COUNCIL OF THE CITY OF PHILADELPHIA

COMMITTEE ON PUBLIC HEALTH AND HUMAN SERVICES

Room 400, City Hall
Philadelphia, Pennsylvania
Tuesday, May 15, 2012
10:15 a.m.

PRESENT:
COUNCILWOMAN MARIAN B. TASCO, CHAIR
COUNCILWOMAN CINDY BASS
COUNCILMAN WILLIAM K. GREENLEE
COUNCILMAN KENYATTA JOHNSON
COUNCILMAN CURTIS JONES, JR.
COUNCILMAN JAMES KENNEY
COUNCILWOMAN MARIA D. QUINONES-SANCHEZ

RESOLUTION 120180 - Resolution authorizing the Council Committee on Public Health and Human Services to hold hearings regarding impact of Homeowners' Emergency Mortgage Assistance Program on Philadelphia.

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COUNCILWOMAN TASCO: Good morning. This is a hearing on a resolution. Therefore, we do not need a quorum to begin. We're going to begin the hearing because we don't want to delay you all day, and as Councilmembers come in, we will recognize them.

For those who are not on this Committee, most of them listen to it on the television or on the squawk box, as I call it. So they still get the flavor of the hearing.

So I would like to have the Clerk read the resolution, please.

THE CLERK: Resolution 120180, resolution authorizing the Council Committee on Public Health and Human Services to hold hearings regarding impact of the Homeowners' Emergency Mortgage Assistance Program on Philadelphia.

COUNCILWOMAN TASCO: Thank you very much.

Let me recognize the member of

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the Committee, Councilman Greenlee, and Councilman Curtis Jones, co-sponsor of the resolution and also been very active in this whole area of protecting our citizens and consumer issues and housing issues.

Let me just make a couple of remarks and then we will begin with the panels.

On February 7th, Governor Corbett presented his proposed 2012-2013 budget to the General Assembly. In his budget address, the Governor proposed no funding for the Homeowners' Emergency Mortgage Assistance Program, also known as HEMAP. The proposed 2012-2013 budget mirrored this year's budget when no funding was provided for HEMAP.

Considering that this widely successfully program has been used as a national model to fight foreclosures and keep homeowners in their homes, the end of HEMAP is a true tragedy for our constituents and the entire Commonwealth.

In fact, HEMAP has served more than 42,000 families from foreclosures. In total, there have been $442 million in HEMAP loans, and more than 20,000 of these loans have been repaid in full, leading to a return of principal and interest of more than $246 million back to the Commonwealth.

Without HEMAP, Pennsylvania experienced a sharp jump in foreclosure filings, and this rise is almost 24 percent higher than last year, and this increase in foreclosures coincided with the end of HEMAP.

Considering this negative outcome, the purpose of today's hearing is to examine the impact of loss of HEMAP on Philadelphia. Due to the fact that the financial impact per foreclosure is over $75,000 to the City, lenders and homeowners in Philadelphians have filed over 1,200 HEMAP applications between 2008 and 2010. It is important to determine what the loss of this program means to Philadelphia.

Further, it is important that City Council, a legislative body, advocate to the Governor that HEMAP be relaunched and that dedicated state funding be restored to this program. From this perspective, I urge you to call on the Governor and the Attorney General to use proceeds from the federal mortgage loan servicing and foreclosure abuse settlement to restore HEMAP. Through this settlement, Pennsylvania is due to receive $266 million, of which 69 million will be allocated to the Attorney General's Office.

Considering that the 69 million is unrestricted, many parties, from housing advocates to State Representative John Taylor, have stated that these funds should be used to restart HEMAP.

Due to the fact that HEMAP has enjoyed broad bipartisan support and has assisted constituents from throughout the entire Commonwealth, the relaunch of

HEMAP is a more than appropriate use of these settlement dollars.

And I'd like to say and think that the Administration in Harrisburg would know that it is just not Philadelphia that has had a success and help with housing foreclosures, but across this state. When some of the legislators look at requests for funding, they only think of Philadelphia and that we are the Sodom and Gomorrah of the state. But Pennsylvania is a large state and it's a diverse state, and diverse not only economically, racially and all of the aspects of diversity. Those folk who live outside of Philadelphia, particularly as you move further west, have experienced the same foreclosure issues that we have here in Philadelphia, and foreclosures have basically impacted folk of low-income status.

So I thank all of you for coming here today. I want to thank you for the work you've been doing to help restore this as you lobby in Harrisburg and speak to other legislators across this state. We hope to have your testimony recorded today so that whatever further action we take by this Council, it comes based on information that you, the experts, those of you who have provided counseling and support, will be able to help us draft our argument for the state.

So thank you all again for coming.

Let me recognize Councilmen James Kenney and Kenyatta Johnson who are here for this hearing.

Our first panel will be Cathy Califano, Associate Director of The Reinvestment Fund; Daryl Rotz, HEMAP Director, Pennsylvania Housing Counseling Agency; the Honorable Annette Rizzo, renowned for her efforts in her program to keep people in their homes, Judge, Court of Common Pleas; and Deborah McColloch, our own Director of OHCD.

Would you all please come forward.

(Witnesses approached witness table.)

COUNCILWOMAN TASCO: Is the Honor on a time constraint? Do you need to testify earlier?

JUDGE RIZZO: Soon, yes.

COUNCILWOMAN TASCO: Why don't you come on up, because we know you have to go to court.

JUDGE RIZZO: I heard your order.

COUNCILWOMAN TASCO: No. I have no idea why they're in that order. Maybe Derek has a rationale for it, but we're going to hear the testimony anyway no matter what order.

JUDGE RIZZO: Well, the unfortunate thing, I don't have handouts. I don't have handouts like them.

COUNCILWOMAN TASCO: Okay. Thank you very much. Why don't you begin, and then we'll have our out-of-town guest.

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Deborah, is that all right with you guys?

MS. McCOLLOCH: That's fine.

COUNCILWOMAN TASCO: Okay. Thank you.

JUDGE RIZZO: Thank you so much for that courtesy. Thank you, Chairwoman.

Build it and they will come. That was my opening line when Senators Specter and Casey came to visit the First Judicial District's Mortgage Foreclosure Diversion Program back in the fall of 2008 when they came to see exactly how we operate in the City of Philadelphia with respect to stopping or at least slowing down the flood of foreclosures in our city.

On the marking of the first-year anniversary of the program, we had actually a little celebration of sorts for all those who helped fuel the program, and on the cake, it read "We Built It and They Came."

On the third-year anniversary of the program, we say, "We Built It, They Came and They're Still Coming."

Madam Chair and distinguished members of the Public Health and Human Services Committee -- and I would be really fraught with despair if I didn't mention as well my hero, Councilman Curtis Jones, on this issue, who is present here as well -- the fourth-year anniversary of this program will be marked next month and it will come to pass, and with that, I say now more than ever, we built it, they came and they are in fact still coming.

I'm Judge Annette Rizzo. I have the extreme honor and duty to oversee the First Judicial District's Mortgage Foreclosure Diversion Program for this great city. I'm ever grateful to lend my voice to the auspicious chorus of individuals testifying before this legislative body on the direct and significant impact of the Commonwealth of

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Pennsylvania's HEMAP program on the Diversion Program and, most importantly, the citizens of this city.

Since inception of the Diversion Program in 2008, I have had the opportunity to speak about this program in a variety of settings, public and private, and even have brought the Philadelphia story to the White House.

Now, in judicial settings when I talk about the program, I mention it is a program of effective case management. In discussions regarding urban policy, it is one really of community and neighborhood stabilization. When I'm talking about or in part of discourse on social services for individuals, it truly is a program of homelessness prevention.

Without fail, our program has been viewed as the national model, not because we say so, because it has been said of us. It's been the first and one of the most effective in fighting the onslaught of personal and public devastation resulting from the well-documented and unrelenting tide of foreclosures caused by the home financing meltdown.

I will leave with my fellow and high distinguished panelists on this panel as well as others to follow the duty to share with you all the data, all the drill-down of all the important facts regarding this persistent issue, with the clear message that the problem ain't going away.

But what I want to share with you is that the Diversion Program has been one of the lights in the sea of turmoil and uncertainty for our city for very specific reasons, and many have to do with the absolute need to continue and fund this Commonwealth HEMAP program.

The FJD Diversion Program mandates that no homeowner in Philadelphia facing foreclosure will lose their home in which they reside without first going through a conciliation conference with their lender in order to right the ship and keep that person in their home. Now, unlike the majority of similar programs in the country where homeowners may choose to opt in to such discussions, we are mandatory, and that's our story and we are sticking to it.

But, more importantly, we leave nothing to chance. In ultimate collaboration and partnership with Mayor Nutter, his staff, this extraordinary legislative body, OHCD, some 30 housing counseling agencies with their talented counselors, a team of outreach workers, court staff, a well-dedicated and informed team staffing the Philly Hotline, as well as an army of some 400 lawyers serving as volunteer counselors for the homeowners and Judge Pro Tems, a well-orchestrated ballet is staged each and every Thursday in Courtroom 676 in this building.

We have played host to over 18,000 conferences, with a show rate of over 70 percent of our citizens who are notified. Of those homeowners who participate, some 34 percent reach resolution with their lender servicers. But here's the most important point: Of those who do reach resolution, over 85 percent remain in their homes over 18 months to two years. That is sustainability, and that is what we are all about.

We have even gone beyond that to provide needed financial literacy training to those homeowners in the program under a new and unique initiative funded by PNC Bank to make sure that when our homeowners get the deal, it sticks, to give them new tools to have them look prospectively at their finances in a different and healthy way. And we're very proud that we have started that as what I would call a second-generation issue to really help our homeowners in the City.

Tools. Tools. Our program is

really fueled by the fact that we all have these resources working toward the same goal, to keep people in their homes.

It is all about the face-to-face, that one-on-one and counselor that makes one homeowner's story separate and distinct from any other. It is the chance to have that pause to look in our onus about how to make it work for that homeowner, that family.

So tools. We have the HAMP model, of course, from Washington, loan modifications, forbearance agreements, deeds in lieu, repayment plans, all tools in this arsenal. How fortunate we have been in the past to have as a major tool a sure-win program in HEMAP, the first of its kind in the country and the literal template for the federal relief program EHLP.

HEMAP has consistently provided funding; more importantly, hope, for countless citizens of Philadelphia to get that extra upfront assistance to make the deal happen. HEMAP has been so effective in its legislative intent by being truly the safety net for those who have faced catastrophic events through no act of their own, it is really giving a second chance to those in dire need who really just need that bridge to get to that solid ground.

Now, I want to divert just a bit to tell you that with the Emergency Homeowner Loan Program, of which HEMAP was the template, as I mentioned, I'm proud to share with you -- and this is just an example of what we do here in Philadelphia and how vital these programs are -- is that when the EHLP program came into being, it's obviously life was foreshortened by regulations having to be passed. Pennsylvania was one of the few states to receive funding beyond its original allocation and was able to reach more homeowners with sustainable relief over any other state which was given funding.

Now, here's my Philly pride coming through, because it forces me to share with you that right here in this very building, more homeowners were helped than anywhere else in the state, making us the recipients of more federal funding than any other locale in the country under the EHLP program. It didn't just happen; it happened because it shows the power of owning it, owning it of a well-oiled machine, made up of extremely dedicated housing counselors working nights and weekends to not lose that funding, of saving homes one address at a time. And really hats off to Deborah McColloch, Hiram Carmona and the wonderful army of housing counselors, who met the challenge. We kept it going and they fueled it. And I'm really proud about that statistic, and I want us to tell everyone about it. That's what they say: When you have something proud that you did, tell everybody about it. I'm telling you about it.

Well, EHLP is history, and that is why at no other time in this history is such a well-reasoned and purposeful program such as HEMAP needed to continue. More than now, in the wake of unprecedented unemployment and economic downturn felt beyond our local region and even national borders, time here does not permit the sharing of far too many anecdotes and stories about individual homeowners who either have been reaping the benefits from HEMAP or EHLP or have now come to the courtroom and are deprived of HEMAP relief when it could have been the answer to save that home.

