



The Surveyor

News from the Cuyahoga Community Land Trust

Fall 2005

Strip-mining our neighborhoods: Cleveland's foreclosure crisis

by Kyle Julien, VISTA Volunteer

The statistics are alarming: One out of every 11 homeowners in Ohio is more than 30 days late with payments, with many of these likely on their way to foreclosure. Cuyahoga County will likely see 12,000 foreclosures this year. This represents a five-fold increase from just a decade ago. In greater Cleveland, 12% of FHA loans are in default, the second worst level in the country. And Cleveland is the only city in the country where the number of foreclosures increased last year.¹

Cleveland is facing an enormous foreclosure crisis—among the worst

in the country—and the costs are mounting. A recent study estimates that each foreclosure can drain anywhere from \$10,000 to \$30,000 from a city's resources, either in direct costs or lost revenues. This is a lot of money for a region with little public money to spare. Of course, the costs of the foreclosure crisis are felt most acutely at the neighborhood level, by the families who are losing their homes and their neighbors.

The causes of the problem are complex; certainly the unsteady economic climate in the region plays a major role. But loose or non-existent regulation of home lending has allowed predatory lending to explode

across Ohio, and especially in Cleveland.²

Predatory lenders take advantage of the home-owning dreams of Cleveland's working families. They offer loans that have little chance of succeeding to people who either can't or don't know how to qualify for a decent mortgage. These lenders push loans with all sorts of bad features: interest-only loans with balloon payments, hidden costs, late fees, prepayment penalties, equity-stripping refinancing, inflated appraisals, and outright fraud.

Predatory lenders have no stake in the long-term success of the loans they push, while their incentives lie in selling high-risk mortgages. They employ a business model that actively promotes and profits from foreclosure and the destabilization of our neighborhoods. They are transforming Cleveland's housing stock—what should be the most stable of assets, an economic anchor for a family and the community—into liquid wealth, melting down hard-earned savings

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CCLT launches Homebuyer Initiated Program

CCLT recently began a Homebuyer Initiated Program that will allow our clients maximum choice in housing styles and location within the city of Cleveland. With primary funding from the City of Cleveland's Housing Trust Fund, CCLT will work with potential homebuyers to help them qualify for mortgages and provide subsidy to reduce the cost of their homes. Then, program clients can look anywhere in the city for a suitable new or newly rehabbed home. They can use the Land Trust subsidy to make the house affordable for themselves and future buyers.

CCLT staff has been working closely with the staff at three community development corporations—Detroit Shoreway Community Development Organization, St. Clair Superior Development Corporation and

Stockyard Redevelopment Organization—to develop outreach and marketing plans that will introduce the Land Trust and its Homebuyer Initiated Program to their service areas. The HIP program matches the strengths of the CDCs with those of CCLT in fostering stable, diverse neighborhoods. The CDCs strategically develop housing that promotes their neighborhood development goals. CCLT, meanwhile, supports potential homebuyers in qualifying for a mortgage and subsidy that will make their home permanently affordable. We can work in other areas of the city as well.

The program is available to qualified low and moderate income homebuyers who earn approximately \$25,000 to \$48,000 a year. For more information, please call our office.



CCLT staff and Trustee Mary Jo Mazzarella (center) pose at the 2005 National Community Land Trust Conference.

(Foreclosure, continued from page 1)

and equity and pouring the money into someone else's pockets, often in some other city. These lenders are strip-mining Cleveland's neighborhoods.

The Cuyahoga Community Land Trust offers low- and moderate-income families an alternative to the predatory lenders and their scams, an alternative that leads to successful, stable, and sustainable homeownership. We provide our clients with extensive homebuyer education and credit counseling, so that they can qualify for a sound mortgage at good rates. Once they have qualified for a mortgage, our clients are able to purchase one of the homes we have developed in partnership with other non-profit community developers at a substantially reduced price. These are quality homes, requiring no expensive repairs or upgrades which might force a homeowner to take on more debt. CCLT continues to support our homeowners after purchase, as well, helping them to cope with financial difficulties and avert foreclosure.

