

# Rural Voices

THE MAGAZINE OF THE HOUSING ASSISTANCE COUNCIL  
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## LOSING THE DREAM



THE FORECLOSURE CRISIS IN RURAL AMERICA

Dear Friends,

Not long ago housing was the centerpiece of our nation's strong and growing economy. Today, the mortgage foreclosure crisis is devastating financial markets, local communities, and individual homeowners. This issue of *Rural Voices* examines the impact of this crisis on rural communities and the programs that been effective in helping families keep their homes.

What started out as anecdotal reports on a local issue has now escalated into a national problem that requires a national response. The "View from Washington" article, written by the National Community Reinvestment Coalition, describes some of the major national policy and regulatory proposals under consideration to help homeowners in jeopardy of foreclosure.

Finding quality, accurate data is an ongoing challenge in understanding and addressing the mortgage default and foreclosure problem, particularly in rural areas. Two statewide organizations, the Greater Minnesota Housing Fund and the Coalition on Homelessness and Housing in Ohio, have led efforts to collect foreclosure data and advocate on behalf of low-income homeowners. Their contributions to this *Rural Voices* describe how foreclosure issues are impacting some rural communities and highlight needed resources.

NeighborWorks® America has received \$180 million in Congressional funding to administer a national foreclosure mitigation counseling program. A NeighborWorks article in this issue illustrates the work of local organizations that provide programs to address the needs of families across the country.

Nonprofit organizations across the country are adding or increasing housing counseling programs that will enable them to help families save their homes and ultimately stabilize communities. The National Consumer Law Center provides tips on how to structure a housing counseling program to help families that are in default. Kitsap County Consolidated Housing Authority shares some lessons learned from its work providing post-purchase counseling to at-risk homeowners.

Homeownership remains a laudable and attainable goal for many low-income families. The current foreclosure crisis should remind us all of the continuing need for quality, affordable mortgage products that result in sustainable homeownership and for adequate housing counseling programs that provide homebuyers with the education they need to be knowledgeable consumers.

Sincerely,



Lauriette West-Hoff, Chair



Debra Singletary, President



Moises Loza, Executive Director

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Cover Photo courtesy of the Greater Minnesota Housing Fund.

## Foreclosure is the Topic at the HAC Regional Training in Seattle

On January 15, HAC held a training seminar to explore how to establish, run, and fund a post-purchase housing counseling program. John Van Alst from the National Consumer Law Center shared tips on foreclosure prevention, and the Kitsap County Consolidated Housing Authority shared their experiences running and funding a foreclosure counseling program. See articles on pages 8 and 10 for more information about these programs.

The Housing Assistance Council has held five regional trainings in the first quarter of 2008 as part of its Building Rural Communities Through CHDOs program in: Birmingham, Alabama; Jacksonville, Florida; Kansas City, Missouri; Lafayette, Louisiana; and Seattle, Washington. These trainings help Community Housing Development Organizations to support and build affordable housing in rural communities.

HAC's CHDO trainings are funded by the U.S. Department of Housing and Urban Development. Future HAC training events will be held in Charleston, West Virginia, and Little Rock, Arkansas. The topics will be *Single-Family Housing Development* and *Housing Rehabilitation for Homeownership* respectively.

For more information on HAC's technical assistance and training program visit our website at [www.ruralhome.org](http://www.ruralhome.org).

## HAC Provides Web Resource on Foreclosure

A new web resource to access HAC's most recent research and information on foreclosure in rural America is now online.

The website provides links to a brief fact sheet on home mortgage loans, *Mortgage Lending in Rural Communities* (March 2008), a link to an AP article, "Rural Communities Hit by Foreclosures" (April 2008), and a policy brief written for the Carsey Institute in fall 2006, *Subprime and Predatory Lending in Rural America*. Other resources on the site include links to pending legislation that addresses this crisis and links to comments from national rural housing advocates (including HAC) on that legislation.

Other resources found at HAC's website focus on initiatives such as: Rural Homelessness, Green Building, Self-Help Homeownership, and Rural Rental Preservation. The website also has a Rural Housing Data Portal, a database of statistics from HAC tabulations of several public use data sets. Access these resources from HAC's home page at [www.ruralhome.org](http://www.ruralhome.org).

Visit HAC's foreclosure webpage at [www.ruralhome.org/infoAnnouncements\\_2008HousingCrisis.php](http://www.ruralhome.org/infoAnnouncements_2008HousingCrisis.php).



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## HAC STAKEHOLDERS MAKE THEIR VOICES HEARD

The Housing Assistance Council conducted a survey of rural housing stakeholders from across the country to determine how these organizations have used HAC's resources, their opinions of the HAC services they receive, and recommendations for future activities. The online survey was completed by 253 individuals representing organizations from 46 states and Puerto Rico.

Respondents were asked to assess HAC activities and provided comments to illustrate their experiences with the Housing Assistance Council. Below is summary of some of the key findings as they relate to specific HAC programs.

- ♦ **Loan Fund.** Overall, borrowers view the HAC loan fund as an important source of predevelopment capital. While some borrowers have concerns about the amount of time it takes to receive funding, there is a general understanding about the structural factors that contribute to delays.
- ♦ **Technical Assistance & Training.** While few survey respondents had received one-on-one technical assistance, the majority had participated in HAC's National Rural Housing Conference and regional trainings. Respondents indicated that HAC's technical assistance and trainings provided information and knowledge that resulted in real change for their organizations.
- ♦ **Research & Information.** HAC research and information products were viewed as an accessible resource for rural housing stakeholders. The overwhelming majority of respondents read *HAC News* on a regular basis and many have implemented strategies they have learned from research reports or *Rural Voices*.
- ♦ **HAC's Role.** Local organizations have a high opinion of HAC's activities and the role HAC plays in the national arena. An impressive 63 percent strongly agreed that HAC works to keep rural housing issues on the national agenda and another one-third agreed with this statement. Further, respondents believed that HAC's relationships with local practitioners are built on dialogue and exchange.

HAC would like to thank all of the organizations and people who participated in this survey. The feedback received will greatly inform its programs, services, and policies as HAC moves forward to support local organizations that build affordable homes in rural America. For more information on HAC's programs, mission, and goals, visit our website at [www.ruralhome.org](http://www.ruralhome.org)



# EFFORTS TO STEM THE FORECLOSURE CRISIS

by James H. Carr and Kate Davidoff

On March 17, the National Community Reinvestment Coalition issued a press release headlined: “\$230 billion approved for bank bailouts, \$0 for homeowners facing foreclosure.” One month later, the support for businesses suffering as a result of the foreclosure crisis continues as reflected in the recently passed Senate Foreclosure Prevention Act of 2008. Despite the bill’s hopeful name, and more than \$20 billion in spending, that legislation provides the bulk of its funding to bail out home builders experiencing losses in business revenue and to encourage the purchase of foreclosed properties by individuals and local governments. In fact, the Senate Foreclosure Prevention bill contains roughly \$15 billion over 10 years to encourage alternative energy production. In short, the challenge in securing funding for a meaningful national foreclosure intervention strategy is not due to an unwillingness by policymakers to spend taxpayer money; rather, it’s an unwillingness on the part of legislators to help at-risk families keep their homes.