It is, therefore, essential, critical, of utmost importance that HEMAP continues and thrives as an essential self-funding tool in our arsenal to bring that needed relief. I see the difference it makes every week in the courtroom when I have to face these homeowners and look into those eyes. I don't have HEMAP to offer at this point, and it's a very frustrating situation, as you can imagine.

I, therefore, commend this legislative body for taking the steps to hold these hearings pursuant to the resolution at hand in support of HEMAP funding. You have always been at the forefront to champion those initiatives which protect the sanctity of our local homeowners, as a city built on the strength of neighborhoods and homeownership, however grateful I am as a fellow public servant and, more importantly, as a citizen of this city, for your unwavering support of this vital program. And, again, I have to mention Councilman Curtis Jones in that regard and Councilman Quinones as well for supporting, of course, her district in all she's done. I've never had better partners than in this legislative body, and, of course, led by your efforts, Chairman Tasco. It's really been something.

I thank you for the opportunity to share my thoughts with you. I'm available at any time, and I suggest all of you come a calling if you want to see the ballet in motion every Thursday, 9 and 1 o'clock in Courtroom 676.

And as I end every comment, whether I speak in a public or public-private conference, I say to all of us, all of us in sincere hope and thought, may the force be with all of us.

Thank you for your time.

COUNCILWOMAN TASCO: Thank you.

(Applause.)

COUNCILWOMAN TASCO: Thank you for your testimony, and we appreciate your work. We appreciate you sharing it with the rest of the country, because we get feedback through the National League of Cities of the work that's going on in Philadelphia.

So thank you for your leadership and your support.

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Any questions?

(No response.)

COUNCILWOMAN TASCO: Any comments?

(No response.)

COUNCILWOMAN TASCO: Thank you very much.

JUDGE RIZZO: I can read it in another language.

COUNCILWOMAN TASCO: I did have a couple of questions for you, if you have a minute.

JUDGE RIZZO: Oh, I'm sorry. I apologize.

COUNCILWOMAN TASCO: We do notice that there are some people who may be in foreclosure who have -- and there's been a wonderful outreach program to go knock on doors to get people to come to address their issue. Do you have any sense of why some don't respond?

JUDGE RIZZO: Well, I think -- and I've actually had these discussions with the outreach teams. I guess it was more the reverse, why is it so successful, when I speak to colleagues across the state and the country of why they can't get people to the table.

For those who don't respond, there's several things. It could be they actually did vacate the premises, so it was just they have just given up hope in that regard. So we don't have that opportunity to have the face-to-face to bring them in.

For those who don't, it could be some infirmity or it could be that, frankly, they're just inundated with notices from their lender servicers or they are contemplating bankruptcy or have connected with someone who in fact has suggested bankruptcy, in which case they say or have been counseled to take the position that we don't need to participate because we're taking this other route.

The interesting thing about that is, this is not, as I indicated, an opt-in program. We are an opt-out program. If you don't come to the table, then you have chosen not to take up that step to reap the benefit of what we have to offer. But it is mandatory. And unlike other jurisdictions where they are not judicially driven foreclosure states, we are. So, therefore, in violation of a court order, you must appear for your conference.

It does bring ramifications, that then the lender servicer goes on to enter what's known as a default judgement, and then the case takes its natural progression to Sheriff sale.

So we really do try to capture, and I think the beauty of our outreach is the teams rely and as Karen Brown's efforts, for which we're grateful, she uses the local NACs and really citizens of that neighborhood and community who know them and, therefore, have an openness to receive the knock on the door and have a brief discussion, not necessarily to pry into personal matters, but just to say, Did you get served, did you call the hotline. I think our message of one entry point is really very useful in the sense of all singing the same song, just call the hotline. Once we triage you in that system, then we're off to really attach and actually can offer the services.

But I have to tell you, a 70 percent or more rate of return is pretty good.

COUNCILWOMAN TASCO: Yeah.

JUDGE RIZZO: Pretty good, in what I've seen in terms of statistics to compare.

COUNCILWOMAN TASCO: Okay. Any other questions, comments?

(No response.)

COUNCILWOMAN TASCO: Thank you.

Let me recognize Councilwoman Cindy Bass, who has joined us.

JUDGE RIZZO: I just want to add, good to see you. And I think probably the first five hours that you were sworn, you came to visit us in 676, and for that, we're grateful for your interest to be educated on what we do and how you've also supported. So thank you.

COUNCILWOMAN BASS: Absolutely. Thank you.

COUNCILWOMAN TASCO: Thank you very much for your testimony.

JUDGE RIZZO: Always good to see you. I'm always available. You know that.

COUNCILWOMAN TASCO: Oh, I know that.

JUDGE RIZZO: Thank you for your support and partnership.

COUNCILWOMAN TASCO: Okay. Thank you. Appreciate that.

Now we'll have Mr. Daryl Rotz from the HEMAP -- he's the HEMAP Director, Pennsylvania Housing Finance Agency.

MR. ROTZ: Good morning. My name is Daryl Rotz and I am the Director of Pennsylvania's Homeowners Emergency Mortgage Assistance Program. I have been with HEMAP since it began. I saw the beginning of HEMAP. I saw it grow to become a well-oiled machine, and I also saw it end. But hopefully I will see it reemerge again very soon.

Today, I just want to -- first off, I want to thank you for the opportunity to be here today, and I want to just give you some accomplishments of the program and in the beginning just a little brief history of HEMAP.

In the early 1980s, the Commonwealth of Pennsylvania was experiencing a severe recession and a sharp downturn in economic activity, much like we've just experienced. I believe the unemployment rate was even higher back in the '80s. I believe it was around 11 or 12 percent back then.

As a result of these adverse conditions, the ability of homeowners to make their mortgage payments had deteriorated and resulted in widespread foreclosure. To address this issue, the Legislature created the Homeowners Emergency Mortgage Assistance Program with the passage of Act 91 of 1983. The program was the first of its kind in the nation, and its mission was to prevent widespread mortgage foreclosures caused by circumstances beyond the homeowners' control.

The creation of HEMAP resulted in a major change in the foreclosure process in Pennsylvania. Prior to its implementation, lenders could foreclose on a delinquent mortgage with minimal restrictions. Lenders initially opposed the effort and felt that the HEMAP program would only serve to slow the foreclosure process and increase their costs. Admittedly, there were some growing pains early on as PHFA had to educate lenders and the courts about a program that became law on December the 23rd, 1983. Over time, however, the lending community has recognized the efficient operation of the program and has embraced the benefits of giving a family a second chance and avoiding a costly Sheriff sale.

HEMAP is unique in the fact that it can help people from any socioeconomic background. It doesn't matter what your income was. There's no income or home value limits, and there's no equity requirement. Simply, if you're delinquent on your mortgage due to circumstances beyond your control and if you can demonstrate that you have a reasonable prospect of being able to resume your full mortgage payments within either a 24- or 36-month time period, you could qualify for a HEMAP loan.

Since the inception of the HEMAP program in 1983, over 45,000 families have received mortgage assistance. Countless others have benefited simply by the stay of foreclosure. For those individuals, when they get their Act 91 notice, if they apply in a timely manner, there is a stay of foreclosure. So they get the notice when they're 60 days delinquent. They have 30 days to get to a counseling agency. The counseling agency has 30 days to get it to us, and we have 60 days to make a decision. You know, the 60-day delinquency and the whole process itself, by the end of that, they've had a six-month time period where the lender couldn't proceed with any action to enforce that mortgage. So there are a lot of people that work things out on their own and may not apply for HEMAP or they do apply and then still work things out on their own. But that stay of foreclosure is really critical, in our opinion, at giving people enough time to maybe choose some other option even other than the HEMAP program.

Without this program, many would have lost their homes and faced uncertain housing circumstances. With demands for subsidized housing being great, these individuals may have become homeless.

Besides being a homeless prevention measure, HEMAP is also a bargain. The cumulative average HEMAP loan is $11,100, compared to the average loss on a foreclosure being anywhere in the vicinity of 30,000 to 50,000 or more. In addition, HEMAP is a loan that gets repaid. These figures support the fact that HEMAP is a cost-effective way of helping homeowners avoid foreclosure.

In addition to being a homeless prevention measure, HEMAP also keeps families together, it reduces crime and preserves neighborhoods. Financial problems are a major contributor to divorce, crime and deterioration of neighborhoods. HEMAP keeps families in their homes and provides them the time needed to reestablish their financial well-being. The program affords homeowners the opportunity to pursue job training and educational pursuits while receiving assistance. HEMAP provides hope and opportunity to those experiencing financial problems.

The program has distributed over -- has disbursed over $500 million in loan disbursements. It has received over 245 million in state appropriations, and it has received over 268 million in repayments from homeowners who have been assisted.

It is safe to say that HEMAP is one of only a few government programs that can boast that it has received in repayments more than what the government has allocated to it.

Of the 45,300 homeowners helped, over 21,000 have already paid off their HEMAP loan in full. Nearly 50 percent of those helped have paid back their HEMAP loan. That's truly incredible, especially when you consider the financial circumstances that these people had. They were facing foreclosure. They may have been unemployed or underemployed. They got back on their feet and they made good on their HEMAP loan. It's just -- it's a real testament to how well this program has worked.

Since the beginning of HEMAP in 1983, the program has saved 7,524 Philadelphia County families from foreclosure and has disbursed over $67 million in loan disbursements to Philadelphia County residents.

From 2006 through 2010, Philadelphia County had a steady increase in applicants applying for assistance, and I'll give you these statistics. In 2006, we had 1,636 HEMAP apps; in 2007, 1,869; 2008, 2,215; and in 2009, 2,318; and in 2010, 2,530. And in 2011, we only had 987 HEMAP applications, but that was in a six-month time period, because HEMAP ended June 30th, 2011. But we also had over 2,000 EHLP applications, Emergency Homeowner Loan Program, and that program ended September 30th, 2011. So when you put the two together, we had over 3,000 applications from Philadelphia County alone in the year 2011.

These totals tell us that mortgage delinquencies are still high in Philadelphia and the need for HEMAP to be restored is imperative.

The real success of this program lies in the number of people that have been helped and, therefore, able to continue their homeownership. Approximately 85 percent of all families have been able to continue ownership of their homes. Again, considering the financial circumstances of the typical applicant, an 85 percent success ratio is outstanding.

HEMAP has worked well for the Commonwealth of Pennsylvania. HEMAP has aided the state Legislature in responding to housing and foreclosure issues. This program is also widely supported by a variety of interest groups, including lending institutions, non-profit housing groups, labor unions and low-income housing advocates. HEMAP has prevented homelessness and helped preserve the American dream for many families.

Thanks again for the opportunity to be here, and if anybody has any questions, I'll be happy to try to answer them for you.

COUNCILWOMAN TASCO: Are there any questions?

COUNCILMAN JOHNSON: Yes.

COUNCILWOMAN TASCO: Councilman Johnson.

COUNCILMAN JOHNSON: Good morning. Thank you for your presentation and testimony. I just want to get an idea from an advocacy standpoint. On the state level, has there been any new discussions with the Administration on the state level and what type of organizing advocacy is taking place on the state level from your perspective, rather it be republican, democrat, House, Senate?

MR. ROTZ: PHFA really tries to stay out of advocating for the program. We have certainly had discussion with the Attorney General's Office, and also I believe there was a bill last week that was introduced by, is it, Senator or Representative Gordner -- Senator Gordner in trying to get a large percentage of the big bank settlement funds to come to HEMAP. I know that bill that passed the Senate was calling for 90 percent of those funds to come to HEMAP, which will be approximately close to $60 million. But outside of that -- and, again, we have talked to the AG's Office also, and the AG's Office is also on board to giving a large portion. They've never come out with a dollar amount, but they certainly are interested in giving a large portion of the money to the HEMAP program. I have not heard a number from them, but we certainly -- the AG's Office, I would assume, is in contact

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with the Governor's Office. I would assume. I don't know for sure.

COUNCILMAN JOHNSON: Okay. And I make that point just for the simple fact that it's quite obvious that this is a very important program. I mean, I don't think anyone up here is going to dispute that case. But I'm also looking for, from a strategy standpoint, some concrete advocacy for results, you know, and rather it be your participation, our participation on Council or following up with Madam Chair to kind of take a look at what's the status on the state level as we renegotiate this budget in Harrisburg, that there's a Senate new version that's just been introduced. There are additional revenues, and in some way we have to fit in that equation.

