



JANUARY  
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# Newsletter



## Dramatic increase in Kentucky foreclosures: numbers, reasons, responses

The Kentucky Office of Financial Institutions recently estimated that 1.9% of all Kentucky mortgage loans were in foreclosure. For sub-prime mortgages, the rate was 7.42%.

With the dramatic increase in the rate and number of foreclosures in Kentucky,

the Commonwealth is facing an affordable housing crisis of alarming proportions. While housing and homeless advocates know of the housing crisis for people with the lowest incomes, the new devastation of foreclosures is affecting worker

housing, too. This article provides background on the problem and a forecast on possible state legislation in response.

### New data from Louisville

The Metropolitan Housing Coalition (MHC) recently completed a study in Louisville Metro that shows the dramatic increase in foreclosure rates. In

1996, there were 437 Orders for Sale of foreclosed-upon homes. In 2007 there will be 3,187, an increase of over 700%. From 2006 to 2007, the number of Orders for Sale will increase an estimated 17.58%. And the wave is not over.

The MHC study also shows that one form of lending — Adjustable Rate Mortgages (ARM) — has caused foreclosures to soar. In 2005 in Louisville Metro, the proportion of Orders for Sale that involved ARMs was 26.6%. In the first six months of 2007, the rate was 45.62%.

Who does this affect? By looking at the Property Valuation Assessment, MHC found that 72% of the homes in foreclosure had assessments lower than the median sales price of a home in Louisville. While PVA assessment is usually a bit lower than sales value, it is undeniable that modestly priced workforce housing is being affected.

### Contributing causes

The sub-prime crisis reaches all the way to Wall Street, where “bundled” loans are sold as investments. With low interest rates, investors were anxious to get higher returns. Bundling of subprime mortgages, with their higher than average interest rates, offered just that. With

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### January Meetings

#### 1/8 Fair Housing Coalition

Tuesday, 2pm at New Directions,  
1000 E. Liberty

#### 1/10 MHC's Foreclosure Study

Release, Thursday, noon at New  
Directions, 1000 E. Liberty

#### 1/15 Advocacy Training

Tuesday, 5:30pm at Presbyterian  
Community Center, 701 S. Hancock

#### 1/17 Non-Profit Housing

Alliance Monthly Meeting, Thursday,  
1pm at New Directions, 1000 E.  
Liberty

#### 1/23 MHC Board Meeting

Wednesday, 12pm at New  
Directions, 1000 E. Liberty

## Metropolitan Housing Coalition

P.O. Box 4533 • Louisville, KY 40204-4533 • PHONE (502) 584-6858 • FAX (502) 452-6718 • [www.metropolitanhousing.org](http://www.metropolitanhousing.org)

# MHC Member News

*Check out what's going on!*

MHC, in partnership with **Advocacy Action Network, Kentucky Youth Advocates** and the **Presbyterian Community Center's Harambee Clinic**, will host an advocacy training on **January 15** at the PCC from 5:30–7pm. Food and childcare will be provided. If you would like to attend and learn how to advocate to legislators in Frankfort without leaving Louisville, call 584-5868 or email [Kendell@metropolitanhousing.org](mailto:Kendell@metropolitanhousing.org). 

The **Louisville Metro Human Relations Commission** is having its 12th Annual Race and Relations Conference entitled *Civil Rights in the 21st Century* on Thursday, **January 24** at the Marriott Downtown from 8am–4pm. The keynote luncheon speaker is DeWayne Wickham, the director of the Institute for Advanced Journalism Studies at North Carolina Agricultural and Technical State University and USA Today columnist. Registration deadline is January 21. For more information, call 574-3631. 

**Center for Neighborhoods** is currently accepting applications for their Spring 2008 class of the Neighborhood Institute. The classes are Tuesday evenings from 6–8:30pm starting **January 22 and ending on April 8**. To apply, contact Mary Mayrose, Program Director at [MaryM@centerforneighborhoods.org](mailto:MaryM@centerforneighborhoods.org) or 589-0343. 

**Family & Children First** will be holding their Ninth Annual Oscar Night America Louisville on Sunday, **February 24** at the Olmsted, 3701 Frankfort Avenue. To learn more about the event, visit [www.familyandchildrenfirst.org](http://www.familyandchildrenfirst.org), or call 893-3900. 

