Richmond CARES
Community Action to Restore Equity & Stability
A Plan to Save Homes, Save Neighborhoods, Save Richmond

Frequently Asked Questions

Question: Will this program take people’s homes?

Answer: No. First, the program is entirely voluntary. Homeowners will “opt-in” if they think the program can benefit them. Second, the entire goal of this program is to keep people in their homes. Mortgage loans are often bought and sold many times. In this case, the City or a Joint Powers Authority (JPA) the city sets up will buy the loan in order to help the homeowner modify or refinance into a better loan with substantially reduced principal.

Question: How will the City pay for this program?

Answer: The City is partnering with private investors who have the capital to acquire the loans and cover the operational and legal costs of the program. The City would be in charge, making all programmatic decisions and designing the program, but the money would come from these investors.

Question: Will this help or hurt home values in Richmond? I’m hearing both arguments.

Answer: This program will reduce foreclosures and therefore help property values. Foreclosures have a huge negative impact on home values. Those who are saying it will hurt property values are confused. The concern stems from the incorrect belief that properties are being sold at below market value and so will factor into the “comps” – what comparable homes are selling for in the area – when the price of other homes is determined. This is not the case. These homes are not in fact being sold. The loan is being sold, or taken through eminent domain. The house itself will not be going through the sale process.
Question: Will the future cost of credit – mortgages – go up, as the opponents are saying?

Answer: Wall Street is threatening this, but it would be discriminatory and illegal. There is nothing that Richmond is proposing to do that should impact the future cost or availability of credit. Richmond is using legal means to acquire the loans, paying whatever is deemed to be “fair market value” for the loans, making sure that current investors are fairly compensated and left whole.

Question: What’s the risk for the City?

Answer: This program only moves forward if the City is not put at undue risk. A front-end agreement when this program started is that all costs will be covered by the outside funding partners and that they must indemnify taxpayers from legal and financial liabilities. The City and the program partners are currently working on this, to design the program in a way that will protect the City.

Question: But wasn’t the City just sued by Wells Fargo & Deutsche Bank?

Answer: The City was sued, which was always a real possibility given Wall Street’s opposition. But the City is not covering the costs of dealing with the lawsuit – our outside partners have lined up a top national law firm to defend the City at no cost to us. And of course, we think Wall Street’s lawsuit has no merit. The law is on our side. They filed this lawsuit because they want to scare us and other cities and they have endless money to throw at this.

Question: How valuable is this program, really? Is it worth all this trouble?

Answer: Many community leaders and elected leaders certainly think so!

Richmond neighborhoods have been devastated by the housing crisis. Property values plummeted 58%. Half of all homeowners owe more on their mortgages than their homes are worth. Thousands of homeowners and tenants have lost their housing due to this crisis. Richmond’s economy needs a boost! This program can give Richmond this boost by reducing debt for struggling homeowners and pumping millions back into the local economy.

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