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Housing and Urban Revitalization Committee
The Ohio House of Representatives, 128th General Assembly
Hearing on Foreclosures – July 28, 2010 – Testimony of David Rothstein, Policy Matters Ohio

Chairman Foley, Ranking Member Stautberg and distinguished members of the Committee. My name is David Rothstein and I am a researcher with Policy Matters Ohio, a nonprofit, nonpartisan research group that provides analysis on economic issues that matter to low- and moderate-income families. My work centers on tax and asset building issues in Ohio. Thank you for allowing me the opportunity to testify on the extremely important issues of home foreclosures and housing counseling. I applaud your willingness to hold a field hearing here in Cleveland,

The foreclosure crisis in Ohio is now well known. Each year since 1995, Ohio has witnessed growth in new foreclosure filings. From 1995-2009, Ohio foreclosure filings quadrupled. In 2009, we had a record 89,053 new foreclosure filings. To put it in another light, there was one foreclosure filing for every 56 housing units in the state, compared to one for every 60 in 2008. We are on pace, according to the Mortgage Bankers Association and Ohio Supreme Court data, to see 100,000 new foreclosure filings in 2010.

The City of Cleveland is certainly one of the hardest hit in the nation by home foreclosures. Since 2005, there have been more than 38,000 new foreclosure filings in the City of Cleveland. Cuyahoga County recorded the most foreclosure filings (14,171) and filings per 1,000 people (11) for the fifth straight year.

But there is an important story to tell that diverges from the urban centers like Cleveland. Yes, areas of Cleveland are devastated with vacant and abandoned properties, families forced to double up and live with others, dramatically reduced property values, and all of the consequences that come with foreclosures. But now this is a statewide dilemma. Non-urban areas have the highest foreclosure growth rates. The 60 counties with a population below 100,000 saw overall foreclosure filing growth rate of 8.78 percent, up from 3.3 percent the previous year. Seven of the top ten counties in foreclosure-filing growth – each of which saw at least a 26 percent increase last year – were in the Northwest and Appalachian regions of the state.

Suburban communities and counties are also facing foreclosure woes. In Northeastern Ohio, affluent suburbs like Westlake and Solon are witnessing double-digit increases in their foreclosure filings from last year. Similarly, some of the fastest growing counties in population, such as Delaware County, are now on the list of highest foreclosures per 1,000 people.

Given that home foreclosures touch every county and city in Ohio, it is imperative that there is a multi-faceted effort to curtail them. If the immediate goal is to keep families in their homes, since this benefits everyone in the community, the role of HUD-certified housing counselors and mediators cannot be overstated. They are the medium between families and their loan servicers or lenders. They can provide sound advice and communication from the borrower to the servicer and lender.

I speak of this “medium” because homeowners face a labyrinth in the process of identifying their lender, the department for loan modifications, and how to actually complete the process of modifying their loan. Let me



dispel any myth that homeowners can call their servicer or lender on a 1-800 number from their mortgage statement and quickly get directed to a loan modification department where a modification is quickly completed. The process is much more time intensive, requires documents that are complicated and often not readily available, and is often met with hostility from the servicer or lender. There is a substantial learning curve involved in this process. You will hear this sentiment in more detail from counselors and borrowers today.

Without housing counselors and mediators, we open the doors for a new form of predatory lending. Much like the subprime brokers who pushed and sold unaffordable and wealth-stripping loans to Ohio families, we now see individuals and groups who are selling loan modification services. We are currently working on a research project that documents these foreclosure scams, which generally see illegitimate housing counselors charging exorbitant fees for little actual help. In fact, their advice is often to not talk to the servicer and not to fulfill payments. In extreme cases, they obtain title to the home by convincing a home-owner to sign over their house in the process. Some of these groups have partnered with Ohio attorneys to broker the transaction. More than 400 complaints related to foreclosures scams have been logged by the Ohio Attorney General since 2009 and that total does not include the countless examples that go unreported.

A reduction in HUD certified, experienced housing counselors will ultimately lead to more scams and in the end, more foreclosures. If the goal is to keep families in their homes with a mortgage they can afford, we must properly support real housing counseling and mediation. We must also curtail the unscrupulous scams aimed at those who are already struggling to keep their homes. This should be done in tandem.

I applaud the House and this Committee for taking this issue so seriously and holding this hearing today. The bills that the House has already passed, currently sitting in the Senate, are difference makers. They demand the Senate's immediate attention. However, given the continued growth in foreclosures, more action is needed. Specifically, Ohio needs to look at a law that would prevent mortgage foreclosure scams and curtailing groups that charge for foreclosure assistance but provide no added benefit. There also needs to be a stronger funding mechanism for funding housing counselors and mediators. Each year these groups struggle to meet the growing demand and challenges of foreclosure counseling.

I appreciate the Committee's time and attention. I have attached my most recent report on foreclosures in Ohio, with county-by-county analysis, to my testimony. At this time, I am happy to answer any questions.

Sincerely,

David Rothstein

