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**Testimony of Johanna A. Schmidt  
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**Before the District of Columbia Department of  
Housing and Community Development**

**Public Needs Assessment Hearing for Fiscal Year 2025**

**June 7, 2024**

Legal Aid DC<sup>1</sup> submits this testimony to urge DHCD to allocate some of its federal entitlement funds for fiscal year 2025 to maintain the DC Homeowner Assistance Fund (HAF) program, after the funds from Treasury have been exhausted. Maintaining a local homeownership preservation program with funding available for homeowners in danger of foreclosure is incredibly important for homeowners in the District, and DHCD should take this opportunity to continue to fund HAF.

Maintaining a local homeownership preservation program was an explicit recommendation of DC's Black Homeownership Strike Force,<sup>2</sup> and now is the time to act on that recommendation because HAF program funds will soon be exhausted. Without a local fund, many homeowners will face foreclosure or forced displacement from the District.

DHCD also has the existing infrastructure and knowledge necessary to set up a local foreclosure prevention program given its experience operating the current HAF program.

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<sup>1</sup> Legal Aid DC is the oldest and largest general civil legal services program in the District of Columbia. The largest part of our work is comprised of individual representation in housing, domestic violence/family, public benefits, and consumer law. We also work on immigration law matters and help individuals with the collateral consequences of their involvement with the criminal legal system. From the experiences of our clients, we identify opportunities for court and law reform, public policy advocacy, and systemic litigation. For more information, visit [www.LegalAidDC.org](http://www.LegalAidDC.org).

<sup>2</sup> District of Columbia Black Homeownership Strike Force, Final Report: Recommendations for Increasing Black Homeownership in the District at 22 (Oct. 2022), [https://dmped.dc.gov/sites/default/files/dc/sites/dmped/page\\_content/attachments/BH\\_SF%20Report%20FINAL%20FINAL%20.pdf](https://dmped.dc.gov/sites/default/files/dc/sites/dmped/page_content/attachments/BH_SF%20Report%20FINAL%20FINAL%20.pdf).

Now is the time for the agency to build on that experience to create an effective and well-functioning local fund.

### **Background on the HAF Program**

The Homeowner Assistance Fund uses \$50 million in federal funds to provide grants to District homeowners who are suffering financially from the pandemic to save their homes and avoid displacement. DC's HAF program has been open since June 2022, and at this time, Legal Aid understands that approximately \$6 million of the federal HAF funds remain.

The HAF program is a unique opportunity to stem the tide of displacement, to preserve low and moderate-income homeownership, and to build intergenerational wealth, which would in turn help to narrow the District's racial wealth gap. It is critical to preserving Black and Latinx homeownership in the District, given that Black and Latinx homeowners face disproportionately high risks of losing their homes.<sup>3</sup>

### **Legal Aid Asks DHCD to Allocate Some of its Fiscal Year 2025 Federal Entitlement Funds to Maintain a Local Homeowner Assistance Fund After Federal HAF Funds are Depleted**

HAF is a critical tool for preserving homeownership, and DHCD should prioritize creating a local fund given that the federal HAF money will run out soon. Without HAF, homeowners will have few, if any, tools at their disposal to save their homes. Legal Aid urges DHCD to use some of these federal entitlement funds for FY 2025 to fill that void. Without a local fund, District homeowners who fall behind on their mortgages or related housing costs in the future are likely to lose their homes.

*If DHCD Does not Allocate Money for Foreclosure Prevention, Homeowners will be Worse off Than Before the Pandemic*

If the HAF program is not replenished, or a similar local fund established, when the existing funds are depleted, there will be no local assistance for District homeowners who have fallen on hard times with their forward mortgages. This is a significant loss for District homeowners who have been able to turn to the HAF program, and before that, to the Home

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<sup>3</sup> Rachel Bogardus Drew & Matt Thompson, *Foreclosure Risks Remained High during Pandemic for Households of Color*, Enterprise Blog (Feb. 8, 2023), <https://www.enterprisecommunity.org/blog/foreclosure-risks-remained-high-during-pandemic-households-color>. (“Government interventions during the pandemic did little to shrink systemic inequities in housing stability for households of color, who continue to face foreclosure risks at more than twice the rate of white homeowners.”)

