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# POLICY MATTERS OHIO

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To Cleveland City Council members and interested community members,

Ohio is at the epicenter of the housing foreclosure crisis in America. Greater Cleveland is being devastated by foreclosures, abandonment, and predatory mortgage lending. For the past 5 years, Policy Matters Ohio has tracked foreclosures and sheriff's sales in Ohio noting a surge in rural, suburban, and urban areas alike. We have included those reports in your briefing book, but it is important to note the near 80,000 new Ohio foreclosure filings in 2006, a 23% increase from 2005. Cuyahoga County, with more than 13,500 foreclosures, continues to have more filings per person than any other county in Ohio.

Our recent research also finds a continuing trend of foreclosures:

- Residential foreclosures in the last year alone saw a 7% increase in Cleveland from 6,881 to 7,333.
- The majority of county sheriff's that we surveyed indicated that predatory lending was the reason for the foreclosure sale of the property. Thirty-one of the fifty sheriffs indicated predatory lending was more of a factor in losing the home than job loss or a weak economy.
- Suburbs, which are an integral part of the Greater Cleveland economic landscape, have seen a surge in foreclosures as well. Specifically, bordering cities of Euclid to the east and Lakewood to the west saw a 16% and 19% increase in residential home foreclosures, respectively.

All of this data is to say, home foreclosures have not gone away and we have to consider the people that are already in this process not just the families that will likely go through it in the future.

Policy Matters Ohio is a nonprofit, nonpartisan research group in Ohio. We provide real-world policy analysis regarding economic issues that affect low- and moderate-income families. Housing foreclosures have a detrimental affect on working families, draining incomes and depleting savings. Communities are also negatively impacted as tax revenues are depleted, social services are in higher demand, and dozens of intangible effects ripple outward.

Our recent work has found that foreclosures are still increasing, despite initial steps by the government and mortgage lenders to keep people in their homes. We have also begun to document and will release a report next month that details the adverse affect of foreclosures on renters, who have little knowledge about and defense against this process.



Several federal policies could help working families in Ohio and strengthen its communities:

- Allowing courts to use discretion for an “own to rent” policy, where foreclosures would be prevented by allowing families to keep their homes as renters. An appraiser would determine the rental value of the home and the owner becomes a tenant. Similarly, allowing court supervised mortgage modifications, where judges modify the terms of the loan to market value could allow families to remain owners in situations where the home was overvalued by an appraiser and the loan was well over-extended.

- Reestablishing the Home Owners’ Loan Corporation (HOLC) where “bad” mortgages are purchased by the Corporation and new ones are sold to homeowners. In the past, HOLC was used to help millions of homeowners during the Great Depression, selling government bonds to banks for the troubled mortgages. The HOLC should also have perimeters, focusing on owner-occupied residential properties.

Importantly, these last two policies should have requirements that target them toward lower-and middle-income families.

- Supporting H.R. 3915, which was voted out of the U.S. House of Representatives and is being heard in the Senate. This legislation allows rental leases to survive the tenancy in a housing foreclosure along with mandating a minimal 90-day notice of termination to tenants.

- Continuing to support the Mortgage Cancellation Relief Act, which allows forgiveness of tax debt due to foreclosure. This is not real income and should not be taxable.

- Reinvesting in communities, by infusing affected communities with cash to clean up abandoned properties and retrofit inefficient homes, making sure neighborhood people are tapped for the jobs.

The roots of the foreclosure crisis lie in poor regulation of mortgages and a housing bubble. But in states like Ohio, the crisis has been intensified by a weak economy. While we urge you to pass specific returns to address foreclosures, Ohio is also eager for federal leadership on five key fronts. We need to invest in the future, particularly in infrastructure, clean energy, and education, so that we’re better prepared for future challenges. We need to protect assets – not just homes but also savings – by regulating payday lending and making it easier for families to save. We must also rebuild on-ramps to the middle class by providing universal health insurance, raising the minimum wage, and making it easier to join a union. The president must also provide more opportunity, by having a fair, progressive and adequate tax system so that we can fund crucial public programs. Finally, we need to retain strong public structures so that government can do the work it needs to do and businesses and workers can thrive.

Respectfully submitted,

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