MR. ROTZ: That version I think included zero for HEMAP.

COUNCILMAN JOHNSON: See, that's kind of where my head is also with Chairman of Appropriations from

Philadelphia. So we probably want to figure out how do we have a conversation to see if it wasn't included, who is the driving force on the Senate side and are they aware that this program is much needed and it should be a part of negotiations moving forward.

MR. ROTZ: I think, once again, the settlement money --

COUNCILMAN JOHNSON: And that's probably not just so much for you, because you have to play the neutral role, but at the end of the day, I'm trying to like really see how can we bring money home as opposed to just saying, Okay, this is what the issue is. That's just doing an analysis. But how do we get some results.

But I was trying to get more of a feeling of, because you're from the state level, where we're at. So I'll do additional followup with Madam Chair as well from a supportive standpoint to see if we can ask some of those tough questions on the state level as well.

MR. ROTZ: Yeah. I'm not real optimistic that we will get any money through the budget process this year because of the fact that it's well known that a large sum of money from the bank settlement will be coming our way. So I'm not real optimistic that we'll be in the budget this year.

COUNCILWOMAN TASCO: Are you saying that because a large sum of money is coming to HEMAP from the settlement?

MR. ROTZ: Right. That's my theory behind it as to why there was no money in the budget.

COUNCILMAN JOHNSON: I understand.

COUNCILWOMAN TASCO: Are you talking about this federal settlement?

MR. ROTZ: Yes. Yes. Exactly.

COUNCILMAN JOHNSON: What's the dollar amount from the federal?

MR. ROTZ: All together the AG's Office is getting about 66 million in cash settlement, and the Gordner bill was requesting 90 percent of those funds to come to the HEMAP program.

COUNCILMAN JOHNSON: Okay. Got you.

COUNCILWOMAN TASCO: So what is your budget? What has been your budget before the state did not appropriate?

MR. ROTZ: The last couple of fiscal years we were getting about 11 million each year through appropriations. That, along with homeowner repayments, allowed us to have a fairly substantial program.

COUNCILWOMAN TASCO: So this 69 million, which is going to the Attorney General's Office?

MR. ROTZ: Right.

COUNCILWOMAN TASCO: Why would it go to the Attorney General's Office, for the record?

MR. ROTZ: That's where -- all the funds from this big bank settlement are going through the state's Attorney

General's Office.

COUNCILWOMAN TASCO: And so they have the power to appropriate it to the HEMAP program?

MR. ROTZ: They feel that they do, but there's still a little struggle over whether they really do or whether there should be a bill introduced to do it.

They were in to visit us a couple months ago, and they feel like they have the ability to say where the money goes. But, again, we'll see exactly who really makes that determination.

COUNCILWOMAN TASCO: Now, how many loans did you say -- you cited some numbers about the number of loans you all have given out. Is that totally since you've been in operation?

MR. ROTZ: Yes.

COUNCILWOMAN TASCO: Have you --

MR. ROTZ: Forty-five thousand

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three hundred.

COUNCILWOMAN TASCO: Beg your pardon?

MR. ROTZ: Forty-five thousand three hundred.

COUNCILWOMAN TASCO: And how many of those came to Philadelphia County? Was that the 7,000?

MR. ROTZ: That was the 7,000, yes.

COUNCILWOMAN TASCO: So the problem is just not Philadelphia; it's statewide.

MR. ROTZ: Correct. Exactly.

COUNCILWOMAN TASCO: And across all economic levels?

MR. ROTZ: Right.

COUNCILWOMAN TASCO: Councilman Jones.

COUNCILMAN JONES: You touched on it, Madam Chair. And, again, for the record, thank you for your longstanding advocacy for this issue. Before there was a mortgage collapse, before there was an actual response to any of those things, your antenna went up and you have been on it, stopping Sheriff sales in this Council at least three times, just to put our arms around the issue. So we're appreciative of your longstanding commitment.

But my question to you is, put a human face on the help that you give, and is it the new -- is it traditionally poor people? Are these people that are casualties of the economic collapse? In your experience with this program, who is it we're helping? I think Chairwoman put it well. Put a face on it. Where are they from? What is the diversity by which the people that receive this help are?

MR. ROTZ: Well, as I had said earlier, it does help people from any socioeconomic background. I mean, we could have a professional who lost her job and got laid off and may get assistance. We may have people who on very limited low incomes, medium incomes. I mean, if you looked as a totality, the average person that got HEMAP assistance is about -- had earnings of about 40,000 as an average.

COUNCILMAN JONES: So because of some of the limitations on the guidelines, these are new poor, these are working poor, these are people who have just experienced some of the collapse in the economy, and so it's not your traditional -- I know you're not political, but I can be -- anti-republican constituency that we usually traditionally associate with programs like this?

MR. ROTZ: Right.

COUNCILMAN JONES: I just want to say from a personal level, nothing was more humbling when I was a freshman coming in here and a gentleman that I had gone to high school with, proud guy, he was voted valedictorian, all world, going to be everything, and he came in my office congratulating me on the win, and then when he closed the door, he got very humble and confessed that his house that his grandmother gave him, because they took out a loan to improve it, was now in foreclosure because he couldn't keep up on those high interest spike payments, balloon payments. And it was never -- I mean, you know, when you deal with a proud person, somebody that was captain of the football team, never asked for anything, and they had to break down and say, I'm about to be homeless, when that help comes from the state or from the City -- and Judge Rizzo hopefully is still here -- you don't know it's life changing. So thank you. And we appreciate what you do, hopefully will continue to do with the settlement money.

Thank you, Madam Chair.

COUNCILWOMAN TASCO: Thank you.

Any other questions, comments?

(No response.)

COUNCILWOMAN TASCO: We

certainly appreciate your coming to testify. Let me see if I have any other questions here.

I certainly have had some experience in dealing with individuals who benefited from the program too. So I certainly hope that we're able to restore the funding to the program. You sound somewhat optimistic.

MR. ROTZ: Yes.

COUNCILWOMAN TASCO: And that's encouraging.

MR. ROTZ: I'm actually very optimistic.

COUNCILWOMAN TASCO: So we want to --

MR. ROTZ: It's going to happen. We just don't know when and how much.

COUNCILWOMAN TASCO: We're going to send a positive support letter to say fund this, this program, because it does help our citizens.

I mean, any unfortunate

circumstance can hit a family, and you never know when it's going to hit you or someone close to you, and to have that safety net there is very important. And so we're really concerned about people losing their homes and also about some of the predatory lending that's gone on in the state and will, I guess, forever will continue to go on.

But I'd like to say while Councilman Jones gives me accolades, it was really the City Council here in Philadelphia who addressed the issue of predatory lending and the foreclosures, and it was 17 members of this Council that worked very hard to make sure that we provided some safety net for folk. So I want to say that on behalf of my colleagues, those who were here at that time when we addressed the issue of predatory lending.

Thank you so much, and we hope you'll stay around.

Councilwoman Bass has a

question.

So if any issues come up. We won't be all day here. Thank you.

COUNCILWOMAN BASS: I'm sorry. I just really wanted to say thank you for all of the work that you do. I was a housing counselor for many, many years at Mt. Airy USA and I had the opportunity to work with Deborah and Hiram and Michelle and so many others. The work that you do is just so critical.

I was at a meeting just last night, and I spoke, and a woman came up to me afterwards and said, Can you help me? I don't have a place to go tonight. I have a daughter. She's eight years old. What do I do?

And so, you know, these things are heartbreaking, but at the same time, we have to continue forward. We have to work even harder and make sure that we don't let up, that we don't give in. And it's quite a challenge that's ahead of us based on the lack of funding and some areas even I believe the lack of sensitivity to the issue.

So I just really wanted to say I thank you. I have a particular interest and background in it from my previous history, and I just really wanted to say thank you so much for all the work that you're doing.

MR. ROTZ: Thank you.

COUNCILWOMAN BASS: And also to Councilwoman Tasco. You do a great job.

COUNCILWOMAN TASCO: City Council.

COUNCILWOMAN BASS: Thank you.

COUNCILWOMAN TASCO: Thank you so much. I hope you stay around.

As we move to our next panelist, have you all decided who is going first, Califano or McColloch? Go ahead, Cathy.

MS. CALIFANO: Good morning. I'm not sure if everyone got -- we brought some material.

COUNCILWOMAN TASCO: I'm

looking at it here.

MS. CALIFANO: So included in the packet is my testimony, as well as The Reinvestment Fund recently completed a study of looking at the financial impacts between 2008 and 2010 of the HEMAP program. In that packet as well there's information on applicants and then the estimated total financial impact, because HEMAP was a resource. So we did it by county, we did it by Pennsylvania Senate district, we did it by House district as well.

And, lastly, we put a map in your packet that shows -- and I'll explain how we calculated the financial impact, but the map is colored by the financial impact benefits at census tract level, and the dots represent HEMAP loans during that period of time. So we just -- the Council districts are marked on the map as well just to highlight what a resource it has been relative to -- very similar relative to the financial problem of foreclosure and how it's impacted parts of the City.

So with that information, good morning. I'm Catherine Califano. I'm the Associate Director of Policy Solutions at The Reinvestment Fund. The Reinvestment Fund is a CDFI, a community development financial institution, whose mission is to build wealth and economic opportunity for low-wealth people and places through the promotion of socially and environmentally responsible development. We do this by investing capital to build affordable housing, to support community facilities such as charter schools, child care and health centers, arts facilities as well. We also seek to support policymakers in their efforts and your efforts to craft effective public policy by providing comprehensive data and objective analysis, and we do this also through our PolicyMap platform.

Today we're here to discuss our

recently completed research brief on the Pennsylvania Homeowners' Emergency Mortgage Assistance Program, also known as HEMAP. This work was supported with a grant from the William Penn Foundation. The program, started in 1983 by an act of the Pennsylvania Legislature, lends money to people who, because of circumstances beyond their control, are unable to pay their mortgage. HEMAP is a narrowly tailored program that has received recognition from Harvard University's Kennedy School of Government, from the Federal Reserve Bank of New York and Moody's Investor Services, just to name a few. Throughout its life, HEMAP has provided financial assistance to approximately one in four applicants, or more than 42,000 Pennsylvania homeowners.

When homeowners are seriously delinquent on their mortgages, lenders and servicers are required to give notice and advise homeowners that they have a right to apply to PHFA for HEMAP assistance. Homeowners apply through one of PHFA's certified housing counselor agencies. During the period of time that the application is pending, the foreclosure process cannot proceed.

HEMAP loans bridge people in a time when income and life circumstances -- until life circumstances are stabilized. It enables people to stay in their homes and families to remain stable.

Because of HEMAP, municipalities are saved the administrative burden of processing foreclosure lawsuits, adjacent neighbors retain their property values, lenders, servicers and investors are also saved significant financial loss when they all experience when a home goes into foreclosure.

To be clear, HEMAP assistance is a loan program, not a grant program and, as such, is not subject to the moral hazard arguments that are frequently raised against the more recently devised foreclosure prevention or mitigation programs. There's no incentive for homeowners to engage in risky or otherwise irresponsible behavior with their mortgage, because the remedy under HEMAP is still a loan that a homeowner has a financial obligation to repay.

TRF studied HEMAP activities for the calendar years of 2008, '9 and '10, the last complete year for which HEMAP data was available. During that time, more than 6,100 homeowners were approved for HEMAP assistance and their homes were saved. Every county, House and Senate district in Pennsylvania has homeowners that have benefited from HEMAP.

Philadelphia homeowners received 1,255 HEMAP loans, 20 percent of all of the loans approved in Pennsylvania. There were 377 in 2008, 397 in 2009 and 481 in 2010.

Were it not for HEMAP, those

6,100 homes statewide and 1,255 in Philadelphia would likely have gone into foreclosure, and both Philadelphia and Pennsylvania's foreclosure rates and ranks nationally would have been measurably worse.

At the end of 2008, PA's foreclosure rate stood at 2.17 percent. By the fourth quarter of 2010, the rate rose to 3.24 percent. The number of homes the HEMAP assistance saved from foreclosure inventory would generally constitute 4.6 percent of that 5 percent inventory.

