

Support state foreclosure legislation

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Foreclosure Limbo. It's where several thousand Connecticut homeowners faced with losing their homes find themselves.

They are playing by the rules and still find themselves stuck in foreclosure, sending paperwork over and over again, and dealing with servicer's ever-changing whims and demands.

Gov. Dannel P. Malloy has proposed a way to end the foreclosure limbo, and we at the Connecticut Fair Housing Center strongly support it. The Homeowner Protection Act would hold banks accountable and streamline the process for addressing abandoned properties.

The Center is the only statewide nonprofit that represents and advocates for homeowners facing foreclosure, and we speak to homeowners in foreclosure limbo every day.

Their lives are on hold, and the stress of waiting and repeatedly submitting documents and dealing with callous customer service representatives tears their lives apart. We see the horrible effects of the endless runaround, such as broken marriages, heart surgeries, and mental illness, and the effects on neighborhoods of vacant and abandoned homes.

Connecticut's elected officials have done much to help homeowners avoid foreclosure. The state's Emergency Mortgage Assistance Program, which helps unemployed homeowners facing foreclosure, is one of only five of its kind in the country. The state funds job training and counseling through its Mortgage Crisis Job Training Program.

Connecticut's crowning achievement, however, has been its foreclosure mediation program. Rather than fight foreclosure in the courtroom, homeowners have a chance to apply for a loan workout with their mortgage company and talk directly to their mortgage company.

Since it began in July 2008, 67 percent of homeowners who have completed the program have kept their home, and another 15 percent have avoided through foreclosure by a short sale or other negotiated "graceful exit," numbers unmatched by any other state or program.

In the Danbury area, the program's success means that several hundred households have kept their home, thousands of neighbors have benefited from living next to an occupied property rather than a vacant one, and several towns have avoided further drops in their tax base along with fire, police, and maintenance costs that average \$19,000 per foreclosure.

But the mediation program's success has come with a cost.

The program's structure envisions a cooperative venture between the homeowner and the mortgage company. If the homeowner does not cooperate, or if there's nothing that can be done to help, the remedy is simple: mediation ends, and foreclosure proceeds.

But little can be done to hold a recalcitrant out-of-state mortgage company accountable for its delay. When faced with an obstinate mortgage company with little incentive to move quickly (partly because it seldom owns the mortgage loan), or a mortgage company who "participates" in mediation by having a helpless stooge on the phone rather than someone with real settlement authority, the court and the homeowner have few options but to extend mediation.

The result is foreclosure limbo, in which homeowners are stuck waiting for answers on their loan workout applications for years, attending fruitless mediation sessions every month.

Gov. Malloy wants to end foreclosure limbo and force servicers to get to "yes" or "no" more quickly. He would require mortgage companies to mediate in good faith, and would subject them to financial penalties if they don't.

If mediation lasts longer than three sessions, the matter would be referred to a judge rather than simply go through further mediation.

We have tried using carrots to encourage national mortgage companies to participate in our foreclosure mediation program in good faith. While the program has succeeded in spite of their mediocre performance, everyone knows we can do better, and do it more quickly. Gov. Malloy's proposal recognizes that when carrots fail, sticks must be used.

Critics in the banking industry claim that Connecticut's foreclosure timeline is too long. They cite faulty "studies," like the one done by the mortgage industry creatures Fannie Mae and Freddie Mac, that deliberately ignore the savings the mediation program delivers to banks via "win-win" results like loan modifications and short sales.

The problem has not been the mediation program -- it's been, by and large, the mortgage industry's behavior in mediation.

The governor's proposal acknowledges that delay is bad for the foreclosure mediation process. The proposal deserves our support, both for the sake of the homeowners stuck in foreclosure limbo, and for the sake of the housing market.

Please tell your state legislators to support Gov. Malloy's foreclosure legislation.

Jeff Gentes is the managing attorney of Foreclosure Prevention at the Connecticut Fair Housing Center.