CCLT is able to render particularly effective post-purchase support because of the nature of the ongoing relationship with its homeowners. First, because of the close working relationship that results from preparing for mortgage qualification, trust between client and staff has been firmly established by the time of purchase. Second, because of the land lease, the Land Trust has an ongoing legal interest in the property. This allows CCLT to take whatever steps are necessary to prevent foreclosure. These steps can range from early intervention with a homeowner and lender to satisfy a default, to ultimately exercising CCLT's option to buy the home to prevent a foreclosure.

CCLT expands affordable housing opportunity by making an investment in both the home (through the CCLT subsidy that makes these homes permanently affordable) and the homeowner (through CCLT's pre- and post-purchase support), and that investment is sustained over the long term. At a time when the housing situation in Cleveland is increasingly defined by the foreclosure crisis and

From the Director

Dear Friends and Supporters of the Cuyahoga Community Land Trust,

As many of you know, CCLT has its beginnings in the Ohio City Near West neighborhood of Cleveland. As I've explained the Land Trust concept to policy makers and housing developers familiar with the city, I've often received the response, "Well, Ohio City, that's the one neighborhood where a Land Trust might be needed to maintain affordability. Other neighborhoods of the city ... we have enough affordable housing. What we need is more housing for middle- and upper-income households."

My response would acknowledge that reality while pointing out that most community land trusts wish they had been formed before the market took off, or that CLTs are an answer to the question of what happens when you're successful in your community development efforts and housing prices start to push out lower income residents. I'd remind people that, "The best time to plant a tree is ten years ago."

I still think those are valid responses, but that's only a partial answer. Because the fact is that, in every neighborhood of Cleveland, housing prices continue to rise faster than the average person's wages. People are getting further and further behind in their ability to afford a decent, quality home. CCLT has seen this effect in the two years since we sold our first home. The subsidy that helped us reduce the price of new homes then isn't nearly enough to meet the needs of our core families, those households earning between \$25,000 and \$35,000 a year. Further, foreclosures are draining equity from individuals and communities faster than the non-profits and for-profits together can construct or rehabilitate housing.

As CCLT ventures into new neighborhoods of Cleveland and the inner ring suburbs, I'm gaining a better understanding of the value that community land trust homes can add in weak, emerging or stable housing markets. CCLT represents a unique balance of benefits for individuals and communities.

For individuals, the benefits are many: a reduced sale price that allows them to afford a home; quality new construction or rehabilitated homes; homeownership where renting was the only option. In addition, our post-purchase support program is there to help assure that buyers are able to keep the house they worked so hard to buy.

For communities, a Land Trust home represents investment that stays in the community—in the form of properties that are maintained and continue to be assets to the neighborhood, and in the form of public and philanthropic subsidies that are available to a succession of new homeowners.

Thank you for your ongoing support of the Cuyahoga Community Land Trust.

Marge Misak
Executive Director

neighborhood instability, CCLT's affordable housing program promotes long-term, secure homeownership solutions that benefit both lower-income families and the neighborhoods where they choose to reside.

If someone you know has been victimized by a predatory lender, the non-profit organization Housing Advocates offers assistance through a free service for Cleveland residents called Help Eliminate Loans that are Preda-

tory (216 432-9611). Housing Advocates' Home Ownership Assistance Program also offers free legal review of home loan documents for residents of Cleveland (216 391-5444, ext. 101 or ext. 106).

¹"Defaults blamed on shady lending," Plain Dealer, July 7, 2005.

²For analysis, see the reports on foreclosure by Policy Matters Ohio on their website, www.policymattersohio.org.