The Joint Economic Committee of U.S. Congress reports that the total financial impact of each foreclosure is approximately 77,000. The impact amount includes 50,000 generally borne by the lender and servicers, 19,000 borne by local government and 7,200 by homeowners and an additional 1,500 by the neighbors of the people whose house goes into foreclosure.

Applying that amount to HEMAP approvals, we find that between 2008 and 2010 a combined 480 million in financial impact was averted statewide. Most of this, more than 300 million, accrued to lenders and servicers doing business in Pennsylvania; 119 million accrued to local governments; 44 million to homeowners in foreclosure; and 9 million to their neighbors. If we use this formula, the average or typical Pennsylvania county averted more than 7 million in foreclosure-related costs. And total county costs averted ranged from 77,000 to 98 million.

In Philadelphia, using the Joint Economic Committee of Congress estimates, the financial impact of foreclosures, we estimate that the impact of HEMAP in Philadelphia between 2008 and 2010 was 97.8 million comprised of 62.7 million to lenders doing business, 24 million to City government and costs avoided with foreclosure, 9 million to the homeowners, and 1.9 million to their neighbors who would suffer depressed real estate value because of the foreclosures that are in their market.

HEMAP has been a notably successful intervention in the foreclosure crisis and has established a track record for responsibly saving homes without significant public cost.

Philadelphia's foreclosure filing volume peaked in 2009 with 8,398 filings. Filing volume is down from that peak, and experts generally agree that the decline is not reflective of the end of the foreclosure problem but because of a variety of reasons, including robo-signing, the federal Emergency Home Loan Program and the implementation of the Attorney General settlement. But mortgage delinquency and serious delinquency is still high. For example, in Philadelphia, 2 percent of prime fixed loans were 120 days delinquent at the end of Calendar Year 2011 compared to 1 percent in 2007; 4.1 percent of prime adjustable rate loans were 120 days delinquent at the end of 2011 compared to 0.9 percent in the end of Calendar Year 2007. And among subprime loans, those 120-day delinquent rates are approximately 12 percent.

Many of the homeowners with these delinquent loans will likely enter foreclosure, and HEMAP is an effective tool to assist that group of homeowners for which the program was established, people who are about to enter foreclosure through no fault of their own and who have reasonable prospects for repaying HEMAP assistance.

Thank you for your attention. It is our hope that this information makes a valuable contribution to those who are considering the future of the HEMAP program.

COUNCILWOMAN TASCO: Thank you very much. I think before we have questions, we'll ask Deborah to testify

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and then we'll have questions of everyone, if that's okay. Thank you.

MS. McCOLLOCH: You received copies of my testimony, right?

COUNCILWOMAN TASCO: Beg your pardon?

MS. McCOLLOCH: Did you receive copies of my testimony?

COUNCILWOMAN TASCO: Probably so, yes.

Will you speak into the microphone.

MS. McCOLLOCH: I'm sorry. Is that better?

COUNCILWOMAN TASCO: Yes.

Let me recognize Councilwoman Maria Quinones-Sanchez who has joined us.

MS. McCOLLOCH: Good morning, Councilwoman Tasco and other members of the Committee on Public Health and Human Services. I am Deborah McColloch, Director of Housing. I am here today to testify in support of the Homeowners' Emergency Mortgage Assistance Program, known as HEMAP.

HEMAP was created in 1983 to provide low-interest loans to homeowners facing mortgage foreclosures. It is a national model of a foreclosure prevention tool. HEMAP has provided low-interest loans to over 45,000 Pennsylvania homeowners who, through no fault of their own, found themselves in danger of losing their homes due to a life-changing event, such as an illness, the loss of job or a divorce.

HEMAP helps stem the tide of foreclosures by requiring lenders to contact homeowners who are 60 days delinquent in their mortgages by what is known as an Act 91 letter. This letter encourages owner-occupants to contact a certified housing counselor in order to submit a HEMAP application, which automatically forestalls a foreclosure filing against that homeowner until a decision is rendered. This delay in foreclosure allows the homeowner to work with the housing counselor.

Here in Philadelphia, our nationally acclaimed Mortgage Foreclosure Prevention Program has saved over 5,000 homes from foreclosure since its inception in 2008. HEMAP has been a big part of that success. During the past year, foreclosures slowed as lenders had to resolve regulatory issues regarding their foreclosure practices, but now foreclosure filings are increasing. Just two weeks ago, the Diversion Program saw a record 143 new homeowners in court, and experts estimate that foreclosure filings will more than double in number going forward.

The Mortgage Foreclosure Prevention Program alone cannot help the hundreds of homeowners who were laid off and are unemployed. Current federal foreclosure workout programs like the Home Affordable Modification Program, known as HAMP, will not offer loan modifications to homeowners on unemployment. Only HEMAP can help these homeowners who are in default of their mortgages through no fault of their own and buy more time for counselors to help negotiate with lenders in hopes of preventing a foreclosure filing. Since 2008, over 1,200 homes in Philadelphia have been saved by HEMAP alone.

The Commonwealth of Pennsylvania eliminated funding for HEMAP in the 2012 fiscal year budget. However, a potential new funding source for HEMAP could be the Pennsylvania Attorney General's $69 million federal settlement agreement award with loan servicing agencies. Housing advocates throughout the Commonwealth have requested that the settlement monies be used to restart the program as follows: $20 million a year for HEMAP for three years, $2 million a year for foreclosure prevention housing counseling and $1 million a year for legal aid lawyers to help represent homeowners in foreclosure.

Last week, the State Senate approved Senate Bill No. 1433, which establishes funding for HEMAP using the source of funding. However, the bill does not include funding for housing counseling or legal assistance, which are key elements of the successful Mortgage Foreclosure Prevention Program.

Thank you for the opportunity to present this testimony today. I'm happy to answer any questions.

COUNCILWOMAN TASCO: Thank you very much.

I have one question for you, Cathy, in terms of the material you gave us. I haven't gotten to the others, and you may have the answer in your packet, but since I'm looking at the map, there seems to me and for me a large number of loans in the Northwest and also the Lower Northeast, which takes into a lot of my district. In looking at the reasons for foreclosure, have you identified, other than unemployment, what other reasons you may find a person who is in foreclosure?

MS. CALIFANO: I don't have that information here. We have been supporting the program, but this is representing the concentration of the HEMAP program.

And I think you would probably have a better understanding of who the applicants coming in and their reasons.

MR. ROTZ: Yeah.

I mean, again, unemployment is certainly the major one. Underemployment, marital, medical, those are the basic reasons of issues for loans that are actually made under the HEMAP program. Certainly you see a wide variety of other reasons, but they may not necessarily be eligible under HEMAP.

COUNCILWOMAN TASCO: Okay. Because, see, as I look at this, because of -- if you take east of Broad, you see a neighborhood in transition and a lot of homes have been sold to homeowners who possibly got predatory loans and/or adjustable-rate mortgages and couldn't afford them, and I'm interested to see if that is still going on in the community.

MR. ROTZ: The issue with the predatory loan issue and people who are getting loans that interest -- maybe there was rising interest rates and those kind of issues, under HEMAP we have that test, but we have to be able to demonstrate not only circumstances beyond our control but also reasonable prospect. So in some of those cases, people may have loans that they could never afford and they may not have a reasonable prospect of ever affording that loan, and unfortunately in that kind of scenario, they would not meet the eligibility requirements of HEMAP.

COUNCILWOMAN TASCO: Okay. Because you're saying these are the areas where you have the HEMAP loans.

MS. CALIFANO: That's right.

COUNCILWOMAN TASCO: This is where the loans are.

MS. CALIFANO: This is not a map of foreclosure. This is a map of HEMAP. And where it's darker, you see a higher concentration of HEMAP applicants and, therefore, a higher return on those census tracts averted losses.

COUNCILWOMAN TASCO: Okay. All right. Thank you.

Councilwoman Sanchez.

COUNCILWOMAN SANCHEZ: Thank you, Madam Chair.

I apologize for being late. I wanted to catch up with one of my favorite judges, Judge Rizzo. I want to thank you for all your work in this. There's been a lot of public discussion about the banking industry, the swap lending and so forth, notwithstanding all the work we really have to do to get this refunded.

What are some of the lessons learned? Are we able to track who are the real bad guys actors in some of this loan, and what could we be doing in a more proactive basis in terms of prevention or are we doing with our housing counselors?

You know, if people are putting out bad products -- because we have that double-edged sword of redlining and then bad products. What's the middle ground? What should we be doing on a more proactive basis with the banks?

MS. CALIFANO: I mean --

COUNCILWOMAN SANCHEZ: Or lending institutions.

MS. CALIFANO: Some of the other work that The Reinvestment Fund has done has been funded under the Department of Housing and Urban Development under the Fair Housing Assistance, and through that program, we have been trying to educate as well as other efforts, such as Neighbor Works, to educate both housing counselors and to educate homeowners on what their recourses are if they do get into a loan, because it was households were targeted based on race or family status, so there -- a big effort that I think the City has been very successful at doing and others to make people more cognizant of the loan that they're taking out at the outset, but there are also efforts to track down those lenders who are more problematic and hold them accountable. And that happens at the local level through Fair Housing, through the Pennsylvania Human Relations Commission and through other efforts that are happening through the Pennsylvania Department of Banking and the Attorney General's Office.

COUNCILWOMAN SANCHEZ: I'm sure George when he comes testify will have more detail.

I'm interested in us having a conversation. I went to a pension training looking at investments and getting some of these funds to invest in urban centers like Philadelphia, and there was an interesting model out of California where one of these funds decided in California, because it's mostly migrant workers who have to travel, they set up a fund just to do cars, to get undocumented folks to rent cars, and they had like a zero percent default, and these were traditional products. And I just think that we got to get to a place where we're a little bit more proactive, because we know what our folks need in terms of products, and how do we partner up with folks to make sure that we're protecting people in particular neighborhoods.

I mean, I think the one great thing that I've learned with The Reinvestment Fund is, we can track all of this. We can show it. We can map it. I just feel like we're not being -- or we could be more proactive about saying who do we want in these neighborhoods who can make money, but doesn't have to exploit people in a way. And I just think that in looking at some of these national models and maybe this is something I know the Councilwoman, through her relationship with the League of Cities, I'm interested in getting that information, which is why I've gone through some of these boring, boring conferences around financing.

But I just think as a city, Philadelphia is a great city and I think we have a lot of potential, and I think we spend a lot of time with the crisis and maybe not as much time as trying to be proactive and say who are the good actors, how do we bring them in, how do we entice them to lend in these areas. Because if people are given a good product, most people do not default, and particularly these communities that are targeted like mine, whether they're undocumented Latino communities, where they'll pay a bill before they buy their milk, and we have that work ethic.

So I just think we need to get there. I'm a little frustrated, as you can see. But thank you. I'll ask George about what other things we could do when he gets up.

COUNCILWOMAN TASCO: Councilman Johnson.

COUNCILMAN JOHNSON: Thank you.

Thank you for your testimony. Deborah, I just wanted to follow up on your testimony regarding Senate Bill 1433, which establishes funding for HEMAP, but does not include funding for housing counseling or legal assistance, which are key elements of a successful mortgage foreclosure prevention program.

Can you elaborate on how those two components are essential to the HEMAP program. And then I'll probably want to follow up with maybe my staff to see if there has or hasn't been conversation regarding amending 1433 to add these two essential components.

But also if I'm correct, I received information as well that -- and I want to make sure this is correct information -- Senator Washington is

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introducing legislation that establishes 6 million -- now, that's 6 million -- to be dedicated toward the HEMAP. But I'm looking at your number that the advocates are requesting, and that's a total of 23 million per year, correct?

MS. McCOLLOCH: Yes.

COUNCILMAN JOHNSON: So I'm just trying to separate fact from fiction and get some clarity, because -- just one more thing, Deborah. Because it was mentioned that the proposal was that to take 90 percent of the settlement money from the Attorney General's Office.

MR. ROTZ: Right; and come to HEMAP.

