



June 6, 2012

The Honorable Chuck Moss, Chair  
House Appropriations Committee  
Michigan House of Representative  
State Capitol  
Lansing, Michigan 48909

Dear Chairman Moss:

**The Community Economic Development Association of Michigan (CEDAM), a statewide nonprofit membership organization with over 200 members engaged in community-based economic development, supports two specific items in HB 5501, but has some concerns about the deletion of recommendations made by Governor Snyder and Attorney General Bill Schuette. We believe that spending the National Mortgage Foreclosure Settlement money as it was intended and where it is desperately needed is the *only* responsible thing to do.**

A recent report from Grand Valley State University's Community Research Institute in partnership with MFTF and the Community Economic Development Association of Michigan (CEDAM) entitled *Michigan Historical Residential Foreclosure Data Report* ([www.cridata.org/michiganforeclosuretaskforce](http://www.cridata.org/michiganforeclosuretaskforce)) paints a stunning picture of the devastation wrought by foreclosures in Michigan:

- A. \$63 billion loss in property value between 2006 and 2010
- B. 416,000 foreclosure filings between 2005 and 2010
- C. Increase of 211,000 vacant homes between 2000 and 2010 Censuses

**CEDAM supports the \$20 million allocation to foreclosure prevention counseling, which has consistently proven to be the most cost-effective means of preventing foreclosures.**

A 2011 nationwide study by the Urban Institute found that **foreclosure counseling nearly doubles a homeowner's chances of obtaining a mortgage modification.** The same study found that **homeowners receiving counseling were more than two-thirds more likely to remain current on their mortgages after curing a serious delinquency or foreclosure than those who did not.**

Without the \$20 million allocation from this historic settlement, Michigan's already underfunded network of free foreclosure counselors and legal service attorneys will not be able to sustain the current level of

service. More homeowners will unnecessarily lose their homes to foreclosure wreaking more havoc on families, neighborhoods, communities and the housing market, further lowering property values and eroding the local tax base used to fund basic services.

We would also urge the committee to amend the bill to include legal services in the primary language for the \$20 million counseling line item. The legal service attorneys and foreclosure counselors work hand in hand to help homeowners facing foreclosure. We also encourage the committee to include among the allowed purposes, the creation of a public database of Michigan foreclosure trends, which would allow us to see how much progress we are making and whether or not our efforts are making a difference. This data would hold everyone accountable and provide the information that the public, legislators and those involved in foreclosure prevention they need to be most effective.

**CEDAM is also supportive of the allocation of \$10 million of Michigan's \$97 million settlement for foreclosure rescue scam victim restitution.** Our members see these scams and their aftermath on a daily basis. For the past four years, Michigan has ranked in the top five states in the country for these fraudulent activities, costing thousands of homeowners their last few dollars and their homes.

We would like to urge the committee to include the recommendations of Governor Snyder and Attorney General Schuette for \$6 million for funding six full time positions in the Attorney General's Home Protection Unit to investigate and prosecute additional foreclosure-related criminal activities. Attorney General Schuette's office has made investigating and prosecuting the perpetrators a priority and has had tremendous success at shutting down fraudulent operations and putting behind these criminals behind bars. The Office is limited, however, by not having enough staff to keep up with the volume of new scammers cropping up every day. Allocating \$6 million of the settlement will provide sorely needed staffing to investigate and prosecute the perpetrators.

**CEDAM would also like the bill amended to include the recommendation from Governor Snyder and the Attorney General for \$9.7 million allocation to the Michigan Housing and Community Development Fund.** The key areas targeted by this program are financing downtown and neighborhood improvements, and financing affordable and market-rate housing. In its one year of funding (FY08), projects awarded leveraged \$1 of MHCDF to \$11 of public/private sources. The projects included rehabbing foreclosed homes, developing mixed-use, affordable housing and numerous Habitat for Humanity projects among other developments. Thousands of jobs were created generating millions of dollars in state and local taxes.

Despite a number of predictions that 2012 may see record numbers of foreclosures after the worst foreclosure crisis since the Great Depression, some would propose spending this allocation of precious resources on things other than the foreclosure crisis. We strongly urge members of the committee **to do the right thing by Michigan citizens and communities by supporting the above allocations and**

**spending these dollars as they were intended, where they are desperately needed and specifically on programs and activities with a proven record of accomplishment.**

Respectfully,

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