



## How We Help

For more than 30 years, Rhode Island Housing has been making it easier for all people who live and work here to have a safe, healthy home they can afford to keep. We approach housing from a broad perspective along three distinct, yet complementary, avenues:

1. Providing safe loans, grants and services to help Rhode Islanders build, buy, rent and keep a home;
2. Helping Rhode Islanders who are having housing trouble; and
3. Creating a better, stronger future for Rhode Island by building healthy, vibrant communities with safe affordable homes for all Rhode Islanders.

## The Next Phase of the Crisis in Rhode Island

Rhode Island ranks 10th in foreclosures in the nation, while the number of foreclosure initiations is continuing to rise with twice as many in 2008 as in 2007.<sup>(1)</sup>

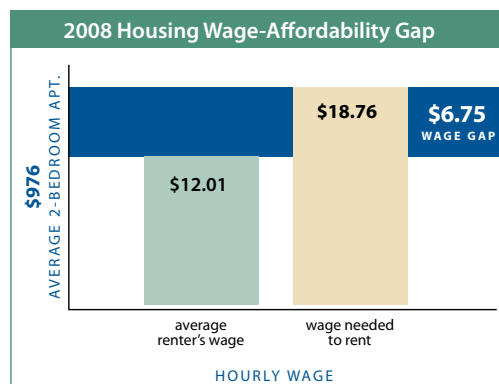
After a brief slow-down which resulted from self-imposed moratoriums on foreclosures by many lenders as they waited for details on the Obama administration's housing plan, foreclosures are expected to escalate again in the coming months. In fact, some of the nation's largest mortgage companies, including Fannie Mae and Freddie Mac, increased foreclosure activity in April, 2009.<sup>(2)</sup>

Most of the focus in the newsmedia has been on the impact foreclosures have on homeowners, many of whom made responsible decisions to buy a home based on their earning potential at the time, but since then, their job hours were cut or, even worse, eliminated altogether. Equally visible has been the impact on neighborhoods that have been hardest hit by foreclosures. Boarded properties are a blight on the whole community resulting in increasing crime and declining property values for neighboring property owners.

However, this is just part of the story.

**For every homeowner that loses his or her home to foreclosure, an average of four to five families living in multi-family properties lose their home when the building is foreclosed upon.**

Finding a new affordable home to rent after a foreclosure is not easy. The gap between what people earn in Rhode Island (the mean renter hourly wage, \$12.01/hr) and the Housing Wage (the wage renters need to pay for housing, \$18.76/hr) for a two-bedroom apartment is greater in Rhode Island than in any state except Hawaii.<sup>(3)</sup> Also, Rhode Island ranked 13th nationally in the cost of rental housing. Making matters worse, only one of the state's current and growing top 10 occupations earns the report's Housing Wage.<sup>(4)</sup>



NLIHC, Out of Reach 2009

1. Mortgage Bankers Association National Delinquency Survey.

2. Wall Street Journal, April 15, 2009.

3 & 4. National Low-Income Housing Coalition (NLIHC) Out of Reach 2009; RI Department of Labor and Training.

### Foreclosures At A Glance

#### RI Foreclosure Initiations

2007:	2,171
2008:	4,512

#### RI Foreclosures

2008:	3,927
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source: The Warren Group  
and The Providence Journal

## Impact of Foreclosure on Tenants

### ■ Little or no notice of eviction

While owners receive a minimum of 21 days notice of foreclosure, on top of notices when they are 45 and 90 days delinquent in their mortgage payment, tenants living in multi-family homes can be evicted with as little as three days notice, even if they are responsible tenants paying their rent on time.

### ■ Termination of utilities

The foreclosing financial institution is not required to maintain essential utilities that had been the responsibility of the previous landlord. It is not unusual for tenants in foreclosed properties to have their water or electricity shut off in cases where those utilities had been provided by the previous owner.

### ■ Loss of security deposit

Tenants who qualify for return of their security deposit often cannot collect it from a landlord who is experiencing financial difficulties. On top of this loss tenants must come up with a new security deposit and first month's rent for a new apartment if they can even find one.

### ■ Difficulty finding another affordable place to live

Foreclosures are having a significant impact on the supply of homes for rent that are affordable to working families. In 2008 almost 2,800 homes for rent were lost to foreclosure in Providence alone, many of them in the city's more affordable neighborhoods. Finding a new home is particularly difficult for tenants with Housing Choice Vouchers because they are not accepted by all landlords.

### ■ Continuing shortage of affordable homes

While home prices have been declining, rents still remain out of reach for most Rhode Islanders, making it even more difficult for renters displaced by foreclosure to find a home to rent that meets their needs and budget.

### ■ Targets of Rental Fraud

Since tenants of foreclosed properties are caught in a precarious situation, they are seen as easy targets for rental fraud. This takes several forms:

#### – Owners accept new tenants despite pending foreclosure

Owners who are behind on their mortgage payments and know that their properties will soon enter foreclosure may rent the property anyway to unsuspecting tenants. They collect security deposits and rent, and disappear when the foreclosure process formally begins.

#### – Scam artists pose as landlord of vacant/foreclosed property

Individuals may pose as landlords of vacant properties and rent them out to unsuspecting families. They have no legal possession of the property, yet collect security deposits. When the real owner of the property discovers the fraud, the tenants are evicted.