MS. McCOLLOCH: Which is consistent with this. That's just -- I mean, I can't do the math in my head, but it's basically consistent. The Senate bill is essentially allocating that Attorney General settlement money. That's the whole question that Mr. Rotz was just talking about, like who really gets to decide, and that's sort of a debate that's going on right now with our colleagues in Harrisburg, does the Attorney General's Office get to decide or is the Legislature deciding? And I'm sure my colleagues here who are going to testify after me to advocate on behalf of housing counseling activities may be able to describe this in more detail, but what was being proposed by a variety of advocates was that some of the money not only go to HEMAP but also have this piece go to housing counselors and to legal aid, because those are critical components of the Mortgage Foreclosure Prevention Program here in Philadelphia, and also if you were going to try to replicate the Philadelphia model elsewhere in Pennsylvania, you really need some more money to support housing counseling. If anything, in Philadelphia we support housing counseling and we support the legal aid activity through our Community Development Block Grant funds, and this would be additional money to continue that to make sure that we have the counselors there at Courtroom 676 every Thursday and have the assistance provided through the hotline. The hotline is funded through the Legal Aid Society, so -- not Legal Aid Society. Philadelphia Legal Assistance. I'm saying the wrong word. PLA, Philadelphia Legal Assistance.

So these funds would help support elements of our Mortgage Foreclosure Prevention Program, and the advantage to having it statewide is then other municipalities could replicate our successful program by having funding to support housing counseling and the legal services, which you really need to make the program work well.

COUNCILMAN JOHNSON: So hypothetically, if only the funding goes through without those two components, the housing counseling or legal assistance components, what does the HEMAP program look like without funding for those two particular?

MS. McCOLLOCH: Well, the HEMAP program -- and Mr. Rotz can speak to it better. I mean, the HEMAP program can still move forward and the HEMAP program needs this support. The advantage of also supporting housing counseling and legal assistance is, you then have that component to help foreclosure prevention, which is better served by having counseling and having the legal assistance.

Part of the HEMAP program now is that after homeowners receive that letter, that Act 91 letter, they're referred to housing counselors and told go see a housing counselor, let the housing counselor let you sort through --

COUNCILMAN JOHNSON: So they pretty much go hand in hand?

MS. McCOLLOCH: They go hand in hand.

COUNCILMAN JOHNSON: Once you

get the actual money, then this is the followup to kind of support the program.

MS. McCOLLOCH: Yes. They're linked.

COUNCILMAN JOHNSON: I just wanted to add some clarity for that for the record, but thank you very much.

COUNCILWOMAN TASCO: Thank you.

We have a question? Councilwoman Sanchez.

COUNCILWOMAN SANCHEZ: Deborah, I know we're going to get to the Con Plan. What is the reduction projected this year for housing counseling?

MS. McCOLLOCH: There is no reduction projected for housing counseling.

COUNCILWOMAN SANCHEZ: Even with our federal cuts at this point?

MS. McCOLLOCH: Correct.

COUNCILWOMAN SANCHEZ: Okay. Good.

Thank you.

COUNCILWOMAN TASCO: We

certainly thank you for taking time to come down, Mr. Rotz, to talk to us. We appreciate Cathy's information from The Reinvestment Fund. And I also want to just give a shout-out to Ira Goldstein, who really worked very closely and has done a lot of work in this area.

And, Deborah, I want to thank you for protecting our housing counseling agencies of Philadelphia. It's sort of like the premier city in the country that provides the housing counseling services to our constituents, and it's very, very helpful.

So we thank all of you for coming, providing information, and we hope that we're successful as we move forward.

Thank you very much.

(Thank you.)

COUNCILWOMAN TASCO: We now will have John Dodds, George Gould and James White and Gillian Pollard. I'm sorry, Gillian.

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(Witnesses approached witness table.)

COUNCILWOMAN TASCO: Mr. White had to leave, so he has left his testimony, which will be part of our record.

Good morning. George, you want to go. I know you have to go.

MR. GOULD: I will begin. Good morning. My name is George Gould and I thank the Committee for giving me the opportunity to testify on Resolution 170180 (sic), which authorizes this Committee to hold hearings on the impact of the Homeowners' Emergency Mortgage Assistance Program, HEMAP, in Philadelphia.

I am the Managing Attorney of the Housing and Energy Units at Community Legal Services in Philadelphia. I have worked in the area of mortgage foreclosure for almost 40 years. Over these many years, I have seen firsthand the importance of having effective

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foreclosure prevention programs and the critical role they play in saving people's homes.

In 1983, led by the Philadelphia Unemployment Project and the gentleman sitting next to me, John Dodds, and working with groups from across the state, we drafted the HEMAP legislation to address the effects of the devastating recession occurring in the country and in our state. HEMAP became law in late 1983. It was the first of its kind in the nation and has been a remarkable success.

Under HEMAP, a homeowner who has defaulted on their mortgage can receive a loan from the Pennsylvania Housing Financial Agency, PHFA, to prevent foreclosure on their home. In order to be determined eligible, a homeowner must show that the default on their mortgage was due to circumstances beyond their control and that there is a reasonable prospect they'll be able to resume mortgage payments within three years. Normally it's two years, but in times of high unemployment, it goes up to three.

The loan can be used to pay off arrearages and assist in making monthly mortgage payments until the homeowner is back on their feet. Importantly, the homeowner is not required to repay the loan, and interest does not accrue on the loan until the homeowner is financially able to do so.

This is a real important piece of the program, because if you give someone a loan and they have to repay it and they're unable to do that, they're just getting deeper into debt. But this program we structured in a way that doesn't happen.

As mentioned, over 46,000 Pennsylvanians have been approved for HEMAP and over 80 percent of those homeowners still remain in their homes. The state has appropriated over 245 million for HEMAP, and now over 268 million have been repaid by homeowners.

However, because the Legislature failed to adequately fund HEMAP in the current 2011-2012 fiscal year budget -- they only provided $2 million -- the program stopped taking new applications on July 1st, 2011.

The impact on closing HEMAP on the state and Philadelphia has been harsh. For almost a year, homeowners have been deprived of the benefits of this program, which are substantial. HEMAP was created in large part to help the temporarily unemployed. As mentioned, while federal programs do exist to help defaulting homeowners, it is very difficult for unemployed homeowners to receive assistance under these programs.

The need for HEMAP is clear. In Pennsylvania, the number of default notices sent in the first quarter of this year rose 55 percent more than the last quarter of 2011 and 75 percent more than the first quarter of 2011. Foreclosure filings were up 47 percent in Southeastern Pennsylvania in February 2012 compared to February 2011.

Despite the grim news on foreclosures, the Governor's proposed Fiscal Year 2012-2013 budget had no monies allocated for HEMAP. Pretty amazing.

It is important to also understand that when HEMAP stopped taking new applications, the Act 91 notice, which has been previously mentioned, which is sent to homeowners, also stopped. Under HEMAP, a lender cannot commence foreclosure action in Pennsylvania until they send a defaulting homeowner this Act 91 notice. This notice explains that a homeowner can go to a housing counseling agency to get help in applying for HEMAP. And if they go, the foreclosure filing is further delayed. If the homeowner applies for

HEMAP, the lender cannot proceed to foreclosure until a decision is made by PHFA. The process does not exist now because HEMAP has stopped taking applications. It is important for several reasons. One, it puts breathing room in the foreclosure process and directs the homeowner to a housing counselor prior to foreclosure. Even if the homeowner is not eligible for HEMAP, they now have the assistance of a housing counselor who can assist them with other alternatives to try to prevent foreclosure.

While the current foreclosure situation looks bleak, as mentioned, there is hope in the future. As most of you are aware, the state Attorney General entered into a national mortgage settlement, which gives the Pennsylvania Attorney General about $66 million to assist homeowners in the mortgage crisis.

The Pennsylvania Save Our Homes Coalition made up of housing, religious, labor and community organizations from around the state has met with the Governor's Office, legislative leaders and the Pennsylvania Attorney General, Linda Kelly, to urge them to spend the money as follows, which was mentioned by Deborah McColloch: $20 million a year for HEMAP for three years, $2 million a year for housing counseling and foreclosure prevention for three years, and $1 million for legal aid lawyers for three years to represent homeowners in foreclosure.

We were encouraged that the Pennsylvania Attorney General responded positively to our request, and in addition, this past Monday, May 7th, the Pennsylvania Senate, as mentioned, passed Senate Bill 1433. This bill provides $10.8 million for five years for HEMAP, with an additional 6 million for the first year, and does -- and I think Deborah was incorrect. It does provide some money for legal aid, $600,000 each year for a period of five years. The bill, however, does not provide funding for housing counseling, and we will seek to correct this in the state House. Housing counseling is a critical component of foreclosure prevention in Pennsylvania and particularly in Philadelphia and must be adequately funded. Housing counseling has suffered funding cutbacks, and this cannot continue.

The foreclosure crisis in Pennsylvania and Philadelphia continues unabated. While we are extremely fortunate to have the very successful Mortgage Foreclosure Diversion Program led by the Honorable Judge Annette Rizzo, that program needs tools such as HEMAP to help prevent foreclosure.

We urge City Council to take all necessary action, including contacting the Governor's Office, the Legislature and the Attorney General's Office, to have HEMAP funding restored and monies provided for housing counseling and legal aid to assist in preventing foreclosure.

Thank you.

COUNCILWOMAN TASCO: Thank you for your testimony. On the page where you talk about that HEMAP stopped taking applications, the Act 91 notice to the homeowner will stop. So now the lender just deals directly with the homeowner by sending a foreclosure notice?

MR. GOULD: Effectively that is. In Pennsylvania, they do get something called Act 6. It's, quite frankly, a fairly complicated letter and it just -- it's about three pages, but it does not refer them to a housing counseling agency. The next thing the homeowner gets is the foreclosure complaint. That's correct.

The Act 91 notice is extremely important, because it actually sends a letter to the homeowner with a list of counseling agencies, and that does not

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happen anymore because HEMAP funding does not exist and they don't take applications.

COUNCILWOMAN TASCO: All right. We're going to allow you to answer a question because I know you have to go. You stated that early. I'm sorry.

Go ahead, Councilman Johnson.

COUNCILMAN JOHNSON: Thank you, Madam Chair. I'm just going to be real quick.

Who is responsible for administering the Act 91 and Act 6 letters?

MR. GOULD: I'm sorry?

COUNCILMAN JOHNSON: Who is responsible for administering the Act 91 and Act 6 letters?

MR. GOULD: They must be sent by the lender prior to foreclosure. But when the program shut down, the agency was required by law to send a notice out to the lender saying you are no longer required to send the Act 91 notice.

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COUNCILMAN JOHNSON: I've dealt --

MR. GOULD: Now, there is some movement to amend actually Act 6 to add some language in it which would refer people to counseling agencies even if there was no HEMAP, but given HEMAP we believe is coming back at least through the AG settlement or through the Legislature taking control of the monies, that may not happen, but at some point, we would like to put that into the law in case HEMAP funding dries up again.

COUNCILMAN JOHNSON: And I ask these questions because I've dealt with several constituents who are on the verge of having their home foreclosed and up until the time like really like literally about to move out of their home when they come to my office, and we wind up sending them to Philadelphia Unemployment Project, and the next thing you know, they're still in their home for another three months, some type of reprieve.

So I ask those questions because we're dealing with the type of institution that we're dealing with, some good, some are bad. For the most part what I've seen, the due process component usually isn't there. It's just usually next thing you know, you have a sticker on your door or getting a threat that the Sheriff's Department is coming to put your stuff out on the sidewalk and you had no idea that through Act 91 -- and I'll even look into Act 6 -- you can get some type of reprieve in terms of going to get some type of counseling to find out what resources are out there to stop you from having your house foreclosed on.

Just the last thing. So this bill, from my understanding, is in the House right now?

MR. GOULD: It passed the Senate Monday a week ago and is now in the House in the House Urban Affairs Committee.

COUNCILMAN JOHNSON: Urban

Affairs Committee. And so some of you do advocacy, some of you don't, but I would think that Chris Ross and Curtis Thomas, who is a strong advocate for the City of Philadelphia, would be a part of this conversation --

MR. DODDS: We --

COUNCILMAN JOHNSON: -- for an amendment.

MR. DODDS: We talked to Chris Ross's office yesterday. We're setting up a meeting with him to try to get the housing counseling money included.

