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Outperforming the Market

Study shows that Community Land Trust homeowners have lower foreclosure and delinquency rates

BURLINGTON — A report released recently by a researcher at Vanderbilt University in partnership with the National Community Land Trust Network found that conventional homeowners were eight times more likely to be in the process of foreclosure than owners of community land trust homes at the end of the 4th quarter of 2009. The Champlain Housing Trust (CHT), a member of the Network and a participant in the study, had no foreclosures in 2009 among its portfolio of 477 resale-restricted homes in northwestern Vermont.

According to the Mortgage Bankers Association (MBA) survey of conventional mortgages, 4.6% were in the process of foreclosure, compared to only 0.6% of CLT mortgages for the period studied. When the percentages of “seriously delinquent” mortgages for the end of 2009 were calculated (which includes delinquencies of 90 days or more and those in the foreclosure process), MBA percentages ranged from 5.4% to 30.6% (depending on loan types) compared to only 1.6% in CLTs.

“This study proves what we see every day,” said Emily Higgins, Director of Homeownership at CHT. “Our homeowners are faring far better in this difficult economic environment than those who didn’t have the benefit of comprehensive pre-purchase education and counseling, truly affordable monthly housing costs, and ongoing support and stewardship.” CHT’s stewardship ranges from offering low-interest loans to workshops on budgeting and taxes. The average income of a CHT homeowner is about \$51,600 (for household of 4), 70% of the HUD Area Median Income.

Community land trusts offer low- to moderate-income households the opportunity to buy homes at prices substantially below market rates, using a combination of public and private subsidies. In exchange, homeowners agree to share the market appreciation they receive with the next buyer when they sell, keeping it affordable to future generations of homebuyers.

“What this shows is that CLTs are clearly outperforming the market. Unlike foreclosure trends in the market, which hit all time highs during 2009, CLTs keep finding ways to safeguard their homeowners from foreclosure,” said Roger Lewis, Executive Director of the National CLT Network.

Among the report’s findings:

- The sample consisted of 42 CLTs from 22 states that represented 2,173 residential, resale-restricted mortgages.
- Results indicated that MBA prime loans were 4.3 times more likely to be seriously delinquent on December 31, 2009, than the CLT mortgages (defined as 90 days or more delinquent or in the process of foreclosure). MBA prime loans were 5.9 times more likely to be in the process of foreclosure on December 31, 2009 than the CLT mortgages.
- CLTs percentages of serious delinquencies were consistent across 2008 and 2009 while market-rate percentages increased.
- CLTs cured or help to cure 5.1% of mortgages that were ever seriously delinquent during 2009, whereas national cure rates reported for RMBS delinquent prime loans as of August 2009 were 6.6%.
- Low rates of foreclosure and delinquencies and high cure rates may be explained by the prevalence and intensity of stewardship to promote successful ownership, high-risk loan prevention, and delinquency detection and intervention.
- Successful foreclosure prevention by CLTs results in the prevention of major financial costs to households, neighborhoods, and municipalities.

The report was completed by Emily Thaden of Vanderbilt University. A copy of the full report may be found at: <http://bit.ly/cltforeclosurerpt>.

The Champlain Housing Trust, founded in 1984, is the largest community land trust in the country. Throughout Chittenden, Franklin, and Grand Isle counties, CHT manages 1,500 apartments, stewards 475 owner-occupied homes in its signature shared-equity program, provides services to five housing cooperatives, and offers affordable energy-efficiency and rehab loans. In 2008, CHT won the prestigious United Nations World Habitat Award, in recognition of its innovative, sustainable programs.

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