Nancy Foth, newest Land Trust Homeowner

by Doris Honsa, Homeowner Services Coordinator

Welcome to Nancy Foth, who became the Cuyahoga Community Land Trust's sixth homeowner. Nancy's three-bedroom brick bungalow in Maple Heights was rehabbed through collaboration with the non-profit Neighborhood Housing Services of Greater Cleveland (NHS). Rehab was done by TESCO Builders, and the leasehold mortgage is from Huntington Bank. Nancy also qualified for Huntington's Smart Commute Plus initiative because her house is near public transportation.

An avid gardener and cook, Nancy is looking forward to planting vegetables, herbs, perennials, and perhaps a fruit tree or two in the yard of her Land Trust home. "That's one of the reasons I wanted a house," she



Fully rehabbed brick bungalow purchased by Nancy Foth.

said.

She also wanted a home that wouldn't require major repairs or updating. Since Nancy was financially ready and signed the purchase agreement with CCLT early on in the rehab process, she was able to have a hand in some color and materials design decisions.

Nancy has been a school bus driver in Garfield Heights for 12 years. In addition, she is a licensed massage therapist. Raised in Garfield Heights, Nancy worked in Detroit and Chicago before moving to Mexico for five years, which gave her opportunity to travel through Guatemala and Costa Rica. She moved back to Cleveland in 1992 and took the bus driving job in order to have summers off for

traveling. "That's when I didn't own a home," she said.

A year or two ago, she read a newspaper article about the CCLT home buying experience of Brian Stefan-Szittai. The article was especially interesting to Nancy, then living in Detroit Shoreway, because it detailed how the Land Trust made affordability possible in neighboring Ohio City in the midst of rapidly rising home prices. Just starting to think that buying her own home might be a future possibility, Nancy saved the article.

This spring, Nancy pulled out the article. She called CCLT and talked with Outreach Coordinator John Jackson, who described the Land Trust and the application process. When he mentioned that CCLT was developing a rehabbed brick bungalow in Maple Heights, Nancy was intrigued. She knew the neighborhood and the housing stock, and liked that it was close to family members. She drove by the site right away, then sent in an application to CCLT. While meeting with Homeowner Services Coordinator Doris Honsa, and later taking homebuying preparation sessions required by CCLT, Nancy "looked at other places but kept coming back. I looked at other houses to make sure it was the right one."

CCLT hosts 2nd Annual Clambake

The Second Annual CCLT Clambake drew over 120 guests on a chilly October evening to the home of CCLT Trustee Mary Jo Mazarella. Guests were warmed by the bonfire carefully tended by Mary Jo's husband, Mike, and by the stories from CCLT homeowners and trustees, Kristy Fann and Brian Stefan-Szittai.

This year's event saw a 50 percent increase in ticket sales over 2004's inaugural event. Bakes were prepared by Randy Keller and Linda Syrek while wine was provided courtesy of Dan Saltzman of Dave's Supermarkets.

Save the date for CCLT's Annual Meeting:
Tuesday, February 28, 2006.

As rehab work took place, Nancy frequently stopped by to watch the construction progress on the home on her way to and from work nearby. Now happily getting settled in, she said several aspects of buying a Land Trust home were especially helpful. CCLT staff "was there all along the way. No realtor would have spent that much time answering questions. The fact that I could call you with a question was very helpful." She also said, "I liked that I could talk to other Land Trust homeowners who had gone through the process already, and could go to a lawyer." (Land Trust homebuyers consult with an attorney of their choice for a pre-closing review of the land lease, a process paid for by CCLT.)

She also felt the homebuyer preparation classes at NHS were very helpful. NHS Rehab Specialist Tom Voss served as construction manager overseeing the rehab work. Nancy appreciated his assistance, "especially at the walkthroughs," she said.

Congratulations to Nancy Foth, the newest CCLT homeowner, and welcome to CCLT membership and the CCLT community.

The Clambake proved to be an informal social event where participants could enjoy good food, good company, and a good fire—and contribute to stable, secure homeownership opportunities for Cuyahoga County families.



CCLT supporters enjoy the great food and community at the Second Annual Clambake.

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