

Help for Renters Hurt by the Foreclosure Crisis

Renters are hit hard by home foreclosures. Renters and their families live in as many as 4 out of 10 of the houses foreclosed across the country. Tenants of rental properties are often younger Americans and those with lower incomes. In August 2009, the RealtyTrac U.S. Foreclosure Market Report showed foreclosure filings for 358,471 properties during the month, or one in every 357 U.S. housing units.

After foreclosure, many families who live in those rental homes are evicted through no fault of their own. Renters in good standing are being forced out of their homes with little or no notice. Because many families who rent are those with lower incomes, a growing number of tenant families hit by foreclosure become homeless after exhausting their resources. For some, this can mean moving in with friends or relatives. Others end up in emergency shelters or on the streets.

On May 20, 2009, President Obama signed the Helping Families Save Their Homes Act of 2009. Title VII of this new law, the Protecting Tenants at Foreclosure Act, provides protections to tenants from eviction as a result of foreclosure on the properties they are renting. The law took effect immediately and is set to expire on December 31, 2012.

Under the new federal law, tenants in good standing must get written notice before the new owner can force them to move because of the foreclosure. Tenants who pay their rent on time can stay in the home for 90 days after the foreclosure. When there is a lease agreement, the renter can stay until the end of the lease, unless the new owner plans to live in the home. The law also protects tenants who receive Section 8 housing assistance. It allows them to continue their rental assistance and to remain in place under their lease agreement. The 90-day period is meant to give tenants enough time to make new housing arrangements but also recognizes that lenders want to get the property on the market as soon as possible. According to a spokesman for Bank of America, they believe it is "generally more effective to market a property that is vacant than one occupied by a tenant."

Tenants in foreclosed properties who are served with court or other eviction notices to force them to move with less than 90 days notice or before the end of their lease term should contact their local legal

services office for help. Even if the tenant stays after 90 days, the new owner must still take them to court before they can force them to move.

Earlier this year, before the new law passed, both government-controlled mortgage lenders, Fannie Mae and Freddie Mac, announced policies that may help renters in foreclosed properties. According to the new policies, both lenders offer renters in foreclosed properties month-to-month leases until the property is resold. Since these policies only apply to buildings owned by Fannie Mae or Freddie Mac, the impact is limited.

Other non-government lenders may also offer "cash-for-keys" deals that help renters in foreclosed properties. Lenders or their real estate agents or brokers may encourage renters to move out of properties so the lenders can get the property fixed up and resold as quickly as possible. Typically, banks or lenders will offer a payout in cash ("cash-for-keys") to tenants who agree to move by a certain date. Tenants may be able to work out an agreement for more time to move. These agreements help lenders save the expense and delay of evictions. The "cash-for-keys" amount varies, but on average, can be as high as \$1,000 to \$3,000.

The law expires at the end of 2012.

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Note: This column cannot take the place of legal advice. All cases are different and need individual attention. Talk to a lawyer about your case.

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