homeownership counseling. In the last 5 years, we have seen a dramatic increase in foreclosure prevention clients. We have counseled more than 450 post-purchase clients during the last 5 years and that experience continues to profoundly influence our pre-purchase counseling. As a CDC and a HUD-designated Community Housing Development Organization (CHDO), at least 1/3 of our governing board must be LMI community members. Our CHDO status is annually recertified for compliance with HUD's 1/3 LMI composition of Board of Directors requirement. DHCD oversees this recertification in Massachusetts.

**Valley Community Development Corporation
Foreclosure Prevention Counseling Program
July 1, 2012 - June 30, 2013**

Personnel:	
Executive Director (.03 FTE)	\$ 1,950
Homeownership Director (.25 FTE)	\$ 11,976
Fringe (25%)	<u>\$ 3,482</u>
Subtotal Personnel	\$ 17,408
Other Expenses:	
Training/Staff Development	\$ 125
Travel	\$ 200
Advertising	\$ 150
Office Supplies	\$ 250
Printing	\$ 250
Postage	\$ 100
Indirect/overhead	\$ 5,679
Total Other Expenses	<u>\$ 6,754</u>
Total Expenses	\$ 24,162



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