Standing Up for Ohio Homeowners

Monday, May 14, 2012

Gina Brooks, like too many Ohioans, knows how difficult it is to battle a giant mortgage company. My office worked with Gina to modify her mortgage and keep her home, but she still wants to know: *"Why did it take me two years, two bankruptcies, and all of this headache when [her mortgage servicer] could've done it in one month?"*

Ohioans, like Gina, who are trying to save their homes from foreclosure, deserve an answer. They deserve help.

Addressing the housing crisis is critical to rebuilding our economy. But right now, too many homeowners can't afford their mortgage costs, are behind on their payments, or owe more than their house is worth. Meanwhile, they face big Wall Street banks and mortgage servicers who are unable or unwilling to work with them.

We know that the housing crisis in Ohio wasn't caused by speculation or irresponsible borrowers taking out mortgages they couldn't afford. It was caused by years of job losses mixed with predatory loans from fly-by-night mortgage operations. And while we have seen nearly 24 straight months of private sector job growth and foreclosures filings are starting to decrease in Ohio, we also saw more than 71,500 new foreclosure filings in 2011 according to Policy Matters Ohio. Too many Ohioans are still struggling to find work or are underemployed, and these Ohioans have often turned to banks and mortgage servicers for help in preventing foreclosure by modifying their home loans.

But instead of receiving help, many have been ignored. Others have faced denials, lost paperwork, or have been foreclosed on by mortgage companies that engage in "robo-signing." Big banks tell us that their mistakes are isolated and harmless. But these problems are not new. In fact, these predatory practices occurring now in the servicing industry are all too similar to predatory practices that led to the subprime crisis.

That's why I introduced *the Foreclosure Fraud and Homeowner Abuse Prevention Act*, which would address some of the most common problems and abuses with the mortgage servicing industry.

First, too many servicers are proceeding to foreclosure without considering modification. While this hurts mortgage investors and homeowners, servicers are able to recover full costs at foreclosure – giving them a financial incentive to favor foreclosures over affordable modifications.

My bill would require servicers to participate in sustainable loan modifications when it is in investors' best interest. It creates a defense to foreclosure when servicers fail to offer loan modifications, and gives servicers an incentive to work with homeowners by extending the protections of the *Fair Debt Collection Practices Act.*

Second, servicers have been known to file foreclosures against homeowners who are trying to modify their loans – a practice that is prohibited under law. In a survey of consumer attorneys from 34 states, more than 98 percent said they have represented homeowners placed in foreclosure while awaiting a loan modification.

My bill would bar these "dual track" foreclosures, permitting servicers to proceed with foreclosures only after they have finished working with borrowers on a modification.

Third, servicers lack the necessary staffing and resources to tackle the record rates of mortgage defaults and foreclosures. One commentator estimates that servicers would need to increase staffing 1000 percent in order to modify as few as 10 percent of the loans in default.

My bill would require servicers to provide appropriate staffing and training. Servicers of delinquent loans would place a reasonable limit on the number of cases handled by each employee.

Finally, as Ms. Brooks can attest to, too many Ohioans trying to modify their loans are subject to servicers losing their paperwork. Loan modifications typically take between 120 and 240 days, and process errors —like multiple requests for paperwork, incorrect evaluation, and lack of communication between departments – are common.

My bill would require servicers to create a single electronic record for each borrower, designate a single contact for each stage of the mortgage process, and provide one team leader to coordinate between mortgage servicer departments.

Families must feel secure that their home cannot be wrongfully taken from them, and investors – including pension funds that hold the retirement savings of teachers, nurses, and police officers – must feel secure in their investments.

We can’t expect that our economy will ever fully recover until we stabilize the housing market – that means restoring trust for both homeowners and investors.

https://www.brown.senate.gov/newsroom/newsletters/standing-up-for-ohio-homeowners-