## Dramatic increase in Kentucky foreclosures continued from pg. 1

little regulation, the lending industry created new subprime products, often with terms that completely befuddled borrowers. People did not understand the true terms of their mortgage or the costs they would face:

- Practices such as “teaser rates” of very low interest in ARMs mortgages lured people who did not understand that the low rates were temporary.
- Costs that were traditional parts of a mortgage to a working class person, such as taxes and insurance, were left out of the mortgage payments and had to be paid outside of an already burdensome mortgage payment.

Brokers sometimes profited from people’s confusion and received incentive payments for getting a borrower to enter into a loan at a higher rate than the borrower could have gotten.

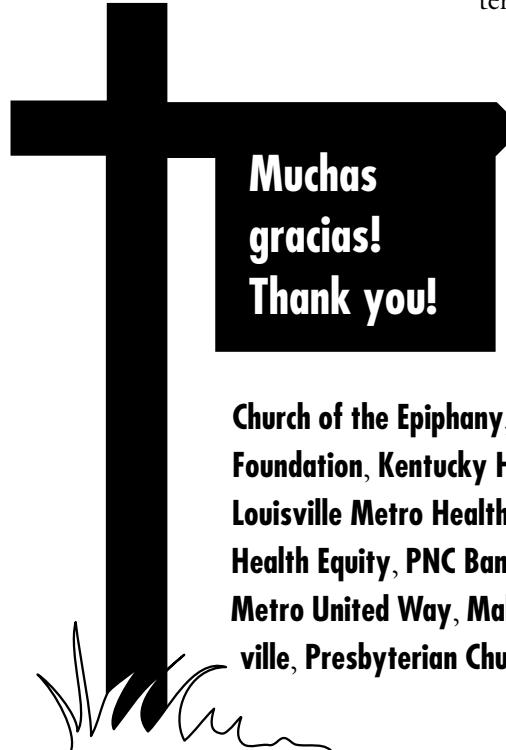
Meanwhile, rating agencies for the bundled mortgage investments did not do their jobs and gave unduly high marks for being a good investment—partly because they were paid by the very companies that wanted to sell the bundled loans. The house of cards began to fall when many consumers couldn’t keep up.

### State response

At the request of several state lawmakers, the Kentucky Equal Justice Center began drafting legislation with three main themes: require responsible lending, hold all parties accountable and help families in danger of losing their homes. A key provision focused on ARMs — requiring borrowers to verify income and assess whether the borrower could pay the maximum rate.

Lawmakers discussed some of the proposals at an interim hearing November 28. Most panel members called for action at the state level rather than waiting for changes in federal law. Many urged housing and consumer advocates to talk with industry representatives — bankers, mortgage companies, brokers and appraisers — to find solutions that helped consumers without unduly hampering credit or “good apples” in the industry. We’ll keep you posted when the 2008 General Assembly starts.

For more information, please contact HHCK Board members Cathy Hinko, Metropolitan Housing Coalition, at 502-584-6858, or Rich Seckel, Kentucky Equal Justice Center, at 859-233-3057. 



**Muchas  
gracias!  
Thank you!**

The Metropolitan  
Housing Coalition is  
grateful for the special  
support of the follow-  
ing foundations and  
corporations in 2007:

**Church of the Epiphany, Catholic Charities, Judah Foundation, Kentucky Housing Corporation, Louisville Metro Health Department's Center for Health Equity, PNC Bank, Gannett Foundation, Metro United Way, Making Connections Louisville, Presbyterian Church USA, and Chase Bank.**

# One man's lesson

This email was sent to MHC's website. With the permission of the writer, Roy Greenfield, and Suzy Post, we are printing it in our newsletter for inspiration and as a reminder that any one person can be an agent of change.

Ms. Post,

Thank you for a life of service, on behalf of social justice. My mother saved an editorial I only read over the [Thanksgiving] holiday, which you wrote on 6/29/07 in [The Courier Journal]. Google brought me from there, to MHC and this email form [on MHC's website].

Let me tell you how your successful effort to integrate JCPS in the '70's positively affected me.

