

Coping with the Impact of Predatory Lending: Foreclosure Solutions

Karen Rainey, LWVO Housing Specialist

Addressing Ohio's sky-high foreclosure rate became a priority for Governor Strickland when he assumed office. Foreclosures, often the consequence of predatory lending, had grown to the highest rate of any state. Adding to the problem was a high percentage of sub-prime adjustable rate mortgage (ARM) loans that were delinquent and in foreclosure. Foreclosures affect not only the homeowners, but also community housing values, and result in loss of tax revenue for local governments and schools.

The Foreclosure Prevention Task Force, appointed by Governor Strickland last March to address the issue, has concluded its work and presented 27 recommendations. These are grouped into seven key areas:

- Encourage borrowers to get help early,
- Expand housing counseling and intervention services,
- Work with lenders and servicers to maximize alternatives to foreclosure,
- Provide options for homeowners to refinance or restructure their mortgages,
- Improve Ohio's foreclosure process,
- Strengthen protections for homeowners, and
- Help communities recover from the aftermath of foreclosures.

Responsibilities for implementation are assigned to various state entities. The Department of Commerce is generally responsible for a public awareness campaign; the Supreme Court needs to issue guidelines for streamlining the foreclosure process while improving homeowner access to information and legal counsel. The entire report is available at www.com.state.oh.us/admn/pub/FinalReport.pdf.

Where can the League help? One of the recommendations to help communities recover is to address vacant housing and to revitalize neighborhoods. This recommendation fits well with our land use positions and it needs a grassroots effort to make it a priority. The Ohio Housing Trust Fund is likely to be tapped for \$1 million for a demonstration program.

Following the release of the task force report, Governor Strickland proposed a compact between subprime mortgage servicers and the state to prevent default loans and foreclosures. Servicers are asked to make a good faith effort to prevent foreclosures and to report monthly to the Department of Commerce describing their progress in working with homeowners. After a comment period, the governor is expected to release the final proposed compact on November 8.

A footnote

The *Lift the Cap* campaign to allow all the money collected for the Housing Trust Fund to actually go to the Housing Trust Fund, was not successful. You may recall that housing advocates sought to change legislation during the biennial budget process so that all of the

money collected through the county recordation fee, a dedicated funding source for the trust fund, would be available for housing purposes. Instead, any amount over \$50 million continues to go into the state's General Revenue Fund. Housing funding stayed relatively flat in the 2008-09 state budget.

Teleconference on Predatory Lending and the Foreclosure Conference

Interested in learning more about this issue or discussing possible actions? LWVO housing expert Karen Rainey will be available on November 7, 2007 at 2:00 pm for a 60-minute teleconference on predatory lending and the foreclosure crisis. This unique opportunity is open to the first 25 League members making a reservation at 1.877.LWV.OHIO (1.877.598.6446) or lwvo@lwvohio.org

Calling instructions will be provided after reservations are made.