The opposition to helping homeowners in a meaningful manner continues despite the fact that the Federal Reserve Board, Federal Deposit Insurance Corporation, U.S. Department of the Treasury, and many members of Congress have conceded that unfair, deceptive, or otherwise inappropriate and irresponsible business practices contributed to the current foreclosure morass.

## The Problem with the Market

Last year, roughly 1.3 million homes fell into foreclosure and more than 2 million more families are expected to lose their homes over the next year to 18 months. Moreover,

the HOPE Now coalition estimates its members have assisted more than a million borrowers. Yet, most of the loan adjustments reported to date are of a relatively short duration, generally less than a year. Tens of thousands of additional homeowners may find themselves facing foreclosure when their temporary loan adjustments expire.

Stated otherwise, the foreclosure crisis continues to worsen and the end of this collapse of the housing market is not yet in sight. Falling home prices are fueling additional foreclosures – particularly for those who purchased homes with little or no equity. With home prices down in many markets as much as 15 percent or more, an increasing number of borrowers are encouraged to literally leave the keys at the front door and walk away from their homes.

If this is not bad enough, resets on another wave of loans, pay option adjustable rate mortgages, will begin to peak next year and continue into 2010 and 2011. Although those loans tend to be held, on average, by borrowers with higher incomes and credit scores than subprime mortgages, the payment shock with pay option ARMs is many times more dramatic than the infamous 2/28s and 3/27 “exploding mortgages” that are assumed to be the primary drivers of the current foreclosure crisis. Moreover, the majority of pay option ARMs are already underwater, upside down, and in deep trouble.

## Collapse of the Subprime Market

Studies and reports on subprime loans have revealed problems in almost every aspect of the subprime

lending process. Inappropriate loan products, inadequate underwriting, bloated appraisals, abusive prepayment penalties, excessive broker fees, steering borrowers to high cost products, and servicing abuses have been widely reported. The funding of subprime loans has also played a major role in the crisis. The major rating agencies that rated securities as investment grade products but that were backed by loans that might aptly be described as subprime mortgage junk bonds, fueled the funding pipeline that enabled the exponential growth of the subprime market.

In early March 2008, the Federal Reserve approved \$230 billion in short-term emergency loans to banks, including a \$30 billion loan directed to investment bank Bear Stearns. While injecting liquidity into the financial system is helpful to improve the credit markets, it does not address the underlying problem of massive home foreclosures throughout the country.

### Current Efforts to Mitigate Foreclosures are Insufficient

It is now well-known and widely accepted that current voluntary efforts to limit the foreclosure crisis are inadequate, insufficient, and incapable of solving the problem. The reasons for a lack of success vary, but an often cited reason is that servicers do not have – or do not feel they have – the flexibility to significantly alter loans held in securitized pools. At the same time, many experts point out that the financial incentives for the servicers make going to foreclosure on a loan more lucrative for them. Most loan modifications do not significantly change the loan terms – and they do not create long-term affordability. Most alterations of loans are repayment plans that simply shift any unmet payments a few months into the future, or they tack unmet payments onto the loan balance. Loan modifications generally freeze interest rates for some short period of time.

But, since HOPE Now data are aggregated, it is hard to tell precisely what is happening. In August 2007, President Bush announced FHA Secure to offer defaulted borrowers who were up to date on mortgage payments until a rate reset a chance to refinance into an FHA loan. As of March 2008, according to *Inside B&C Lending* newsletter, only 1,500 of the more than 116,000 FHA Secure borrowers who refinanced into a new FHA loan were actually delinquent.

Dramatic interest rate reductions offer further temporary relief for potentially hundreds of thousands of consumers with resetting mortgages. Nearly all subprime loan rate resets are dependent on the London Interbank Offer Rate, known as LIBOR, which is down a significant 2.65 percentage points from a year ago. This rate decline has positively impacted hundreds of thousands of mortgages that have reset over the past six months – essentially nullifying scheduled payment shock. In a speech to the Consumer Bankers Association, Federal Reserve Governor Randall Kroszner noted that on average, in each quarter from November 2007 until the end of 2008, more than 400,000 subprime mortgages are scheduled to undergo their first interest rate reset. This translates to about 1.6 million more borrowers whose interest rates will reset in 2008. Similar to those who receive temporary loan modifications, households who benefited from the low interest rate environment may find themselves vulnerable to foreclosure when interest rates are adjusted upwards.

The Office of the Comptroller of the Currency recently announced it will collect data on loan modifications. This is a welcomed announcement since it will enable a better understanding of the extent to which the foreclosure crisis is simply being shifted temporarily into the future. In the meantime, available data are not promising. According to the Mortgage Bankers Association, fully 40 percent of subprime adjustable rate mortgages that went into foreclosure in the third quarter of 2007 were loans that had previously experienced a loan modification or repayment plan.

### Current Legislative and Regulatory Action

In response to the nationwide economic downturn caused by the housing and credit crisis, Congress and the Administration have proposed a variety of piecemeal efforts to stem anti-predatory lending and address the current foreclosure crisis. These efforts are only small steps towards offering homeowners protections from future unfair lending practices and needed assistance in the current foreclosure crisis.

### Prohibiting Predatory Lending

Last fall Congress introduced legislation intended to address predatory lending practices. The Senate Banking Committee's Homeownership Preservation and Protection

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	2005	2006	2007	2008 (Projected based on Q1)
Greater Minnesota (80 counties)	2,707	4,168	7,430	8,346
Twin Cities Metro (7 counties)	3,759	7,039	12,974	19,936
<b>Total</b>	<b>6,464</b>	<b>11,207</b>	<b>20,404</b>	<b>28,282</b>

Housing organizations in the metro area, under the leadership of the Family Housing Fund, formed the Foreclosure Prevention Funders Council, a collaborative effort to identify key challenges and identify best practices for neighborhood recovery. Minnesota Housing, the state housing finance agency, committed \$11.5 million in early 2007 to support acquisition and rehabilitation of foreclosed properties in highly impacted neighborhoods of Minneapolis and St. Paul.

By spring 2007, anecdotes about rising foreclosure rates were being heard across greater Minnesota, but foreclosure data were not readily available and blight was not yet a problem.

Greater Minnesota Housing Fund, an affordable housing community development financial institution, contracted with Housing Link, a nonprofit housing research firm, in June 2007 to conduct the first comprehensive analysis of foreclosure trends in greater Minnesota. Housing Link staff called the sheriff's office in each county to learn the number of foreclosures in 2005 and 2006. Data collection was challenging, with many counties having only paper files and no summary data. Despite those difficulties, Housing Link collected data from 73 of 80 counties and prepared the first greater Minnesota foreclosure report.

The results of the study were shocking, indicating that actual foreclosure rates were much higher than the figures cited by national sources like RealtyTrac, which had previously been the only source of statewide data. Particularly important for greater Minnesota, an analysis of the RealtyTrac data suggested that it provided fairly accurate data on Twin Cities metropolitan area foreclosures but significantly undercounted foreclosures in rural areas. As a result, the availability of accurate data from each county was critical to define the foreclosure

crisis for policymakers, attract resources to address the problem, and target funding to areas of greatest need.

### Foreclosure Issues Across Greater Minnesota

Foreclosure counts are useful for understanding the scale of the problem, but they do not explain why rates are so much higher in some areas than in others. To better understand the nature of the problem in greater Minnesota, GMHF surveyed housing organizations and city officials from across the state.