COUNCILMAN JOHNSON: If you can -- I know Chris is the Majority Chairman and he has the responsibility of moving bills or holding bills up. I would also see if he's not already a part of this conversation but where Curtis Thomas is so he can lean on Ross even further --

MR. DODDS: We will talk to Curtis also.

COUNCILMAN JOHNSON: -- from

the City of Philadelphia standpoint.

COUNCILWOMAN TASCO: Thank you. Thank you very much. We appreciate your testimony. Good to have you.

MR. GOULD: You're welcome.

COUNCILWOMAN TASCO: Mr. Dodds, how you doing?

MR. DODDS: I'm great. John Dodds, Director of the Philadelphia Unemployment Project. And I'm sorry I don't have any prepared remarks, but I just do want to talk a little bit about the organizing that's going on to try to protect this program.

PUP, we work with the unemployed, families that are going through hard times. We've always felt like the ultimate insult or the ultimate blur to a family was the loss of their home after they lost their job, and for years, we fought to -- and we're proud to say we've been able to make some difference in allowing people to stay in their homes despite being out of work, which is almost invariably through no fault of their own. And the HEMAP program is a result of that back in the '80s. The EHLP program -- we recently had over 3,000 people in Pennsylvania -- was something we fought for very hard. Protecting the Diversion Program just in the last few weeks with the sort of misguided attempt to undercut that was something we felt was important to save. And right now we're trying to get HEMAP back, and we've organized the Pennsylvania Save Our Homes Coalition. We had over 80 organizations contacting Governor Corbett, who basically ignored our request to fund the program in the budget. We've now organized that same group. And they are from across the state. You've mentioned that several times. And it is very gratifying to see people from Lancaster County and Beaver County and up in Allentown and Wilkes-Barre and Pittsburgh and so forth joining us in these efforts. We had housing groups in six different counties to meet with the Attorney General.

And let me just say a little bit about why we think the $20 million is important. Gordner's bill would call for 10.8 million a year for five years. We think what that's going to do is just starve the program for five years.

Foreclosures were down last year because of the robo-signing scandal, and they're really pent up. And as George indicated, there's been a 55 percent increase in foreclosures in the first quarter in the State of Pennsylvania. They're going to keep going up, because the banks are now cleared to start doing foreclosures. To fund HEMAP at the level of 10.8 million a year will just force them to deny most people. They won't have the money.

And what I think there's some effort to do is, that the state will no longer fund the program and for five years, we can turn to this AG settlement money as funding, but we're going to starve a program for five years. We believe at least $20 million a year is needed, particularly because of the pent up of the -- the held-up foreclosures that are really ready to go all across the state. We need more money.

HEMAP already turns down three out of four people that apply. I mean, it's a good program, but you've got to have other things tied in. So if three out of four people are being turned down already, we don't want to see it even worse. And that also speaks to the need for housing counseling. One out of four people get HEMAP. A lot of people get help -- Councilman Kenyatta talks about all the sudden people are getting delay. Well, really what's going on is, housing counselors are working out loan modifications and workouts with the bank. The banks can't take all these houses. It used to be if you were behind on your mortgage, they would foreclose, they'd take your house. That was cut and dry. There are way too many foreclosures right now, so banks will work out deals. It's very, very difficult, though, to work that out on your own. You need housing counseling, and that's why we believe that along with HEMAP, we need funding for housing counseling.

HUD funds have been cut for housing counseling. There's been other federal cuts in housing counseling money that came out of the stimulus and so forth. So we think that it's a package that goes together. The 20 million for HEMAP to fund it adequately -- really not even adequately, but better than, and then also housing counseling.

I do want to point out that the EHLP program we've talked about earlier was modeled on HEMAP. A hundred million dollars was spent in Pennsylvania in six months in 2011. A hundred million dollars. So for us to put up $10 million a year will not be enough. Twenty million dollars will not be enough.

But we are hopeful that the AG will get this money out. It is a question of whether whose got the authority to spend the money. The Legislature spent the tobacco settlement money. They want to spend this AG settlement money. The AG thinks she has the right to do it. We don't care who spends it. We want to see it going to homeowners as soon as possible, and we are working hard to make that happen, and we appreciate Council getting involved in this. And whatever we can all do together to get these programs going to save people's homes is what's important.

So thank you.

COUNCILWOMAN TASCO: We thank you very much for your work, the hard work you've done through these years and your advocacy, because that is what is needed. Our role here is to lend our voice to support you and what all of the advocates and the organizations are doing to say this is an important piece to the survival of our communities. So that's why we're having the hearing today, to get your input, and then we'll follow through with the Legislature.

MR. DODDS: We appreciate it.

COUNCILWOMAN TASCO: Thank you.

Ms. Pollard -- you have a question? Councilman Johnson has a comment.

COUNCILMAN JOHNSON: John, just back to from the advocacy standpoint. So with your conversations with Chairman Ross, does part of that conversation revolve around doing an amendment --

MR. DODDS: We have --

COUNCILMAN JOHNSON: -- that will include counseling and legal services?

MR. DODDS: Yeah. We're also going to talk to Gordner. Gordner is open. One of the things that's encouraging is everybody up there wants to do something, including -- both parties want to do something in this area. We just think it's an educational issue as to why you need to do -- one, that 10 million isn't going to be enough and why we need additional funding for counseling.

So we haven't -- we've actually just requested a meeting with Ross. We haven't had the conversation yet. We have had some good allies that are close to Gordner, some of the religious community. So we're hoping we can educate them and it won't be a big fight, that they'll -- everybody will see this as a way to go.

COUNCILMAN JOHNSON: And just one last component. There's an association of -- Madam Chair, you may correct me -- on the local level. I think it's called the Pennsylvania Association of Municipalities.

COUNCILWOMAN TASCO: Pennsylvania League of Cities and Municipalities.

COUNCILMAN JOHNSON: Yes, exactly.

Are they a part of the conversation with your organization? Because I think the other unique part about the HEMAP program is that it's not just a Philadelphia issue, it's not just in the City of Philadelphia where people are losing their homes. So you're talking about Tioga County, Allegheny County. And from having a background in Harrisburg, I think people get the misconception that there aren't people in Indiana County and in Beaver County where it's whole townships where people are still living check by check because the industry just isn't there.

So maybe that may be another partnership that can kind of help from an advocacy standpoint. I don't know how they pick agendas.

MR. DODDS: We haven't talked to them. That's a good suggestion, and we will. But we have had very strong support from -- all these counties people see this is important, and they're all going through the same thing we're going through and it's been encouraging to see them come together in this coalition.

COUNCILMAN JOHNSON: Thank you.

COUNCILWOMAN TASCO: They have a number of statewide associations, the National Associations of Counties and the County -- they e-mail me every minute, and also the Pennsylvania League of Cities and Municipalities. They reflect, at least the Pennsylvania League, reflects the issues of the National League of Cities, which is certainly a concern about this issue too. So having them -- even a conversation with them is very helpful, because the county associations reach out to all the counties, and the League does the cities.

MR. DODDS: Maybe something this committee could do is help us reach out to them --

COUNCILWOMAN TASCO: I will.

MR. DODDS: -- and encourage them. That will be a big plus, because we don't have a relationship with them now.

COUNCILWOMAN TASCO: Well, we can do that. I'll talk to you about that.

MR. DODDS: That would be great.

COUNCILWOMAN TASCO: Okay.

All right. Now, Ms. Pollard, I'm sorry.

MS. POLLARD: No problem. Thank you so much. Good morning. For the record, my name is Gillian Pollard and I'm the Director for Community and Economic Development with the Urban League of Philadelphia. I am here today --

COUNCILWOMAN TASCO: Could you speak a little closer into the microphone. Thank you.

MS. POLLARD: I'm here today to give testimony on behalf of the

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Homeowners' Emergency Mortgage Assistance Program, also known as HEMAP.

We see this program as a revenue generator for the state. This program also fosters homelessness prevention for residents, and it also assists with neighborhood stabilization.

The elimination of HEMAP is proving devastating for homeowners in Philadelphia. Homeowners now have one less option to save their homes. This program also has a negative impact on the state's budget due to the loss of interest income. Without being able to keep their homes, there's a possibility of increased vacancies and blight in our communities.

HEMAP benefits the state because it is a loan program and, therefore, increases revenue to the state. For every HEMAP loan that is made, the state receives the original loan amount, plus interest that is accrued from that loan. Additionally, the homeowner, while repaying the HEMAP loan, is also repaying the original mortgage, thereby funneling money into the economy. Today, The Reinvestment Fund reported on the financial impact of saved homes to lenders, homeowners, neighbors and local governments.

Typically, homeowners in the HEMAP program have a greater chance of maintaining their mortgage payment and do not usually end up back in the foreclosure situation. They're able to budget better and, therefore, avoid a recurrence of foreclosure.

Additionally, HEMAP provides an additional workout option for homeowners facing foreclosure, thereby increasing the population that can be served by foreclosure prevention programs. It frees up other programs for those who do not qualify for HEMAP.

Between 2008 and 2010, through the Urban League Housing program, approximately 20 percent of the homeowners who came to us seeking help to save their homes applied for HEMAP. Though there are other options still existing for homeowners seeking to save their homes, HEMAP was able to assist those citizens of Philadelphia whose default was caused by financial hardship due to circumstances beyond their control. This program helps homeowners to remain in their homes, thereby preserving and stabilizing our neighborhoods. Without HEMAP, families will lose their homes and there will be more vacant homes in the housing market, further decreasing property values, increasing blight and generally disrupting family life.

HEMAP is intended to provide temporary assistance to homeowners facing the loss of their homes due to circumstances beyond their control and who have a likelihood of being able to resume their payments in the future. This program is an effective foreclosure prevention measure.

Now, when more homeowners than ever are facing foreclosure, HEMAP has closed its doors to new applicants due to lack of funding in the state's budget.

It is our recommendation that in the interest of increasing revenue to the state, keeping families in their homes and preserving neighborhoods, the state will use its funding to capitalize the HEMAP program, including housing counseling and legal assistance, which will help families protect their American dream of homeownership.

Thank you for giving me the opportunity to make my presentation.

COUNCILWOMAN TASCO: Thank you so much for taking time to come to testify. The Urban League Housing Counseling program has been in business for a long time, and we appreciate the work that you do and all that you do.

John, we can talk after this or you can give me a call and we'll talk

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about a process for contacting these associations.

MR. DODDS: That would be great.

COUNCILWOMAN TASCO: Thank you so much for your testimony. We appreciate it. We appreciate the hard work you do up in Harrisburg, because it's a challenge.

We will now have our last panel. Let me recognize Michelle Lewis, Director of Northwest Counseling Services; Judy Berkman, Philadelphia Bar Association; Patty Hasson, President of --

MS. HASSON: It's a new name, Clarifi.

COUNCILWOMAN TASCO: Yeah. I'm trying to figure out what that is.

Rachel Blake, Director of Regional Housing Legal Services, and Deirdre Jones Lowman, Southwest CDC.

(Witnesses approached witness table.)

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COUNCILWOMAN TASCO: Is there anyone else here to testify on this resolution?

(No response.)

COUNCILWOMAN TASCO: Okay. This will be our last panel.

We certainly thank you for coming out. And let me just say that it was Michelle Lewis who got me involved in 1998 in the whole issue of predatory lending by taking me across the City to speak to senior citizens about the whole issue of financial literacy, right? That was what we started with, right?

MS. LEWIS: Yeah.

COUNCILWOMAN TASCO: So we appreciate the hard work you do, as well as all of the organizations who are here today who are engaged in providing services to our constituencies.

You want to proceed, Michelle.

MS. LEWIS: Okay. Good morning and thank you so much for allowing me the opportunity. I first want to --

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Councilwoman, you had brought up a question and so did Councilwoman Sanchez, and I just had a little bit of two cents, which is probably worth about a half a cent in this economy, but on some of those questions you had.

COUNCILWOMAN TASCO: Sure.

MS. LEWIS: You had raised a question with respect to why the foreclosure rate is so high in the Northwest area of the City. And historically during the economic crash times, there's always been an uptick in foreclosure rates with respect to the middle class and those above moderate income, which is a large part of the Northwest area. If you remember, back in the late '80s, I want to say around 1989, the foreclosure rate in the Northwest section of the City was about 33 percent. We experienced it again in 1995 when we had the loss of the HUD Assignment program, and then again obviously now when we're facing the same kind of or similar kinds of circumstances. So that's one of the reasons that there's a higher prevalence in the Northwest areas of the City.