## Impact of Foreclosures on the Community

### ■ Increase in homelessness

Homeless shelters, already over capacity, experienced a 30% increase in the number of families served from 678 in December 2007 to 880 in December 2008. In the last 12 months from April 1, 2008 – March 31, 2009, 136 Rhode Islanders in shelters identified foreclosure as the reason for their homelessness.<sup>(5)</sup>

### ■ Decrease in property value and tax base

As vacant homes deteriorate from foreclosures, property values can decline and thereby reduce the overall property-tax base. According to the Woodstock Institute, each foreclosure in a neighborhood lowers the property values of the surrounding homes about 1 percent.

5. Statewide Homeless Management Information System (HMIS).

## What is Being Done Nationally to Help Tenants

- The **Federal Housing Administration (FHA)** already requires that tenants in FHA insured properties be notified of the initiation of foreclosure proceedings at the same time as the property owner and requires that adequate notice be given to tenants after foreclosure as well for properties that it insures. Tenants of FHA insured properties also have the right to petition to the FHA for the right to remain in the property.
- As of January 13, 2009, **Fannie Mae** implemented its national **Real Estate Owned (REO) Rental Policy** to allow renters in Fannie Mae-owned foreclosed properties to remain in their homes or receive transitional financial assistance should they seek new housing. **Freddie Mac** has implemented a similar policy.
- Seventeen states require that owners notify tenants who are living in rental properties that are subject to foreclosure about the proceeding or the default and 13 states, including Rhode Island, have considered or are currently considering legislation to address foreclosure and eviction matters.<sup>(6)</sup>

## What Else Can Be Done to Help Tenants in Rhode Island?

While the challenges caused by foreclosures are significant, there is much that can be done to address these problems.

### 1. Provide basic protections to all tenants living in foreclosed properties:

At a minimum, there is a clear need to establish basic rights for all tenants of foreclosed properties, including:

- advance notice to tenants of the possibility of foreclosure
- adequate notice to tenants after foreclosure, before eviction proceedings can begin
- uninterrupted provision of essential utilities without which tenants cannot safely remain in the home

### 2. Stabilize hard hit communities while creating more affordable homes for rent:

Continued investment in the development of homes that average Rhode Islanders can afford through:

- the state's Neighborhood Opportunities Program (NOP)
- the Building Homes Rhode Island bond (BHRI)
- the state's new Neighborhood Stabilization Program (NSP)

This investment can help to restore neighborhoods hard hit by foreclosures while providing safe, affordable homes for displaced tenants.

### 3. Protect renters and homeowners from fraud:

- investigate and prosecute cases of consumer fraud
- raise awareness about consumer fraud targeted to owners of properties in foreclosure and their tenants
- inform consumers about **free** resources available to assist Rhode Islanders impacted by foreclosure or financial hardship or those in need of a home they can afford. *(See sidebar and resources, page 4)*

6. National Law Center on Homelessness and Poverty, *Without Just Cause*, February 25, 2009.

# RhodeIslandHousing

## Foreclosures and Tenants

### CONSUMER ALERT

As an independent, HUD-approved counseling agency, Rhode Island Housing's HelpCenter reminds consumers to beware of any person or organization asking them to pay a fee in exchange for housing counseling services or modification of a delinquent loan. Foreclosure rescue scams are becoming much more prominent. For more information, visit [www.rhodeislandhousing.org](http://www.rhodeislandhousing.org), and click the Get out of housing trouble button.

### Resources

- **Rhode Island Housing HelpCenter** – A safe place for advice and education when it comes to protecting yourself from foreclosure or coping with the loss of your home. Since November 2007, the HelpCenter at Rhode Island Housing has fielded more than 4,000 calls and helped more than 1,600 Rhode Islanders negotiate with their lenders, avoid foreclosure, or find a safe, healthy home that they can afford. [www.rhodeislandhousing.org](http://www.rhodeislandhousing.org)
- **RI Legal Services** – Provides legal advice and assistance to thousands of low-income individuals and families annually. Their basic priorities are to ensure that individuals with low income have food, shelter, income, medical care, and freedom from domestic violence. [www.rils.org](http://www.rils.org)
- **HomeLocatorRI.net** - Rhode Island Housing and our partners have created a free website to help Rhode Islanders find a home that meets their needs and budget. [www.HomeLocatorRI.net](http://www.HomeLocatorRI.net)
- **2-1-1** – Get information, deal with a problem, discover options. 2-1-1, sponsored by the United Way, is available 24 hours a day, 7 days a week. One call gives you access to resources across your community, whether you need to get help – for you, a family member or a friend– or want to help. Someone at 2-1-1 will help connect you to the services or information you need. Confidentially, for free, in your language. [www.211ri.org](http://www.211ri.org)
- **The United Way's Fund to Prevent Homelessness** – Provides emergency assistance for housing and utility costs. [Accessible through 2-1-1](#)
- **RoadHome Emergency Housing Assistance** – Provides assistance to individuals and families who are facing a housing crisis. RHEHA is designed to help Rhode Islanders in need and reduce the Rhode Island shelter population by providing cash assistance to individuals and families at risk of becoming homeless due to a short-term housing emergency. Funded and administered by Rhode Island Housing and implemented through community-based organizations, including Amos House, Community Mediation Center of Rhode Island and Rhode Island Community Action. [www.rhodeislandhousing.org](http://www.rhodeislandhousing.org)



**RhodeIslandHousing**  
working together to bring you home