

Foreclosure Prevention Taskforce

The Governor established this task force to create the appropriate model of foreclosure prevention, intervention and strategies to assist distressed mortgages. This taskforce was lead by Director of Commerce Kimberly Zurz and comprised of representatives of local, state and federal governments, housing and advocacy organizations and various associations representing municipalities, counties and lenders.

The taskforce issued 27 recommendations under seven themes:

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

Included in the task force's report and recommendations are the following:

- **Public awareness campaign and borrower outreach:** Recommended a public awareness campaign and borrower outreach events.
- **Funding for housing counseling:** Recommended \$10 million (including \$2 million in state funds) be raised for housing and financial counseling services. Funding needed from federal, state and local sources together with donations from the industry and foundations.
- **Loan servicers encouraged to be flexible in modifying loans:** Recommended that loan servicers exercise their discretion to achieve maximum flexibility in modifying loans and encouraged them to waive penalties and fees and reduce the principal when it is more than the property's current value. Recommended that loan servicers be required to notify borrowers six months before an ARM is to be reset. Recommended that the Governor advocate that Congress provide income tax forgiveness on loan readjustments.
- **Promoting refinance options:** Recommended expanding the lending flexibilities of the Ohio Housing Finance Agency's Opportunity Loan Refinance Program so more borrowers can access the program. (The underwriting standards were expanded in early September.) Recommended the State should press the Federal Home Loan Bank, Fannie Mae and Freddie Mac to deliver on their general commitments to make considerable resources available for refinancing troubled mortgages. The State should also press the U.S. Department of Housing and Urban Development to promote refinance options using Federal Housing Administration (FHA) loans.

- **Expediting actions in the courts:** There are several obstacles that contribute to the inability of the courts to promptly resolve foreclosure actions: overburdened dockets, insufficient resources to hire more magistrates and staff, and the inability of owner occupants to obtain legal representation. The task force recommended several steps to expedite this process.
- **Vacant housing and neighborhood revitalization:** The scope of the crisis and the number of abandoned buildings left in its wake is far beyond the ability of local jurisdictions to handle. The task force recommends that the Governor's Urban Agenda include a major initiative on vacant housing and revitalization of neighborhoods impacted by a high number of foreclosures.

Additionally the Governor and Director Zurz worked with lenders to establish a compact between the state and lenders. This was an historic agreement and nine mortgage loan servicers agreed to sign a "Compact to Help Ohioans Preserve Homeownership."

The loan servicers that signed a compact are:

- Carrington Mortgage Services
- Citi
- GMAC RESCAP/Homecomings Financial
- HSBC Finance Corp.
- Ocwen Financial Corp.
- Option One Mortgage
- Saxon Mortgage Services
- Select Portfolio Servicing
- Litton Loan Servicing

The six principles agreed to by the loan servicers include a willingness to:

- ❖ Engage in a substantial and large-scale loan modification effort for adjustable rate mortgage resets and subprime mortgages.
- ❖ Identify, evaluate and make good faith attempts to contact at-risk or defaulting borrowers as soon as possible.
- ❖ Modify loans to the extent permissible within existing fiduciary, contractual or other legal obligations and in accordance with prudent mortgage lending and servicing practices.
- ❖ Create incentives for staff and foreclosure counsel to modify loans rather than foreclose.
- ❖ Report progress to the Ohio Department of Commerce.
- ❖ Enter into a non-binding agreement with the State for some defined period of time. (The agreements extend to June 30, 2009.)