Billings Gazette

Program uses federal funds to rehab Wyoming houses

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Casper Star-Tribune

| Posted: Sunday, November 7, 2010 12:05 am

CASPER, Wyo. — The drug residue, ecstasy and cocaine, has been removed from the living room and bedrooms. The siding has been torn off, waiting to be replaced.

The foreclosed home at 1461 Glenaire Drive will soon be back on the market.

Its rehabilitation is part of a program signed into law by President George W. Bush at the onset of the national panic in 2008 over housing foreclosures. Now, a quasi-governmental organization known as the Wyoming Community Development Authority is buying up foreclosed homes, rehabilitating them, and selling them to low- and medium-income residents.

The plan is to put more than 50 foreclosed houses in Wyoming back on the market for low- and moderate-income buyers. The program, funded by the Housing and Economic Recovery Act of 2008 and administrated by the Wyoming Community Development Authority, is focusing on four areas of the state: Casper, Cheyenne, Gillette and Rock Springs/Green River.

“We're purchasing the houses that maybe investors won't take,” said Gayle Brownlee, director of federal programs for WCDA.

Brownlee and Jennifer Crawford work together to design a program that will improve neighborhoods and provide new homes for people looking to buy.

Many foreclosed homes sit vacant for a year or two, according to Crawford, because there is no economic reason for anyone to buy them. Foreclosed homes can deteriorate, attract vagrants and lower maintenance standards by which residents judge themselves.

Putting a homeowner in a foreclosed property can prevent the first and deter the other two.

“It starts that competition, because you don't want to be the worst on the block,” Crawford said.

Buying the house

Crawford wants the baddest house on the block.

“I look for the worst house on the block and say 'I want that one,'” she said.

In charge of purchasing foreclosures, Crawford's job is to find structurally sound houses that can be bought and rehabilitated for $200,000 or less. The WCDA paid $152,500 for the house at 1461 Glenaire, and they anticipate putting about $42,000 worth of repairs into it.

When she walks through a property — she finds them by networking with real estate agents — Crawford compares the asking price to what she thinks the house is worth.

She also makes a checklist of what would need to be replaced.

“I'm mentally clicking things,” she said. “If it's a window, I'm thinking $500.”

One of the biggest surprises to her is the number of houses that have tested positive for drugs. About half the homes she's purchased have had traces of some form of illegal substance.

“We haven't had a production level house,” she said, adding: “I actually tried to buy one of the meth houses on Jackson Street.”

The banks she's spoken to don't test for drugs because they don't want to get an answer, she said. But according to Crawford, it's one more step she can take to set up a foreclosure for the future.

In the case of 1461 Glenaire, the living room tested positive for ecstasy and the master bedroom for cocaine. The contamination was cleaned up before the rehabilitation work was bid, she said. Another house bought by the WCDA, 3104 Bellaire Drive, tested positive for cocaine in the kitchen, living room and two bedrooms.

Another gratifying measure for Crawford is getting rid of lead-based paint in older homes.

A house bought by the WCDA — 395 Minnesota Ave. — needed lead-based paint removal, which added significantly to the $76,500 rehabilitation costs.

The higher cost is because a specially trained contractor is needed to remove the paint — worth the trouble, in Crawford's opinion.

“It's one more house the lead has been removed from,” she said.

Limiting risks

There are conditions in order to qualify to purchase a house through the program. Potential buyers have to take eight hours of continuing education on budgeting and home ownership.

“I still meet with them twice and explain to them, get right in their face, 'You need to call us if you're having problem,'” Brownlee said.

It also means making sure buyers don't buy more house than they can pay for.

“It's not appropriate for a single individual to have (an enormous) house,” Crawford said.

“It's really tailored to the family,” Brownlee said.

Under the program, known as the Wyoming Rehabilitation and Acquisition Program, there are no escalating rates, which tripped up many homebuyers in the past decade. One driver of the foreclosure crisis was offers by banks for low “teaser” interest rates that would switch to floating rates after a couple of years. Once the interest rate — and mortgage payments — jumped, many owners could not afford their homes.

These interest rates are fixed, and families suitable for a house put their names into a lottery-style game.

“We call it a drawing,” Crawford said. “So it doesn't constitute gambling.”

Homebuyers at or below 50 percent of the average area income — $32,900 for a family of four in Natrona County — make a fixed payment with 1 percent interest. Homebuyers with average income above 50 percent but at or below 80 percent — $52,650 for a family of four in Natrona County — make a fixed payment with 3 percent interest.

There are also conditions that limit potential buyers with too much debt. A homebuyer must spend at least 25 percent of their income on the housing payments, and can't have more than 43 percent of their income going to debt payment, according to Brownlee. That will keep away people who have too many car payments or loans for luxury items such as boats.

“What we're trying to do is get people into home ownership, not subsidize a lifestyle,” she said.

Doubts

Mark Calabria said putting government in competition with investors who would otherwise buy the properties isn't the best idea.

“If these houses have some value, why would the taxpayers have to pay for them?” said Calabria, director of financial regulation studies for the Cato Institute, a libertarian think-tank.

Calabria, who worked on the Senate Banking Committee when the bill was passed in 2008, said the federal program, known as the Neighborhood Stabilization Program, may inflate housing prices that the free market would otherwise bring down.

“There's more than sufficient demand for the homes that are there,” said Calabria, of states like Florida and California that experienced high levels of foreclosures. “People will come back to buy at some price.”

In a state like Wyoming, state and local governments tend to look at federal money as if it is free.

“It certainly isn't free to them,” he said. “You have a small population base, but you also don't have a lot of foreclosures. You're not certainly paying a lot into the program, but you're also getting less than you're paying in.

“Wyoming is probably a loser in all this.”

The WCDA actually tried to turn down the money, Brownlee said.

“We thought about just giving the money back to the federal government,” she said. “As long as Wyoming citizens didn't have to pay for it.”

But they were told that Wyoming taxpayers could not opt out of the funds, Brownlee said. The money, distributed by the U.S. Department of Housing and Urban Development, would have to be used by Wyoming or go to another state.

But Brownlee doesn't see the program as a loss. It not only allows families who want to own a home to do so, but also invests in neighborhoods for years to come.

“We're trying to bring back the economic life of the house,” she said. “It's now good for the community and it's going to last.”

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