As the map shows, foreclosure rates vary dramatically across the state, with the highest rates in the suburban/exurban fringe counties of the Twin Cities metro area. According to survey respondents, formerly rural small cities that are now bedroom communities for the Twin Cities are facing multiple challenges. As the housing market slowed significantly in 2007, developers were left with many unsold subdivisions that have been foreclosed and now sit empty. Blight is beginning to be a problem, with many cities spending extra staff time and resources on code enforcement and inspections. Prices have declined due to an oversupply of homes and buildable lots, leaving some homeowners unable to sell or owing more than the value of their homes.

In the city of Monticello, a Wright County community of approximately 10,000 residents that is 30 miles from Minneapolis, a majority of the city's 350-400 single-family rental properties were built to be owner-occupied but were sold in foreclosure or at bargain prices to investors. Average home sales prices have fallen as the number of foreclosures has risen.

According to Robert Viering, commissioner of the Monticello Economic Development Authority and

president at First Minnesota Bank, local officials are considering several proactive approaches to address the foreclosure problem, including targeting their efforts to a subdivision with a cluster of foreclosed properties.

“By getting these homes sold, we can help more families take advantage of affordable homeownership opportunities and address the code enforcement and neighborhood livability concerns that arise when there are multiple vacant properties,” he said. Viering noted that “one of the biggest challenges we face is getting the community to realize the scale of the problem and that we need to take action to protect home values and community stability for the 97 percent of people not in foreclosure.”

In general, small cities with populations less than 20,000 outside the exurban counties have seen fewer foreclosures. Dale Roemmich, president of Farmers and Merchants Bank in Pipestone, suspects that small communities have been less affected by the foreclosure crisis because they did not experience the inflationary home prices of the metro, suburban, and exurban areas. “We didn’t see the big increases in prices, but we are also not experiencing the big declines that create problems for homeowners with limited equity.”

While the worst crisis is now occurring in the greater metropolitan region, data on subprime loan concentrations



Home for sale in unfinished subdivision in Cambridge, Minnesota.

in Minnesota’s micropolitan areas (small cities) suggest that the problem is likely to get worse across the state. To track future foreclosure hot spots, the Federal Reserve Bank of Minneapolis and the Federal Reserve Board have been analyzing data on subprime and Alt-A loan concentrations. The data are from First American Loan Performance, a firm that tracks and analyzes the performance of securitized mortgages in subprime and Alt-A pools. Since subprime loans have been most likely to default, followed by Alt-A loans, it is very useful to know which cities have higher concentrations of those loan types.

The October 2007 data from LP suggest that half of greater Minnesota’s micropolitan areas have higher subprime loan delinquency rates than the Twin Cities metro area. These delinquencies likely mean more foreclosures in the coming months.

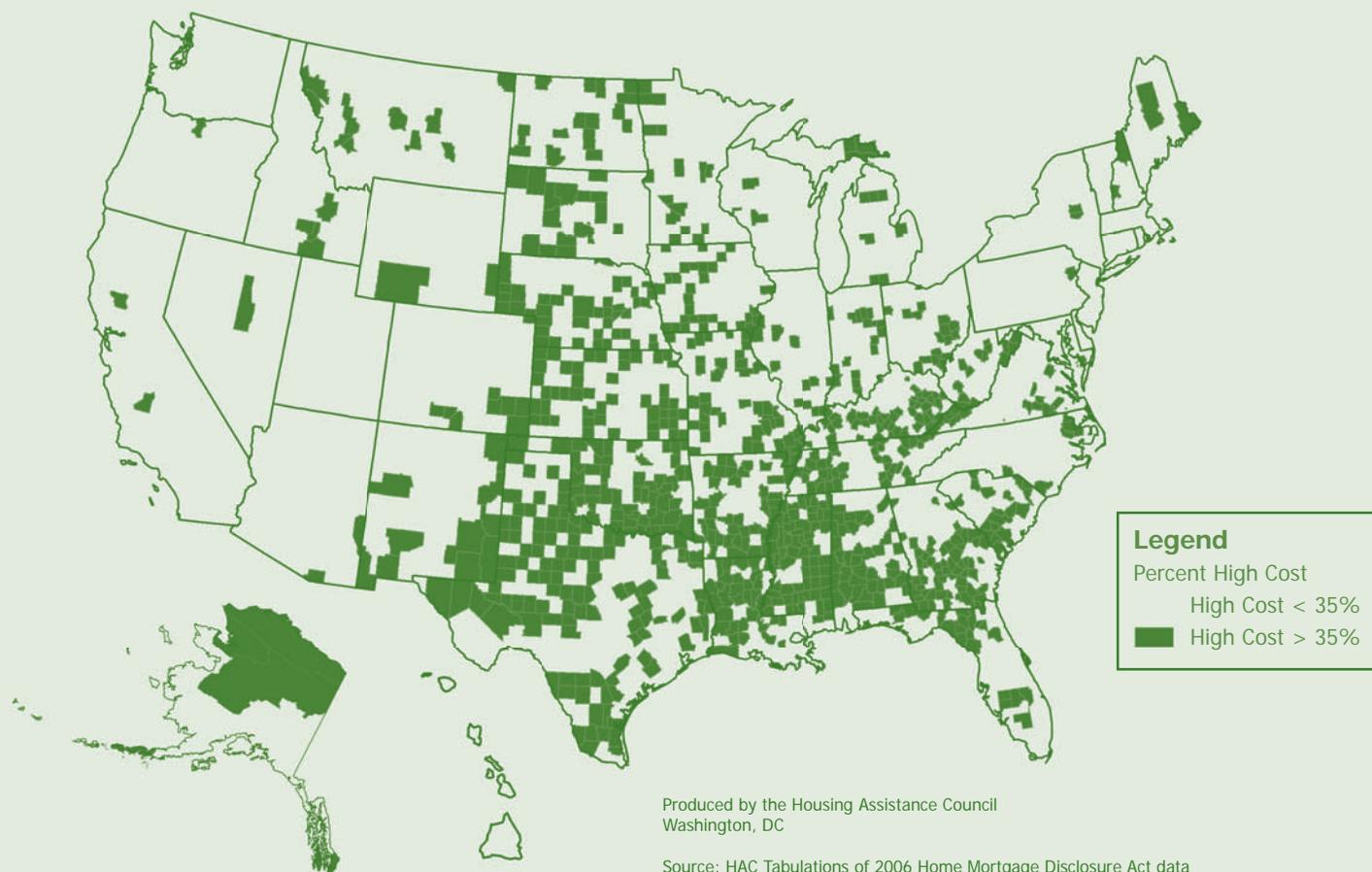
### Developing Solutions

While different parts of the state face unique challenges, there is agreement that statewide strategies are needed to address the foreclosure crisis. GMHF partnered with the Family Housing Fund, the leading nonprofit housing funder serving the Twin Cities metro area, and the Minnesota Home Ownership Center, which coordinates a statewide network of foreclosure prevention counseling agencies. Together the organizations developed a plan to increase funding for a foreclosure prevention system capacity building initiative in four key areas:

- ◆ **Foreclosure prevention counseling.** Minnesota has a strong network of nonprofit foreclosure prevention counseling agencies, but demand for services was swamping the system and funding for more staff was urgently needed.
- ◆ **Early intervention and outreach.** Reaching at-risk homeowners early and often is critical to the success of foreclosure prevention efforts. Once the number of counseling staff was increased, it was

*Continued on Page 18*

# RURAL COUNTIES WHERE HIGH COST LOANS MAKE UP 35% OR MORE OF LOAN ORIGINATIONS



## Summary of the data

The map above shows those rural counties where 35 percent or more of the originated mortgages were high cost loans. High cost mortgages are those loans with interest rates at least three percentage points for first lien loans (5 percentage points for second mortgages) above Treasury securities of comparable maturity.

