

## **Model Legislation for Making Home Equity Loans Available to Contaminated Communities**

Case Study from Brown University  
Community Outreach and Research Translation Cores

This presentation will examine the central role of Brown's SBRP, working with a community group and the state environmental agency (RIDEM), both of which are official SBRP partners, in getting the state of Rhode Island to pass legislation in July 2006, making home equity loans available to homeowners in contaminated areas, who otherwise have been refused bank loans.

In August of 2002, a municipal crew working on a sewer interceptor project in the Bay Street neighborhood of Tiverton, Rhode Island, uncovered soil and sediment that was tinted a bright blue color. Testing revealed that much of the soil underneath the roads and extending onto private properties is contaminated with cyanide, lead, arsenic, benzo[a]pyrene, and other toxins. The Rhode Island Department of Environmental Management (RIDEM) has determined that the likely source of the contamination is the New England Gas Company, whose Fall River coal gasification plant is located just across the state line in Massachusetts. Waste from this plant is believed to have been used as fill when the Bay Street neighborhood was constructed in the early 20<sup>th</sup> century.

The presence of the contamination has had a significant negative impact on the financial prospects of this working-class community. Since the contamination was discovered, the values of the homes and properties in the Bay Street neighborhood have plummeted. A moratorium on all digging and construction activities, put in place by the Town of Tiverton, also prohibits the sale of homes within the defined moratorium area. Home equity loans and lines of credit are nearly impossible to secure, because of the severely reduced market value of the homes in the neighborhood. Lenders are hesitant to write such loans because if the borrower were to default on the loan, the bank would be unable to recover the debt by seizing and selling the home. Unable to leverage the equity in their homes, residents cannot secure loans for minor home repairs (such as replacing a roof or a furnace) or more substantial projects (such as an addition or expansion needed when a child is born into the family). Homeowner equity is also an important financial resource for parents with college-aged children, and the inability to use their home's equity stands to limit the educational aspirations of future generations.

A group of concerned residents founded the Environmental Neighborhood Action Committee of Tiverton (ENACT) in the spring of 2003. They have dedicated themselves to working with state and federal legislators and regulatory agencies to demand a total cleanup of the neighborhood. Negotiating a cleanup has been a lengthy process, however, and as an interim measure, they appealed to their legislators and to academic researchers at the Brown SBRP for assistance in designing a remedy for the problems residents face in securing loans for home repairs and improvement. ENACT is an official partner in the Brown SBRP Community Outreach Core.

In the spring of 2006, Phil Brown, director of the Brown SBRP Community Outreach Core, and two students, Ben Hudson and Sarah Fort, worked closely with state Representative Joe Amaral and state Senator Wally Felag to explore the options and mechanisms that might be

available to provide home equity loans to Bay Street residents. This research identified several possible mechanisms to provide financing to qualified homeowners. After reviewing the options with Rep. Amaral and Sen. Felag, and with other knowledgeable policy analysts, the state legislators decided the most promising and expeditious option would be to amend the legislation for the Rhode Island Housing Mortgage and Finance Corporation (RIHMFC; now called Rhode Island Housing), the government-affiliated affordable housing agency charged with offering home equity loans in Rhode Island.

The result was the Environmentally Compromised Home Ownership (ECHO) loan program, developed as a part of the overall RIHMFC program. The bill makes loans of up to \$25,000 available to homeowners living on or directly abutting a site that has been certified by the Rhode Island Department of Environmental Management (RIDEM) or under the federal CERCLA act as “known to be impacted by the release of hazardous materials or petroleum.” This language was inserted to limit eligibility for the loans to people with environmentally compromised properties. The wording on the bill needed to be tight enough so that it applied only people living on contaminated properties. All loans must be repaid and RIHMFC does not assume any liability for environmental cleanup. Although the bill was originally drafted to address the needs of the residents of Tiverton, it is written generally enough so that other Rhode Island residents struggling with toxic contamination may also benefit.

Through quick cooperation between the state legislators, the RIDEM (RIDEM is a partner in Brown’s SBRP), and the Brown SBRP Outreach team, the bill was drafted and was introduced in both the state House of Representatives and the state Senate in June of 2006, and was passed not long after. Governor Carcieri signed the bill into law on July 14, 2006. Gail Corvello, president of ENACT, hosted an honorary bill signing at her home in Tiverton on July 21, 2006. The Governor made a ceremonial signing of the bill; State Senator Lincoln Chafee, Representative Amaral, Senator Felag, Brown SBRP outreach team members, and many residents were on hand to witness the bill’s signing. The Governor and the legislators all thanked the Brown University team in particular for their work on this effort.

The Brown SBRP Outreach team is working to spread word of this program to other states, in the hopes that Rhode Island will be a model for national action to help contaminated communities.

For SBRPs, this example offer a valuable case study of how community outreach and research translation can work together, bringing in community groups and multiple levels of state government.