I was a 9th grader at Westport that first year of busing. We were being raised in the very segregated East End, and I remember all of 1 black student at Westport during my JHS years. Seeing all the [African American] kids pouring in there in fall '74, was a big shock to be sure.

My parents didn't teach hate in any form at home. Yet separation of ethnic groups still begets some trepidation, just because of the unknown. You can imagine how it was for peers, who did get a hate message at home on top of that.

I know now that those were the ingredients of the paranoia over busing. I also know now that its real job, was to break down those walls of racial unfamiliarity, that were never going to change in segregated neighborhoods. Draconian, yes. But I am living proof that it worked.

Opponents [said] it's pointless because the kids segregate into separate cliques in the same classrooms, and don't interact. That is what happened - and it's also far too short-sighted a lens to use, [because] the occasional interaction and constant proximity to students of another ethnicity, had a latent payoff that I can now identify decades later. For the last 20 years or so I've been able to just see African Americans as people-Period - not black people or any other qualifier. As you are around others of different ethnicity more and more, they are less and less alien. You move past the unknown to find out, they're simply ordinary people like yourself.

It's very clear to me that the integration achieved through the busing program of JCPS in the '70's, gave me a pathway to that enlightenment that my parents did not have. So it killed the ignorance for one, and I believe for most of my peers also. And racism can't live without [that ignorance], which means you broke the cycle, Ms. Post, for a generation of Louisvillians at least. And no [one] can take that away from either of us.

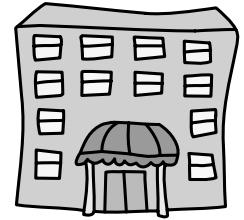
Roy Greenfield  
Cincinnati, OH

## Proposed Kentucky Condo Act outlines standard, businesslike financial operations for condo associations

Condominiums, patio homes and lofts are a quickly growing housing start. The Proposed Kentucky Condo Act helps all consumers with: full financial disclosure; consumer protection; property value protection; and gaining peace of mind.

Current condo association problems can cause a decline in property values. Many owners and potential buyers do not know the full extent of potential looming financial shortfalls at condominium associations. Some problems include: lack of strong paid management; lack of a dedicated, trained volunteer board of directors; and monthly fees that may be too low to sustain the property.

The result can be a decline in property values, and sometimes a steep decline as the property ages.



### A sensible first step for a Kentucky solution

The Uniform Condominium Act has existed in most "urbanized" states for 20+ years. The act requires that all associations keep up-to-date, standard financial records such as an annual operating budget and balance sheet, and a statement of insurance. In addition, associations must disclose needed capital repairs, as well as disclose the amount of money held in reserve. The act assures that finances would be uniform at all association in the state and it helps lenders and buyers know what they are getting into.

On Thursday January 10, at 10am, condo owners and other interested stakeholders will meet in the Capitol Rotunda in Frankfort, and then disperse to meet with their local State Senator and State Representative, to discuss the merits of the Condo Act. The Act was developed by a broad-based committee at the Real Property Section of the Kentucky Bar Association.

For more information, visit [www.KentuckyCondoLaw.org](http://www.KentuckyCondoLaw.org).



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## Save May 6 on your calendar for MHC's 19th Annual Meeting

We have secured speaker **Bill Purcell**, former Mayor of Metro Nashville and current fellow at Harvard University's Institute of Politics at the Kennedy School of Government, as our featured speaker at our upcoming **Annual Meeting on May 6**.

On November 13, 2007, he was honored by the Mental Health Association of Middle Tennessee, naming him the recipient of the 2007 Jack C. Massey Leadership Award. This award recognizes outstanding community leadership. Mayor Purcell served five terms in the Tennessee House of Representatives and as the Director of Child and Family Policy Center at the Vanderbilt Institute of Public Policy Studies prior to being elected the fifth Mayor of the Metropolitan Government of Nashville and Davidson County.

His work as Mayor of Nashville in housing, health care and education garnered national attention. You won't want to miss hearing him speak!

## HIGHLIGHTS FOR JANUARY ... Dramatic increase

in Kentucky foreclosures: numbers, reasons, responses/

Meetings in January/MHC member news/Muchas gracias/

One man's lesson/Proposed Kentucky Condo Act outlines

standard, businesslike financial operations for condo

associations/Save May 6th on your calendar for MHC's 10th

annual meeting