Given the connection between unaffordable mortgages and increased foreclosure activity, it will be important to closely monitor default rates in these rural areas.

# CREATING A SUCCESSFUL FORECLOSURE PREVENTION PROGRAM

by John Van Alst

Recently, many areas of the country have seen hard won gains in homeownership destroyed by abusive lending practices that have resulted in a wave of foreclosures. While the increase in homeownership took years to achieve, the massive loss of homes has occurred in a matter of months and indications are that the foreclosure crisis will continue and perhaps worsen in the near future. While policy changes are needed to alleviate the crisis and ensure there is no repetition of this same scenario, many programs and advocates are anxious to do what they can to help individual homeowners now.

Last year the Housing Assistance Council and the National Consumer Law Center provided three days of training to rural community-based programs that hoped to engage in post-purchase housing counseling. One of the top interests of these programs was foreclosure prevention. What follows are three top tips for organizations interested in creating a foreclosure prevention program.

## Learn

An organization would be well served to learn all it can about foreclosure counseling before attempting to create a foreclosure counseling program. Visiting an existing counseling program that is doing a good job would be the best introduction to this work. Programs that do good work are those that ensure that time is taken to really work to understand the homeowner's situation, have the knowledge to help the client wisely assess her options, and obtain meaningful assistance for her.

Another way to learn about the counseling process and homeowners' options is to read. For example, NCLC's manual, *Foreclosure Prevention Counseling*, provides detailed information about foreclosure counseling including the mechanics of rearranging a mortgage loan and workouts available for Fannie Mae, Freddie Mac, subprime, FHA-insured, VA, and USDA Rural Development loans. Tax and credit rating implications of a workout are also examined.

Training for those wishing to develop or improve the skills and knowledge necessary to counsel homeowners facing foreclosure is offered by NCLC, NeighborWorks® America,

and others. Learning more about the process can help a new program organize itself in an efficient way, and avoid pitfalls such as providing advice to homeowners that amounts to the unauthorized practice of law. Even if an existing program elects not to pursue the creation of a foreclosure counseling program, the information learned in the process can be very useful, especially for programs that already do pre-purchase counseling, often providing the ounce of prevention to keep their clients long-term homeowners.

## Collaborate with other programs

Collaboration with other programs can help foreclosure counseling programs, and the homeowners they serve, not only when the counseling program is being created, but throughout the life of the program. If there is an existing foreclosure prevention program in the community, working together can make both organizations more efficient and create a better experience for homeowners. Working with other groups such as community service organizations, community development corporations, and others that provide complementary services can be of tremendous use to clients and the programs as well.

Foreclosure prevention counseling programs can better serve their clients by working closely with legal services offices or

private attorneys that provide representation to homeowners facing foreclosure. Working with others, foreclosure prevention counseling programs can refer homeowners facing foreclosure who have potential legal claims and defenses to attorneys prepared to help them pursue legal relief. In this way programs can ensure that homeowners with claims do not waive or release those claims by engaging in a workout. Conversely, when a legal aid program or private attorney determines that a potential client has no legal claim, but is in default on their mortgage, the homeowner can be referred to the foreclosure prevention counseling organization.

These relationships save both the programs and the attorneys time and effort. When a distressed homeowner approaches either group, a great deal of time often must be spent reviewing paperwork and assessing the client's situation. By communicating with each other to determine what sort of cases each will take and when they can provide help to homeowners, legal services and foreclosure prevention programs can reduce the initial screening effort considerably.

### Ensure sustainability

Quality foreclosure prevention counseling requires a large amount of time and effort. While much of the counseling provided to prospective homeowners in pre-purchase counseling can be accomplished in a class environment, foreclosure prevention counseling requires one on one counseling. In order to actively assist the homeowner the counselor must understand the client's situation including his financial situation, the terms of the mortgage, how the mortgage was originated, and how the mortgage has been serviced. To gain this understanding, time must be spent with the client and the numerous documents the client brings in. Counselors must maintain a current knowledge of workout options and programs available to help the homeowner. All of this work requires resources.

Funding a foreclosure prevention counseling program is difficult. While numerous sources are available to pay for pre-purchase counseling and the procedure can often be streamlined, very little funding has traditionally been available for foreclosure counseling. Several possible sources of funding for foreclosure prevention counseling are listed below. Often different sources will need to be combined in order to make the program sustainable.

- ♦ **HUD's Housing Counseling Program.** The program permits funding to be used for resolving

or preventing mortgage delinquency or default. In order to apply for funding, an organization must first become a HUD-approved counseling agencies.

- ♦ **National Foreclosure Mitigation Counseling Program.** In early 2008, \$180 million was appropriated for foreclosure prevention. This program will be administered by NeighborWorks. Although this program will provide funding for counseling, it is targeted at existing programs experienced in foreclosure prevention counseling. Also, because this is a one-time allocation, the program cannot provide a long-term funding stream for counseling.
- ♦ **HUD's HOME Program.** Another possible source of funding, HOME would primarily be limited to organizations providing pre-purchase counseling because of restrictions focusing the program on production rather than home preservation.
- ♦ **Fundraising.** With growing attention focused on the foreclosure crisis and the devastating impact it can have on families and communities, fundraising has become a more viable option to provide a portion of the resources needed to operate a foreclosure prevention counseling program. Fundraising efforts to local corporations and governments may be focused on both the cost to the larger community including the decrease in home prices and the drop in property tax revenue caused by foreclosure. When approaching lenders, it may be useful to point out the dramatic difference between the cost of foreclosure and the cost of effective foreclosure prevention counseling.
- ♦ **Fee for Service.** Fees may also provide a portion of the funding necessary to operate a foreclosure prevention counseling program. Some programs have had success using sliding scale fees. Others charge low flat rate fees to defray a portion of the counseling expense.

While creating a foreclosure prevention counseling program can be difficult, it can be incredibly rewarding for the organization, helpful for the community, and invaluable for homeowners facing the loss of their homes. 

~John Van Alst is a Staff Attorney with the National Consumer Law Center. Information about NCLC and its resources, including the foreclosure manual mentioned in this article, is available at [www.nclc.org](http://www.nclc.org).

# COUNSELING THOSE IN NEED

by Marvella Lahmeyer

**K**itsap County Consolidated Housing Authority, which provides services to Kitsap, Mason, Jefferson, and Clallam counties on Washington's Olympic Peninsula, became a HUD-certified housing counseling agency in 2002. Initially, the main programs offered were pre-purchase counseling, budget and credit counseling, and first-time homebuyer education. These housing counseling programs have evolved over the past six years to include post purchase/default counseling, bankruptcy counseling, and home equity conversion mortgage counseling.

