

Program Could Help Thaw Out Mortgage Lending

Detroit Free Press Web site

BY TOM WALSH . FREE PRESS COLUMNIST

March 29, 2009

In a nation still struggling to break the grip of a credit crisis, no local housing market is more hamstrung by the lack of mortgage financing than the city of Detroit.

Oh, some banks will tell you they're making mortgage loans in Detroit. But read the fine print and you'll find that down payments of 30% or more are needed, even for borrowers with impeccable credit history.

Compounding the problem is that virtually all original home loans are immediately sold into the so-called secondary market, and most buyers of these loans don't want to touch paper from Detroit, perhaps the nation's most-distressed major city.

Nonprofit has a plan

So how do we even begin to thaw a housing and mortgage market as frozen as Detroit's?

Help may be on the way, in the form of a reputable national nonprofit outfit called Neighborhood Housing Services of America, which has a 35-year history of lending to low- and moderate-income buyers -- but with default and foreclosure rates only a tiny fraction of those experienced by big private subprime lenders.

NHSA is offering \$40 million to \$50 million to create a secondary market in Detroit to buy first mortgages written by local lenders. It's not a done deal yet, but could happen in the next 90 days or so if the city, Wayne County, the Michigan State Housing Development Authority and local lenders can hammer out details.

"Someone needs to take a first step" to get mortgage money moving again, Ernest Baskette Jr., senior vice president of NHSA, told me in a telephone interview last week. "And we will take it, but it's a measured step."

Oakland, Calif.-based NHSA has avoided disaster these past few years by strictly adhering to two simple principles:

It deals only in 30-year, fixed-rate mortgages. "Nothing fancy or convoluted," Baskette said.

And it provides an intensive mortgage education program for borrowers.

Baskette, who oversees a collaborative NHTSA mortgage program dubbed R-Home and piloted in Washington, D.C., and Ventura, Calif., was invited to visit Detroit by the city's foreclosure-prevention office and Social Compact, a national nonprofit focused on improving inner-city neighborhoods.

Baskette has met several times in recent months with Detroit officials and possible partners, and is exploring the possibility of augmenting NHTSA money with federal dollars available from the Department of Housing and Urban Development's Neighborhood Stabilization Program, to help create a pool of reserves for loan losses.

"We've been working on a similar idea in Wisconsin since October and we're getting ready to ink an agreement there," Baskette said. He's also talking about taking the program to Cleveland and Cincinnati.

He knows that \$40 million is only a drop in the bucket when measured against the magnitude of Detroit's financial woes.

"We know we can't create jobs," he said. "But we also know that we can't just sit back and wait out this recession. We need to take action today."

Amen to that.

To find out more about NHTSA, go to <<http://www.nhtsaonline.org>>

Baskette can be reached at ebaskett@nhtsofamerica.org.

Contact TOM WALSH at twalsh@freepress.com.