Saver Program operated by the DC Housing Finance Agency, for mortgage assistance during times of financial distress.

This will be a catastrophic scenario for homeowners given the current interest rate market, which makes loan modifications infeasible for most struggling homeowners. Without a government program providing direct mortgage relief, a homeowner with a conventional mortgage is entirely at the whim of their mortgage servicer in terms of the availability (or lack thereof) of options to preserve their homeownership and bring their loans current again. For those with conventional mortgages, a loan modification will likely be the only option available.

However, loan modifications will be unworkable for the vast majority of homeowners due to the current interest rate market. Mortgage rates presently are around 7% for a 30-year mortgage. The Federal Reserve's data indicates that this is the first time in over twenty years that the typical 30-year mortgage interest rate is that high.<sup>4</sup> For homeowners seeking relief on their mortgages, these heightened rates make a successful loan modification unlikely, because when a loan is modified to a higher interest rate, the monthly payment will usually increase. If someone is struggling to pay their mortgage, increasing their monthly payment is generally not a solution.

Similarly, condominium owners will also have no options for direct assistance to catch up on their condominium fees. Thus, if a condo owner falls behind on those fees, they are at a greater risk of their condominium association foreclosing on them.

*Creating a Local Foreclosure Prevention Fund Furthers the District's Policy Goals of Preventing Homelessness and Displacement*

One of the District's stated policy goals is preventing homelessness and displacement. DHCD has the ability to stem the tide of homelessness in the District by preserving and funding the HAF program for fiscal year 2025 through these federal entitlement funds. In the District, just as mortgage interest rates have skyrocketed, so to have rental prices.<sup>5</sup> Because of this, the average monthly mortgage payment for low- and moderate- income

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<sup>4</sup> Federal Reserve Economic Data, 30-Year Fixed Rate Mortgage Average in the United States, <https://fred.stlouisfed.org/series/MORTGAGE30US/> (last accessed May 30, 2024).

<sup>5</sup> Golding, Eliana, *A Holistic & Reparative Agenda for Ending Displacement in DC*, DC Fiscal Policy Institute at 5 (Dec. 22, 2022), <https://www.dcfpi.org/wp-content/uploads/2023/11/Displacement-Report.pdf>.

households can be lower than rent for a similar property.<sup>6</sup> If someone cannot afford their mortgage, they are unlikely to be able to afford rent in the District and may end up homeless or priced out of the city if foreclosed upon. Thus, foreclosure prevention is both a homelessness and displacement prevention tool in DC.

The District understood the importance of homelessness prevention and prioritized that through funding the Emergency Rental Assistance Program (“ERAP”). ERAP provides direct assistance with back-rent to avoid evictions and help tenants remain in their homes. Homeownership preservation is no less important, and the District should invest in a direct homeowner assistance program to afford similar relief to homeowners facing financial hardship and loss of their home. Legal Aid encourages DHCD to do so by continuing to fund HAF.

*DHCD’s Experience Running HAF Demonstrates an Ongoing Need for Foreclosure Prevention Money for DC Homeowners*

Many homeowners have received life-changing assistance from HAF, but the program will not meet the existing need of District homeowners before funds run out. Legal Aid understands that DHCD is already deprioritizing second applications and ancillary requests for assistance because it already anticipates that it cannot meet the need for foreclosure prevention funds in the District with the remaining \$6 million. Rather than cutting off homeowners from a lifeline to help preserve homes, DHCD should continue this program to help homeowners in the District preserve their housing.

### **Conclusion**

We urge DHCD to allocate some of its fiscal year 2025 federal entitlement funds to establish and maintain a local homeownership preservation program. HAF has served as an incredible and powerful tool for homeowners in the District, providing a fresh start to those who have fallen on hard times. Continuing to fund HAF is incredibly important. DC’s ability to sustain Black homeownership in the future. By preserving HAF, DHCD can preserve homeownership, stem the tide of displacement, prevent homelessness, and enable historically marginalized communities to build generational wealth.

We thank DHCD for the opportunity to submit this testimony.

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<sup>6</sup> Cf. National Coalition for the Homeless, *Foreclosure to Homelessness: the Forgotten Victims of the Subprime Crisis* (March 2017), <https://nationalhomeless.org/wp-content/uploads/2017/06/Foreclosure-to-Homelessness-.pdf>.