In the last year, KCCHA's post-purchase/default counseling activity has tripled, indicating a significant change in community and program needs. Throughout 2007, 50 to 60 clients came to KCCHA for default counseling. In contrast, the program has helped more than 150 default counseling clients in the first six months of 2008.

## What's Happening?

A large portion of the people receiving post-purchase and default counseling from KCCHA are first-time homebuyers in their mid thirties. According to program staff, "They weren't able to pay from day one, and have hung in for a year, or a year and a half. They're upside down on their equity." Often these families became

homeowners by using mortgage financing that resulted in payments they could not afford. KCCHA staff has found that most of the families they work with have loans with the following characteristics.

- ♦ ***Subprime ARMs (adjustable or variable rate loans) with mortgage payments that increase to an amount borrowers are unable to afford.*** Most of these loans have pre-payment penalties so if they are refinanced before the payments adjust, the borrowers will pay significant amounts. Six months in interest on these types of loans can be as high as \$12,000 to \$15,000.
- ♦ ***Predatory loans originated to people with poor credit.*** Some borrowers report having loans for which their lenders inflated their incomes to qualify them for more expensive homes.
- ♦ ***80/20 loans that include one big loan, then a smaller loan or line of credit at a higher interest rate.*** Borrowers often take out these types of loans to help cover the cost of a downpayment; however, these loans result in the borrower making two payments a month.

Compounding these issues, many of the homes in question have not appreciated in value and some have even

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*There are options available to homeowners in crisis and by reaching out to organizations like KCCHA a family may be able to hold on to its home.*

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depreciated. Some clients are upside down on their loans, meaning they owe more than their houses are worth.

Some homeowners hope to sell before foreclosure begins. The housing market on the Peninsula is depressed, however, which has serious repercussions on foreclosure activity in the region. Recently, a couple who had lost their home to foreclosure called KCCHA and reported that when their house was put up for auction, no one put in a bid.

### **A Light at the End of the Tunnel**

Not all is doom and gloom and people can get help at a HUD-certified agency. Most lenders are willing to work with clients to help them remain in their homes; the clients must prove their incomes and complete budgets that show they can afford to make the monthly payments.

If clients are not too deep in the hole, they can draw on funding from the state's Homeless Housing and Assistance Act (HB 2163) program. Grants of up to \$1,000 can help qualifying families get back on their feet, save their homes, and prevent homelessness.

This is a stopgap measure that covers only one month of mortgage payments, but KCCHA staff have noted these resources can be helpful to those who are attempting to complete a loan modification. "If you're going to do a loan modification or forbearance agreement, the lender wants

Photo and quote from KCCHA 2005 Annual Report



"KCCHA's Home ownership counselors help people get out of trouble and stay out of trouble."  
- Bainbridge Island Mayor Darlene Kordonowy

a down payment. You have to come in with something – especially if you haven't made a payment for six months. Sometimes that \$1,000 can be a down payment to get an agreement, to help a family keep their home."

KCCHA also offers bankruptcy counseling classes to people who are thinking about filing for bankruptcy, which can be the only solution for some homeowners in default situations. New figures from the U.S. Bankruptcy Court suggest a sharp rise in local bankruptcies.

There are options available to homeowners in crisis and by reaching out to organizations like KCCHA a family may be able to hold on to its home. KCCHA staff is working hard to help and they remain optimistic about the future. "It is going to get better," a staff member concludes. "Two more years and I think we'll be through this." 🌍

*~Marvelle Lahmeyer is the Lead Housing Counselor for Kitsap County Consolidated Housing Authority.*

# A LOOK AT RURAL FORECLOSURES IN OHIO

by Paul Bellamy

In recent years Ohio has been among the leading foreclosure hot spots in the country, sometimes leading the nation, sometimes trading off the lead with Indiana or Michigan or, post-Katrina, with Louisiana and Mississippi. This is not a leadership role to be proud of. From 1994 to 2007 there were more than 600,000 foreclosure proceedings in counties across the state. The Coalition on Homelessness and Housing in Ohio's analysis of foreclosure trends in the state reveals some interesting patterns and concerns, particularly as they relate to rural counties.

## What's on the Docket?

The courts in each of Ohio's 88 counties handle foreclosures and court records from across the state show that foreclosures have been on the rise since 1995. A study done in 2002 compared the foreclosure dockets in three of Ohio's county common pleas courts and found a remarkably consistent trend across five years of increasing numbers of subprime loans in foreclosure. Far more subprime loans were showing up in foreclosure than could be explained by their share in mortgage originations.

Ohio keeps track of its various courts (municipal, county, common pleas, and appellate) by requiring each to submit annual statistics about their dockets to the state Supreme Court. Common pleas courts have to account for foreclosure cases separately and these are the numbers that are the most consistent and reliable indicators for trouble in the state's mortgage market. Looking at those county level breakouts it is possible to tease out characteristics distinguishing the rural counties from the urban counties.

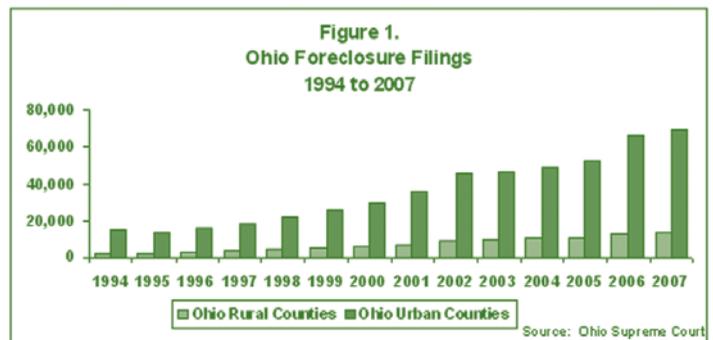
## Too Little, Too Late?

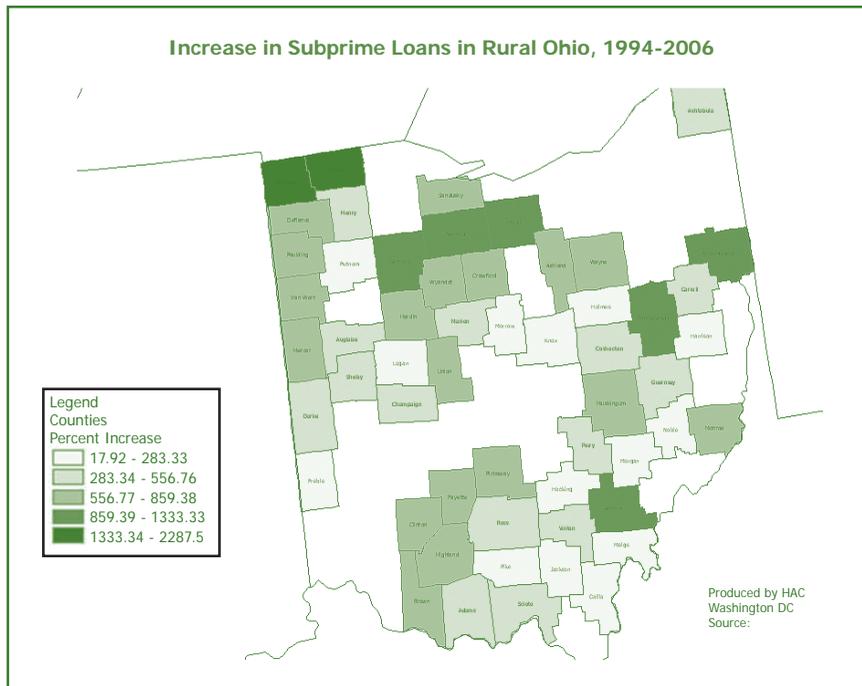
While the mortgage industry trade groups have pointed to Ohio's weak, rustbelt economy to explain the inexorable rise in home defaults, it is evident that other forces are at work. Even in the mid and late 1990s when the state's unemployment rate was headed down to its lowest level in years, foreclosures continued to rise. Affordable housing advocates saw something over and above a weak economy in play.