The other thing that I want to address that Councilwoman Sanchez brought up was what are some of the things that we can do other than HEMAP, and I just figured since I have the microphone, I'd say a couple of them.

One is to enforce some of the existing rules that we have right now. For instance, in Philadelphia, this whole issue of the robo-signing and all of that which led to this enormous settlement happened as a result of many of the municipalities not enforcing the requirement that a servicer must submit a perfected lien when they are filing a foreclosure action, and that perfected lien is the note. We have the ability and the authority to do that, and it's already there. We just do not enforce it.

We would not have had the same kind of reaction in Philadelphia if we had done a better job in enforcing or, you know, doing that now, making sure that the servicer meets the legal requirements for filing a foreclosure action, meaning that they include everything that's supposed to be there in that package in order to foreclose. And if they don't, we either should not let them foreclose or we should fine them and penalize them for doing that, and we can talk about that more later.

COUNCILWOMAN TASCO: Well, who does the enforcement?

MS. LEWIS: Well, right now the Prothonotary's Office in the City of Philadelphia is the entity that has rein over enforcing that. So I would assume that -- I don't know a lot about the legislative process, but I would assume that City Council could do something about that.

COUNCILWOMAN TASCO: Well,

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maybe we need to just talk with him and see what's going on there.

MS. LEWIS: Yes.

COUNCILWOMAN TASCO: Maybe some miscommunication.

MS. LEWIS: Yes.

COUNCILWOMAN TASCO: We'll talk about that.

MS. LEWIS: The other thing is that in terms of prevention, OHCD does require with its Settlement Grant Program where people are buying homes, that people are limited to getting certain types of loans. So that does help in terms of getting rid of these onerous high-cost loans that we're talking about. So that's one measure that OHCD has taken with the counseling agencies.

On the federal level, we could probably have more restrictive servicing requirements and require greater disclosures from investors when they turn over these loans and probably restoring HUD's regulatory authority over some of these lenders.

Anyway, that was the end of my two cents.

My name is Michelle Lewis. I am the President and Chief Executive Officer of Northwest Counseling Service based here in Philadelphia. Northwest Counseling Service has been providing real estate and housing counseling services for the past 30 years.

I also serve as the Director for the National Real Estate Institute that provides theory-based, comprehensive instruction and education to housing practitioners, and particularly those practicing in the Philadelphia Residential Mortgage Diversion Program.

In addition, I am speaking as the Chairperson for the American Society of Certified Housing Executives, a national trade association that serves housing professionals around the country.

I'd first like to commend you, Councilwoman Tasco, for introducing legislation to join the conversation about restoring the Homeowners Emergency Mortgage Assistance Program, also known as HEMAP. I'm frankly not surprised, as you've played a pivotal role in attacking housing-related matters over all of these years, keeping the City of Philadelphia at the forefront of putting the concerns of consumers first.

We've done that in the City of Philadelphia. We've been known for that nationwide, and we've always been first in doing that. So thank you, because you've led the charge here in us being able to do that.

I am here to express my perspective on the current and potential future impact of the absence of the Homeowners Emergency Mortgage Assistance Program. And I deliberately stayed away from spouting out a lot of statistics, because I knew my great colleagues would do probably a better job at doing that.

From a counseling perspective,

the role of HEMAP with respect to saving homeowners from foreclosure is clear. For Northwest Counseling Service alone, as an example, who last year recorded a 96 percent retention rate in keeping homeowners in their homes, out of foreclosure and current in their mortgage obligation -- that third one is the most difficult to do -- HEMAP and the provision of that program was responsible for 39 percent of our success, of our 97 percent, the provision of HEMAP was responsible for 39 percent of it, but it also represented a whopping 48 percent of homeowners in our pipeline that remained current on their mortgages after this provisional relief.

I heard a lot of people talk about the numbers for HEMAP for each year, but no one really talked about the cumulative effect that it has on neighborhoods, because the program encourages and supports long-term homeownership. So long after their two

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years or three years based on what the unemployment rate is, people are staying in their homes 25, 30 years beyond that. As Daryl testified earlier, HEMAP has less than 15 percent rate of people ending in foreclosure at any time after they've gotten a HEMAP loan. So that cumulative effect makes it very, very impactful on the City of Philadelphia. And so if you were to look at that from a purely mathematical and a visual perspective, you know, just looking at it with your eyes, that could mean that nearly one-half of consumers on each City block in the City of Philadelphia where foreclosures are high could be forced to lose their homes. That could be the consequence that we face with the loss of the HUD Assignment program. And keep in mind that in Philadelphia, we have the best. We've got the best counseling program. OHCD has 33 counseling agencies that are just like us that are doing this work day by day who are very e committed to this, who are getting workouts for individuals. We have the nationally recognized Mortgage Diversion Program, which is also saving people from homes. And recognize also that across the state where we have 20 other diversion programs now, they are minimal or minuscule in comparison to what we have in Philadelphia, some that do not even have a conciliatory conference. They have a 30-day stay for the homeowner on their own to work out something with the lender. The average time for even a counselor to work out a reasonable modification or some other plan is approximately three months.

So in some of the counties where they only get 30 days, no representation from counselors or attorneys, imagine the devastating impact that it has on other parts of the state.

Beyond the obvious devastating effects that consumers are now subject to since the loss of HEMAP, counselors have had to spend approximately 30 percent more time working with consumers as a result of the absence of the statutory stay on collection and foreclosure that is inherent in the HEMAP program. That allowed counselors and homeowners time to develop a plan, and many people have talked about that today. But it's also -- and these are some of the sort of the soft things that are tied to the HEMAP program that people don't talk about, but in practice on a day-to-day basis when a counselor is working with a consumer, these things are essential, because the counselors now have to force servicers to provide vital up-to-date information related to the mortgage delinquency. Now they have to use a regulated letter, which is called a qualified written request, which is regulated under RESPA in order to force servicers to give us the vital information regarding the delinquency, how much it is, what fees are included.

That kind of information for a counselor is vital in what we do, and that kind of information was automatically provided through the provision of the Act 91 notice and then the consequent notices or requirements of lenders that followed that throughout the process. So we had that information on a moment's notice, and if there were any items where there was dispute that was necessary, we could -- we have time to dispute them.

So these are some of the softer items that, again, that are very crucial to the continuation of having this HEMAP program available to us.

Continued loss of the HEMAP program would be devastating to Philadelphia and could likely result in the kind of mass foreclosure experienced in the late 1990s due to the loss of the HUD Assignment program that we had for FHA mortgages, which was similar in effect to the HEMAP program. Although I will say, side by side with that, that the HUD Assignment program was extremely costly to the federal government, both for the government and for consumers, because for consumers, there was a negative amortization factor in it, which meant that the mortgage balance, even though you got the help, the mortgage balance that you owed grew over the three years that you got relief. So you might have started off with a balance of $16,000. At the end of three years, you owed 69,000, plus three years tax advances. And even though it helped consumers, it was also a burden in that respect.

HEMAP, on the other hand, is extremely cost effective. It is a loan program that forward amortizes, which means that that's a constantly declining balance. So it's both cost effective for the state, for the state government and for the consumer themselves in the way that it works.

So, finally, the program

includes all of the textbook elements in its design, which was very visionary when it was created, and yet it's very relevant and still consistent in its impact over all of these years since 1983. From a national perspective, the HEMAP program is arguably the best in the nation. I don't think that there are many people that would question that. It has, again, been cost effective to the homeowner and the state. It remarkably has an unprecedented rate of repayment, even among people that were previously delinquent. The rates of repayment are higher and the delinquency rates are lower on those loans than on traditional first-time loans. So the program works from every perspective.

PHFA among -- I was at a conference two weeks ago for housing finance agencies, and Pennsylvania Housing Finance Agency is looked at around the country as the model for its innovative programs and due largely in part to the HEMAP program, and so everyone is looking to PHFA and, of course, the State of Pennsylvania as the number one model to be around the country.

So in sum --

COUNCILWOMAN TASCO: We got four other people.

MS. LEWIS: I'm finally finishing.

In sum, we must reinstate, we have to reinstate the HEMAP program and bring Pennsylvania and especially the City of Philadelphia back to its position of leading the charge nationwide with respect to saving homes and communities from the destructive consequences of foreclosure.

And I thank you so much, especially for your patience with me rambling.

COUNCILWOMAN TASCO: No. Thank you very much. You gave us some very good information, and we appreciate your passion. You know you've done a good job through the 30 years you've been in business.

Okay. Ms. Berkman.

MS. BERKMAN: Good morning.

COUNCILWOMAN TASCO: Good afternoon.

MS. BERKMAN: Good afternoon, Chairwoman Tasco and members of the City Council Committee on Public Health and Human Services. My name is Judy Berkman and I'm testifying today on behalf of the Philadelphia Bar Association about the impact of the HEMAP program on Philadelphia. I am not an employee of the Bar Association. I work at Regional Housing Legal Services, and I'm an attorney there, but I'm Treasurer of the Bar Association's Real Property Section and a member of the Public Interest Section and Delivery of Legal Services Committee.

On March 29, 2012, the Philadelphia Bar Association Board of

Governors adopted a resolution to support funding for HEMAP and mortgage foreclosure prevention, conciliation and representation.

Regarding HEMAP, the Association's resolution noted that Pennsylvania's nationally acclaimed HEMAP program was established nearly 30 years ago to provide eligible homeowners in default on their mortgages with repayable loans to bring their mortgages current. The Commonwealth of Pennsylvania's HEMAP program was a 2007 finalist for an Innovation in American Government Award presented by the Ash Center for Democratic Governance and Innovation of the Harvard Kennedy School.

The HEMAP program has helped thousands of Pennsylvanians facing foreclosure, including significant numbers of Philadelphia's homeowners. Pennsylvania Housing Finance Agency's Executive Director, Brian Hudson, testified that the HEMAP program had saved more than 42,700 families from foreclosure through loans totalling $442 million, and more than 20,000 of these loans had been repaid in full. An analysis of the HEMAP program issued by the Federal Reserve Bank of New York noted that 80 percent of HEMAP loan recipients have retained ownership of their homes.

The Reinvestment Fund published research in February 2012 demonstrating that from 2008 to 2010, HEMAP saved more than 6,100 homeowners from foreclosure and estimated that over this three-year period, the program averted an adverse economic impact of $480 million due to foreclosures in Pennsylvania, providing significant savings for Pennsylvania lenders and loan servicers, local governments, homeowners in foreclosure and their nearby neighbors. In Philadelphia, this Reinvestment Fund data shows that a total of 1,255 HEMAP applications were accepted from 2008 through 2010, meaning that Philadelphia was able to avoid an adverse financial impact of over $97 million during these crucial years.

The nationally acclaimed and financially successful HEMAP program stopped taking new applications and approving new loans effective July 1, 2011 due to insufficient Pennsylvania appropriations for the HEMAP program, which continue into this current budget proposal for next year.

The Pennsylvania Attorney General is party to the mortgage loan and servicing foreclosure abuse action against several national banks, and consent decrees settling the cases were filed by the parties on March 12th, 2012. Under the settlement, the Attorney General of the Commonwealth of Pennsylvania will receive a state payment settlement amount of over $66 million to further the respective educational and law enforcement purposes of the Office of the Attorney General and the Pennsylvania Department of Banking.

By the way, this is all quoted from the actual consent decree language.

And the balance is to be allocated by the Attorney General, at her sole discretion, to appropriate programs that help Pennsylvania homeowners avoid foreclosure. This is called the "settlement amount." The amount, timing and manner of allocation of the settlement amount is at the sole discretion of the Attorney General.

The Philadelphia Bar Association's resolution notes that on March 8, 2012, the Philadelphia City Council unanimously adopted a resolution urging the Attorney General to use the settlement amount to relaunch and restore dedicated state funding for the HEMAP program. The restoration and funding of the HEMAP program is also supported by a wide range of stakeholder organizations, including the banking industry.

