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BCC Buys Homes from Boston Foreclosure Auctions for Families

By John Cutts | 13 April 2010 @ 09:49 am EDT



Distressed homeowners are being helped by nonprofits Boston Community Capital and City Life/Vida Urbana to keep their homes even after their properties have been repossessed by banks from Boston foreclosure auctions.

Since the last months of 2009, BCC and City Life have already helped 50 homeowners keep their homes and 20 more are in the process of legally getting back their homes from the banks that repossessed them.

The foreclosure mitigation scheme of BCC and City Life is different from most other programs as it saves distressed homeowners after foreclosure instead of before. They realized that loan modifications and other foreclosure prevention programs have not been effective in keeping residential properties from entering house foreclosure auction, so they crafted a more practical way of keeping families in their homes.

Under the scheme, BCC helps a family whose home has been foreclosed and has been repossessed by the lender by buying the **repossessed home** from the lender and then sells it to the family at a price about 25 percent more than the purchase price, but significantly lower than the original mortgage.

The 25-percent addition is a hedge by BCC in case of default in the future, so it can remain viable and financially able to help other distressed families by buying their properties that have gone through Boston foreclosure auctions.

One family that has been helped is the family of Jane Petion who has already received an eviction notice after her house was foreclosed. After 15 years of living in the house whose original value was \$400,000, the appraisal of the house plunged to around \$250,000.

After BCC intervened, Petion now has a new mortgage worth \$250,000 covering the same house. Her family need not move out and her new monthly loan payment is less than 50 percent of her previous monthly obligation.

According to Patricia Hanratty of BCC, she hopes the scheme is replicated by other nonprofits in places where there are a lot of properties entering **home auctions in Massachusetts**. She said that lenders usually agree to sell their REOs at lower prices to nonprofits especially if they are facing difficulties in managing their repossessed properties.

To support the work of BCC, City Life holds demonstrations outside foreclosed properties to force lenders to sell them at market value. According to BCC head Hanratty, due to the initial success of the program, BBC has started raising \$50 million to step up the program and buy more homes repossessed from **Boston foreclosure auctions** to keep families in their homes.

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