Advocates took these and other findings to the state legislature and pushed for laws to regulate the state's "Wild West" mortgage lending industry. Unfortunately, the Ohio General Assembly chose to ignore those arguments and efforts by the cities to fight predatory practices. Ignoring the Ohio precedents of "Home Rule" for municipalities, the legislature bowed to industry pressure and prohibited any and all local efforts to regulate the industry. The Ohio stage was set for the final phase of the ever-worsening subprime meltdown that recently expanded across the nation. Reform didn't come until 2006 when the General Assembly passed a Homeowners Protection Act. Of course, most of the worst damage had already been done.

## Rural Ohio Foreclosure Activity

There are 55 rural counties and 33 urban counties in the state of Ohio. As shown in Figure 1, foreclosure filings have increased exponentially across the state between 1994 and 2007. While there have been many more foreclosures in Ohio's urban counties than in the rural areas, foreclosure





activity in rural counties has increased by 462 percent between 1994 and 2007.

As illustrated in the map, rural counties across the state have experienced considerable growth in foreclosure activity. From the northwestern part of the state to the rural Appalachian counties in the southeast region, foreclosure activity has increased considerably.

In 2007 there were more than 13,699 foreclosures in rural counties throughout the state, resulting in a rural foreclosure rate of 1 percent. Twenty rural counties had foreclosure rates that were more than double the rural rate. While many of these counties are part of Central Appalachia and experience many of the housing issues that impact this region, a number of them are rural counties that are in close proximity to Ohio's urban centers.

Foreclosures in rural counties that surround Ohio's major cities represent a significant amount of the overall rural foreclosure cases. Eight rural counties that are located near the cities of Columbus (Union, Pickaway, and

Fayette counties), Cincinnati (Brown and Preble counties), and Cleveland (Huron, Ashland, and Wayne counties) represent almost 20 percent of the rural foreclosures that occurred in 2007.

### Looking Behind the Rural Numbers

While foreclosures are a significant problem in many rural communities across the state, it must be noted that foreclosure rates are significantly lower across rural Ohio than in the state's urban centers. Several factors might explain this. Rural counties have more manufactured homes and in most instances default on a manufactured home loan will be remedied through a replevin action to collect "personal" property, not a foreclosure of "real" property. The Ohio Supreme Court does not require local courts to report on replevin cases as a specific category and these cases are therefore flying "below the radar."

Another possible explanation is the nature of rural counties and how business is conducted in smaller communities. Jim Buchanan, a legal services attorney who works in southeastern Ohio's Appalachian counties, noted

*Continued on Page 19*

# FORECLOSURE HITS RURAL COMMUNITIES TOO

By David Dangler

The rate of home foreclosure around the country has skyrocketed and, while much of the media's attention has been focused on urban and suburban communities, rural areas also are feeling the effects.

Foreclosure rates are being driven by similar forces in neighborhoods all across the country: weakening local economies and related job losses, the unintended effects of exotic mortgages, a general weakening of the housing market that has choked off homeowners' ability to refinance into more affordable mortgages, and an increase in the cost of basic necessities.

The number of troubled borrowers, based on loans that are delinquent, is staggering. In a March 4, 2008 speech in Orlando, Florida, Federal Reserve Board Chairman Ben Bernanke noted that more than one-fifth of subprime adjustable rate mortgages were seriously delinquent, and 8 percent of fixed-rate subprime mortgages were in some stage of default.

In March, the mortgage default rate – a combination of mortgage delinquency and foreclosure activity – released by the Mortgage Bankers Association climbed to its highest level since 1985.

Clearly the situation is serious.

## Exotic Mortgages and Refinancing

How did it get this bad? In western Maine, the service area of Community Concepts, Inc., the biggest source

of mortgage foreclosure appears to be homeowners who refinanced into bad loans.

“Seventy-five percent of the people we see for foreclosure prevention counseling didn't get in over their heads because they were buying too much home,” said Ronald Knott, Associate Director of Homeownership and Lending Services at the 300-person nonprofit headquartered in South Paris. “A good number of the families we're seeing are coming to us because the loan was too expensive in the first place.”

Knott, who has more than 30 years in the mortgage business, explained that in many instances the homeowners his group counsel refinanced in an effort to get out from under other debt burdens. And debt burdens in rural communities are often higher because of the proliferation of subprime mortgage loans. According to an analysis of Home Mortgage Disclosure Act data by the Carsey Institute, 17.4 percent of mortgages on homes in rural communities carried higher than normal interest rates.

Knott explained that the situation in his rural community is not the same as on the coasts or in many large metropolitan areas. “Foreclosures happening here typically are not because a homeowner stretched to afford a house. Many times it's because other debts piled up and up and the only way out seemed to be to refinance and the loan was wrong for them,” he said.

He added that his community, where a new three-bedroom ranch home can cost below \$150,000, has seen its share of

economic troubles, too. But foreclosure because of job loss has been occurring for years, and it's not the economy that troubles him the most.

"Too many of the refinance mortgages were no-income verification subprime loans," Knott explained. "Homeowners thought that they were making good decisions, but that's not how it's turned out."

And few would have thought that the economy, humming along just a year ago, would stall so hard and so fast, while the price of basics skyrocketed.

"We're seeing [foreclosure increases from] rate resets and job losses, but the overall burden on consumers from increases in basic living expenses such as food, gas, and heating oil" also are contributing, said Lori Wiggett, Home Ownership Center Director at Affordable Housing, Education and Development, Inc. in Littleton, New Hampshire.

For Community Ventures Corporation, which serves both metro and rural areas in over one-third of Kentucky, job loss and general economic hardship are the principal drivers for foreclosure, according to CEO Kevin Smith.

"Many wage earners have had their hours reduced as the economy slows, or have been laid off. With fewer quality job opportunities in rural areas, they struggle to maintain mortgage payments. Unfortunately, when they miss a payment, interest accelerates and the mortgage becomes even more unaffordable," Smith said.

In Kentucky, marginal lenders first focused on population-dense urban areas and, after reaching the equivalent of market saturation, turned their sights on rural areas. Like their counterparts in Maine, homeowners with high consumer debt refinanced in droves. But a surprisingly high number of other families, says Smith, opted for refinance as a way to pay medical expenses not covered by insurance after a major illness.

### Helpful Tools

Outreach is especially important when it comes to foreclosure prevention. According to a survey conducted

by Freddie Mac with Roper Public Affairs and Media, 57 percent of homeowners are not aware that foreclosure counseling services exist. As a result, nonprofit foreclosure prevention counseling organizations have to work overtime to get borrowers in the door. Nonprofit organizations in rural communities use a variety of tools to reach homeowners who have trouble paying their mortgages.

"We're one of two organizations in Maine that are tied into the Homeowners HOPE Hotline," explained Knott, referring to the toll-free hotline at 1-888-995-HOPE that is operated 24/7 and advertised nationwide by the nonprofit Homeownership Preservation Foundation based in Minneapolis. "That has been a very effective tool to reach homeowners and then for them to reach us."

Knott says that Community Concepts doesn't do the job alone. "We serve three counties in the state, so it's important that we have good working relationships with other agencies in Maine that we can refer callers to. Sometimes our nearest office can be three or four hours away from a homeowner who needs counseling. We do what we can over the phone, but being able to refer them to another agency where they can sit face-to-face with a counselor is very important."

Smith agrees that the 995-HOPE hotline has been invaluable. In Kentucky, where active local marketing of the hotline is just beginning by the state's five local NeighborWorks® partnering organizations, more than 1,500 homeowners called seeking assistance last year.

"Our traditional service area includes 45 counties – but with the 995-HOPE partnership and our on-staff and contract foreclosure prevention specialists, we're able to provide effective statewide assistance using a combination of telephone counseling, conference calls with borrowers and lenders, and creative financial products like our rescue loan," Smith said.

In addition to participating in the HOPE Hotline, Community Concepts operates a substantial direct mail and newsletter distribution program. Knott says that it mails approximately 15,000 newsletters twice a year.

NeighborWorks® America and the NeighborWorks® network also are affiliated with the HOPE NOW Alliance,

a government-facilitated mortgage industry effort to stem the tide of foreclosure. The HOPE NOW Alliance urges homeowners who face mortgage trouble to call the HOPE Hotline, and also has a letter writing campaign. The letter campaign has reached out to more than one million homeowners who have fallen behind on their mortgages, or who are expected to see a sharp increase in the monthly cost of their loans because their mortgages have adjustable rates.

But even as these outreach efforts increase, homeowners in financial trouble still are taking too long to come in for help.

“Most clients we see come to us late in the process, and have already accumulated high late and legal fees,” said Smith. “It may be the embarrassment factor, or the sense that they can somehow deal with it on their own. Either way, we have to get them to call us sooner, while the arrearage is still manageable.”

Smith is launching an outreach advertising campaign in targeted areas to let more people know about the resources available from Community Ventures.

### Challenges Ahead

Although mortgage rates continue to be in a very affordable range, and the major indices on which ARMs are based are lower than a year ago, homeowners still find it difficult to get out from under loans that they can't afford. As local organizations work to address these issues, they have identified some much needed supports.

“Rescue funds are the one item that I would definitely put on my foreclosure prevention Christmas list,” said Knott.

A handful of states have authorized the issuance of bonds to raise funds that would help a homeowner who fell behind on mortgage payments to catch up. Neighborhood Housing Services of Greater Cleveland uses rescue funds to help homeowners who have hit a financial bump in the road get back on track.

A similar effort is underway at Community Ventures, said Smith. Smith explained that his organization used its own funds to capitalize a \$100,000 rescue fund, with an average loan size of \$2,000.

Nonprofit organizations also are asking for more dialogue with servicers and lenders about work-out options.

“We're still seeing that different departments within a [mortgage loan] servicer don't communicate,” said Smith. He noted that in one recent instance a loss mitigation official at one servicer promised to move a loan modification through the process, but just days later the homeowner received notice of a foreclosure sale.

And there are frustrations. “Loan servicers don't return phone calls and continually 'lose' authorizations that would stop a foreclosure from proceeding,” said Wiggett.

To facilitate contact, the HOPE NOW Alliance recently made available a list of direct contact phone numbers for foreclosure prevention counselors to use. According to HOPE NOW, the numbers will give nonprofit counselors another tool to get to the right person at a servicer who can help.

But despite these improvements and more intense work from servicers and the efforts of nonprofit organizations, experts expect that the residential mortgage foreclosure situation will worsen – in urban and rural communities alike. 

*~David Dangler is Director of Rural Initiatives at NeighborWorks® America, [www.nw.org](http://www.nw.org)*



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*In some Minnesota counties, 40-50 percent of foreclosure properties in 2007 were investor-owned, leaving many tenants with questions about their housing rights and options.*

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critical to reach out proactively to areas with high concentrations of at-risk homeowners.

- ♦ **Tenant counseling and legal assistance.** In some metropolitan counties, 40-50 percent of foreclosed properties in 2007 were investor-owned, leaving many tenants with questions about their housing rights and options. A coordinated approach to serving tenants statewide was needed.
- ♦ **Data collection and coordination.** Responding effectively to the foreclosure crisis requires policymakers and service providers to be well-informed and to share that information with key stakeholders.

The partner organizations received \$1 million in new funding from Minnesota Housing in November 2007 to support plan implementation. To serve more at-risk households, Minnesota Housing received significant federal funding through the National Foreclosure Mitigation Counseling program in early 2008. The partner organizations have developed a coordinated fundraising plan to seek additional resources from a range of public and private sources to support plan implementation through 2010.

### **Moving Forward**

In early 2008, the Twin Cities metro Foreclosure Prevention Funders Council became the Minnesota

Foreclosure Partners Council, a statewide effort to address the foreclosure crisis. With representatives from several greater Minnesota cities and nonprofits participating, the collaborative effort is now coordinating statewide efforts on homeowner/tenant counseling and outreach, neighborhood recovery, loan product development, data analysis and legislative/legal issues.

An important next step for the Minnesota Foreclosure Partners Council is the development of a comprehensive neighborhood and community recovery business plan that identifies the scale and types of resources needed to address the negative impacts of foreclosures on communities across the state. The plan will recognize the importance of local control while sharing best practices and setting measurable outcomes. By developing a plan now, the MFPC and its members hope to be well positioned to make the best use of new public and private funding that becomes available to support neighborhood foreclosure recovery efforts. 

*~Stephanie Vergin is Director, Special Projects for the Greater Minnesota Housing Fund. The foreclosure studies mentioned in this article are posted on GMHF's website, [www.gmhf.com](http://www.gmhf.com), and new studies will be added as they become available.*

## Rural Ohio Foreclosures Continued from page 14

that many of the mortgages are written by the smaller, local banks and they are more reluctant to foreclose on a local family. "People aren't just numbers or a file sitting on someone's desk somewhere," says Buchanan, "and many of our local judges aren't shy about pushing lenders to work something out with borrowers if it's a possibility."

Finally, Home Mortgage Disclosure Act data suggest yet another explanation. As the mortgage meltdown unwinds the subprime industry, certain high-risk lenders have emerged as having made large numbers of particularly risky and even fraudulent loans. These were some of the first lenders to go bankrupt in the early phases of the meltdown in 2007 because they were forced to buy back their particularly bad loans from investors. Looking at those lenders' originations in Ohio in 2006 and breaking their loans out between rural and urban counties, it appears that in the urban counties the high risk lenders wrote over 18 percent of all the subprime loans, while in the rural

counties they generated only 12 percent of the subprime loans. It would be a mistake to try to take HMDA data too far in analyzing rural lending patterns, however, because smaller banks are not required to report through HMDA and therefore some lending in rural counties is not reflected in the data. Nonetheless, these high-risk lenders were large, national concerns and they were all HMDA reporters.

### Conclusion

Conclusive research on rural mortgage lending is hampered by the limitations on HMDA data and the difficulty of getting comprehensive local data of all varieties in smaller communities. In Ohio, the numbers suggest that at least part of what has gone wrong in mortgage lending is the local disconnect between borrowers and lenders. In the case of mortgage lending, smaller really is better. 

*~ Paul Bellamy is Special Counsel to the Equal Justice Foundation in Columbus, Ohio.*



#### RURAL VOICES

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## *View from Washington Continued from page 4*

Act of 2007 (S. 2452) is comprehensive, offering protections against abusive lending, servicing, and appraisals. Consumer protections would be established for all loans, and extra protections for subprime and very high-cost lending. Although a strong bill, this measure does not yet have the support to move in the Senate.

On November 15, the House of Representatives passed the Mortgage Reform and Anti-Predatory Lending Act of 2007 (H.R. 3915). The only national comprehensive anti-predatory lending legislation passed to date addresses a range of predatory lending practices. NCRC believes certain provisions of the bill could be strengthened, including further limiting excessive fee practices by mortgage brokers, holding Wall Street accountable for its investment practices, and keeping responsible state laws that protect consumers from predatory loans.

In 1994, the Homeownership and Equity Protection Act granted the Federal Reserve Board the broad authority to prohibit unfair and deceptive practices. Despite a preponderance of evidence of predatory lending practices, these powers were never fully exercised. After a lengthy comment period during 2007, the Federal Reserve proposed changes to a major regulation and issued draft rules available for public comment. The proposed rule applies certain protections to a broad set of high-cost loans and also prohibits unfair appraisal, servicing, and advertising practices on all loans. The proposed rule changes address almost every aspect of unfair and deceptive mortgage lending practices, but nevertheless leaves significant room for further improvement.

### **Foreclosure Prevention**

On April 10, 2008 the Senate passed the Foreclosure Prevention Act of 2008 (S. 2636), proposed by Senators Dodd (D-Connecticut) and Shelby (R-Alabama). Few of the provisions of the bill deal with preventing foreclosures; rather, most of the funding in the bill goes to tax breaks for the purchase of foreclosed properties, homebuilding companies, and renewable energy. A \$7,000 tax credit for purchasers of foreclosed properties remains too broadly defined and may reward speculators looking to capitalize on

foreclosure. Homebuilders that benefited immensely during the housing boom would be allowed tax breaks costing \$6 billion over the next 10 years. Over the same time period, \$15 billion is allocated for companies to invest in renewable energy. While \$10 billion would be directed to state housing finance agencies to refinance loans, that amount is largely inconsequential given the scope of the problem and limitations with state housing finance agencies. It is estimated that up to \$400 billion is needed to substantially refinance a large number of problematic loans.

Rep. Barney Frank, (D-Massachusetts), Chair of the House Financial Services Committee, introduced the FHA Housing Stabilization and Homeownership Retention Act (H.R. 5830).\* The bill does address the magnitude of the problem by facilitating a large-scale refinancing of problematic loans into FHA-guaranteed loans. It would make available \$300 billion for the government to guarantee the refinancing of 1 to 2 million loans. Flexible eligibility requirements would allow more borrowers with higher debt to income ratios to qualify than the current FHA Secure program. Mortgage holders would need to agree voluntarily to accept substantial reductions in their investments as well as waive prepayment penalties; it is unclear how many investors would be willing to participate. While FHA can be a valuable tool in stemming the foreclosure crisis, FHA alone may not have the resources and infrastructure to address the massive numbers of loans in need of modification and refinance. A large number of loans all refinanced through the FHA would create an unnecessary bottleneck.

Introduced by Rep. Maxine Waters (D-California), the Neighborhood Stabilization Act of 2008 (H.R. 5818)\* would direct \$15 billion to states for the reclamation of foreclosed property to be reused for affordable homeownership and rental housing.\* States would allocate funds to government entities or nonprofit organizations for the purchase, rehabilitation, and resale of homeownership and rental units. Funds would be distributed to states and the 25 largest metropolitan areas based on the proportion of foreclosures in their jurisdictions with priority given to low-income families.

President Bush in March announced plans to expand the FHA Secure program to relax some of the eligibility requirements of borrowers. The White House estimates this move will help about 100,000 borrowers refinance into loans guaranteed by the FHA. While significant, it is but a small dent in the expected 2 million families expected to lose their homes.

### Broader Solutions Needed

The scale and complexity of the current foreclosure crisis demands a more comprehensive remedy. When faced with a major foreclosure crisis resulting from the economic turmoil of the Great Depression, the federal government responded with a new housing finance agency, the Home Owners Loan Corporation. During the 1930s, most loans were short-term and required refinancing to maintain homeownership. HOLC issued government bonds and refinanced consumers into long-term affordable fixed-rate mortgages. HOLC issued over 1 million loans between 1933 and 1936 and ended its operations as a solvent institution a few years later.

The National Community Reinvestment Coalition has proposed a major initiative we call the Homeowners Emergency Loan Program or HELP Now. HELP Now would allow the federal government to purchase loans from securitized pools at steep discounts – equal to their current market value. The discounts secured at purchase would be applied immediately to allow for substantial loan modifications into long-term affordable products. Interest rate and principal write-downs would be allowed. Loans requiring greater amounts of assistance to be affordable would be refinanced. Modified and refinanced loans would be packaged and resold to the private market. Families that experienced foreclosure within the past 18 months would be eligible to purchase homes within close geographic proximity of the homes they lost. The plan provides a strong incentive to servicers and investors to participate but does not force their participation.

### Conclusion

Harvard University Law Professor Elizabeth Warren has pointed out that families have better consumer protection

when buying a toaster or microwave oven than when purchasing a home. Given the role that unfair and deceptive practices have played in creating the current crisis, and the reality that all Americans are paying the cost of regulatory failure, responsible public policy demands a thoughtful and meaningful response.

The time has come to help consumers who have been financially damaged by failed regulatory policy in the mortgage arena. Aiding families to sustain homes will stabilize the declining housing assets of banks, encourage liquidity, and allow the U.S. economy to start down the road to recovery.

Now is also the time to eliminate predatory lending practices for the future. Although the current credit crunch has squeezed many of the irresponsible and abusive lending practices from the subprime market, strong anti-predatory lending legislation is needed to ensure those practices do not return when housing markets recover. Although the Federal Reserve Board's proposed rule changes to the Home Ownership and Equity Protection Act are an important step in the right direction, legislation is, nevertheless, essential. Legislation provides a greater level of permanency. Furthermore, legislation will enable more comprehensive regulation of the non-financial mortgage-related institutions that are not currently overseen by federal agencies.

Legislation should address every aspect of the lending process including product type, underwriting standards and criteria, payment shock, special features (such as prepayment penalties), broker fees, appraisal standards, steering, and marketing, as well as lender and securitizer accountability. The American public deserves a thoughtful, responsible, and meaningful response to the foreclosure crisis. 

***\*Editors Note:** At press time, the House Financial Services Committee and was debating H.R. 5830. H.R. 5818 had passed.*

*~James Carr is the Chief Operating Officer and Kate Davidoff is the Special Assistant to the Chief Operating Officer at the National Community Reinvestment Coalition, [www.ncrc.org](http://www.ncrc.org).*

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