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Regarding legal services funding, the Philadelphia Bar Association has a longstanding policy of supporting funding for legal services and public interest organizations. For example, in April 2009, the Philadelphia Bar Association adopted a resolution declaring that legal counsel should exist as a matter of right and at public expense for low-income persons in those categories of adversarial civil proceedings where basic human needs are at stake, such as those involving shelter and housing. This concept is known as "civil gideon."

Legal services programs in Pennsylvania represent nearly 10,000 low-income homeowners facing mortgage foreclosure every year, and the appropriations in Pennsylvania for such legal services programs have declined over the past four fiscal years, which are noted in the written testimony.

Pennsylvania legal services

programs are also experiencing significant reductions in federal funding and Interest on Lawyers Trust Account funding, as well as loss of economic stimulus funding at a time when the numbers of mortgage foreclosures are rising. In 2012, Pennsylvania mortgage foreclosure filings were up sharply compared to last year. This increase in foreclosure filings coincides with the closing of the HEMAP program for new applications and funding reductions for legal services programs.

Regarding housing counselors, we confirm what other people have testified, that a key component of the success of the HEMAP program is the pre-foreclosure notice that is sent to homeowners in default advising them to consult a housing counselor within 90 days and alerting them about the existence of the HEMAP program.

I have to add -- I'm not sure it's been specified -- HEMAP applications have to be submitted by housing counselors. So that's why the housing counselors are partially such a key component.

Adequate funding is also needed to support the work of housing counselors as part of a comprehensive foreclosure prevention settlement.

In conclusion, the Philadelphia Bar Association's resolution urged that the Attorney General, the Governor and the General Assembly use the settlement amount, the robo-signing settlement amount, to provide adequate funding for a comprehensive statewide foreclosure prevention effort by using such funds to restore and operate the HEMAP program, as well as to fund housing counselors and legal services programs to provide mortgage foreclosure prevention, conciliation and representation services. And they further urge the Governor and the General Assembly to appropriate funding for HEMAP and legal services in the 2011-'12 budget and in future state budgets.

I would as a person -- if I may have your permission --

COUNCILWOMAN TASCO: Sure.

MS. BERKMAN: -- and the permission of my colleagues here.

At Regional Housing, I represent -- and this is not for the Bar Association. This is for myself.

I actually represented Project HOME trying to help get HEMAP for one of its residents that it had sold a house to. And I don't feel like there's actually been a story today. If you don't mind, I'd just very briefly.

She had one son and she had lost her job at University of Pennsylvania Hospital, and she was selling cosmetics in either Mary Kay or Avon or something door to door, and she was getting child support for her son, who was a senior in high school and had been admitted to college on merit. She was very proud of him. And she had fallen behind on her mortgage because the child support stopped when her son graduated from high school, and her cosmetic business was going down because of the economy and people just weren't buying the level that they had. So she fell behind in her mortgage, and she went to a housing counselor and she was able to enter into a payment agreement with her mortgage lender under the HAMP program. Foreclosure proceedings had started, but she was able to get into the HAMP program, and she was making all her payments every month regularly. She was regrettably turned down for HAMP because of the work Project HOME did in the neighborhood. Her $30,000 house was now worth $70,000, because her house was right across from the 23rd Street office, the St. Elizabeth's office of Project HOME, and they had been doing a lot of rehab and renovation with city and state funding in the area. So she was turned down for HAMP, and she had this Sheriff sale notice tacked on her door. She was just petrified and almost frozen.

She had gone to over 12 diversion program conciliation conferences. She had done everything. I mean, it took attorneys, it took housing counselors. We worked with her. She got a part-time job and she avoided the Sheriff sale. We got stays of the Sheriff sale. She applied for HEMAP because she had a part-time job, and she got HEMAP. And it just was so rewarding, both for her personally but also for the City. The City had through the redevelopment -- through maybe it was through PHDC. Its subsidy money was a soft second mortgage on the property.

In foreclosure, the City's subsidy would have been lost and it might not have been sold to a new affordable home buyer, and Project HOME had money invested in it, which is why they had gotten notice of the proceeding, and they would have lost their money. So we were able to save a City-funded rehab on a strong street with a strong community development corporation. And I wanted to just add a personal story to today's testimony.

I appreciate your time.

COUNCILWOMAN TASCO: That's very interesting. I'm glad you brought that up, because, you know, we're dealing now with this whole AVI issue, and certainly she's in an area where things might have -- that program would have an impact on her.

MS. BERKMAN: Yes. Thank you.

COUNCILWOMAN TASCO: Glad to hear that story. It gives us another perspective.

Thank you. Next, Patty Hasson. And would you just tell me what this new group is.

MS. HASSON: Sure. Good morning -- or good afternoon. My name is Patty Hasson and I'm President and

Executive Director of Clarifi, a non-profit resource dedicated to lifelong financial literacy.

Originally known since 1966 as Consumer Credit Counseling Service of Delaware Valley, Clarifi is now a 501(c)(3) non-profit that has assisted nearly 600,000 local residents in improving financial literacy, capability and stability. Our mission is to create hope by helping people identify and secure the most important assets in their lives.

Clarifi currently has 12 branch offices covering Philadelphia, Bucks, Chester, Delaware and Montgomery Counties in Pennsylvania, Burlington, Camden, Cumberland, Gloucester and Salem Counties in New Jersey and New Castle County in Delaware. Many of our branches are located in community partner space, which allows clients to access multiple services conveniently.

Clarifi is a member of the

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National Foundation for Credit Counseling and accredited by Council on Accreditation. We're also approved by the U.S. Department of Housing and Urban Development, HUD, as well as state and local housing agencies to provide housing counseling and education. In addition, we are approved by the U.S. Department of Justice, the executive office of the U.S. Trustees, to provide bankruptcy education and counseling. We are a member of the Better Business Bureau in Pennsylvania and New Jersey.

I have served as President of Clarifi for 13 years, reporting to a 20-person Board of Directors, and I oversee the operation and the 66 employee staff.

I have served also on a three-year term to the Federal Reserve Board Consumer Advisory Council from 2007 and 2009 in the midst of this crisis, and I was appointed Chair of the Housing and Community Development Committee on the

CAC, and I'm currently a member of the Board of Directors of the Philadelphia Chamber.

Clarifi has been counseling HEMAP clients for close to 30 years, since 1983. In just the past ten years alone, we have counseled over 11,000 individuals and families through the HEMAP program, providing some clients with the best possible solution, the ability to stay in their home in the community.

What we have also provided, but harder to measure, is the impact our comprehensive services have had with each and every client served through the program. Regardless of whether the client received HEMAP assistance or not, we know they received many lasting tangible benefits from our counseling, having a positive impact on their lives.

During a HEMAP session, our counselors learn about the client's unique circumstances. Although we work with clients on their immediate housing issues, our counselors start to understand the underlying issues that may have contributed to their current financial situation.

The counselor might suggest other financial programs or education opportunities to address a specific need. We may refer the client to another local agency for help, such as a food bank, legal aid, job center, just to name a few. Our counselors share our online resource directory containing hundreds of links to local services, such as energy assistance, senior citizen programs, food assistance, housing repair and more. These are all trusted local resources that provide value to our clients in areas outside of our expertise.

Our counselors also offer and discuss more than one option for their pending foreclosure. They apply for the HEMAP assistance and a loan modification at the same time.

When a client's case reaches resolution, that does not end our relationship with the HEMAP client. At this point, the client typically has trust and confidence in our counselor and continues the relationship past the crisis point.

One of our counselors, Hope Katz, recently shared a story with me about the long-term relationship she has with a couple, Sharon and Walter from Norristown. In the spring of 2009, Sharon and Walter received an Act 91 letter in the mail and came in for an initial counseling session with Hope. Due to a medical disability, they had fallen behind on their mortgage. Unfortunately their case was denied by HEMAP. However, Hope continued to work with them in person at least six times and by phone over the next three years. Through Hope's guidance and patience, they applied for a few different housing programs, a trial modification, and were referred to legal aid, all options to save their home.

Sharon and Walter have been through a lot and always with Hope at their side. Just this May in 2012, Hope heard from Sharon. They have been approved for a permanent modification. An Act 91 letter initiated the counseling session in 2009, and now three years later, Sharon and Walter are thrilled to know they can keep their home. They persevered, but they couldn't have done it on their own. Had they not been directed to a counseling agency like Clarifi and many others who are here in the room who could offer more than one solution, their story may have had quite a different ending.

This is just one example that illustrates the impact HEMAP and the entire process has on a family.

Through HEMAP, the housing client in distress receives an introduction to an accredited, reliable resource that they can turn to for their immediate housing crisis, but they can also utilize it again for future financial challenges.

If we look at the past 12 months when Clarifi provided HEMAP counseling, we documented outcomes from over 800 clients. Of those, 19 percent received HEMAP assistance. More telling is that 61 percent reported other positive resolutions, including mortgage modifications, repayment plans, EHLP assistance, regular sales, reverse mortgages and refinancing.

If we had cut HEMAP three years ago, I wonder where Sharon and Walter would be living now. What would be the state of their neighborhood with their foreclosed property? What would be the value of their home on their block? Fortunately Sharon and Walter reaped an underlying positive benefit of the HEMAP program. So did at least another 800 clients who shared their outcomes with us in the past 12 months.

I urge you to support the restoration of HEMAP and its many positive tentacles. Let's keep as many people as possible like Walter and Sharon in their homes, rebuilding their financial stability and preserving their communities.

Thank you.

COUNCILWOMAN TASCO: Thank you very much for your testimony. We appreciate it.

MS. HASSON: I do have to go out, so I just wanted to say one thing, because I'm actually heading to do a news program segment on the loan modification scams that are still going on, and I think that that is another fallout of the HEMAP program being discontinued, because it got people to trusted resources, to counseling agencies. So now it's not as easy to get -- these loan scams are still going on where companies are out there getting people to pay for modifications,

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and so the news media still is interested in this story, and I think one of the fallouts is the Act 91 letter not going out and not getting them to that trusted resource.

COUNCILWOMAN TASCO: It just seems that there's a lot of support for skullduggery and it just keeps going on. It seems to me that we would be looking to try to find a way to just stop it, but it gets worse. You make one good turn and somebody comes along and makes another bad turn.

Gillian, I like what you said about the financial impact these issues have on the economy.

Thank you.

Good afternoon.

MS. BLAKE: Good afternoon. My name is Rachel Blake and I'm an Associate Director at Regional Housing Legal Services. I want to thank the Committee on Public Health and Human Services for calling this hearing and for the opportunity to testify.

COUNCILWOMAN TASCO: Is Regional Housing Legal Services the same organization that Judy Berkman is with?

MS. BLAKE: Yes. We have the same employer, but we're here in different capacities today.

COUNCILWOMAN TASCO: Okay. Fine.

MS. BLAKE: So RHLS is a non-profit law firm with unique expertise in affordable, sustainable housing and its related components - community and economic development, utility matters and preservation of homeownership. RHLS provides innovative project and policy solutions that help create sustainable communities offering decent, safe and affordable housing for lower-income Pennsylvanians. We are headquartered in Glenside and have offices across the Commonwealth.

A significant portion of RHLS's work is focused on homeownership and homeownership preservation. Through this work, we are well versed in the impact of HEMAP as a national best practice, an effective state program and a critical element of Philadelphia's approach to foreclosure prevention.

HEMAP was created in the early '80s to respond to sudden high unemployment in Pennsylvania. HEMAP targets homeowners who are facing trouble through no fault of their own and have a reasonable likelihood of getting back on their feet within two or three years. The program recognizes that unemployment, illness and family changes can come out of the blue and knock the financial wind out of a household. HEMAP helps qualified homeowners avoid foreclosure by giving them time to catch their breath.

A report from the Federal Reserve Bank of New York stated that HEMAP had helped most participants retain their homes while paying off their loans at a potentially lower cost than other

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relief programs, about $1,600 per case compared with 13,600 for the federal HAMP program. In 2011, a U.S. Congressman described HEMAP as the single most effective anti-foreclosure program that has been put forward.

HEMAP has served as a model for programs in other states, including programs created using Hardest Hit Fund dollars. It led the way toward the eventual modification of the HAMP program that enabled the program to better address the needs of unemployed homeowners. It also served as a guide for the implementation of the federal Emergency Homeowners Loan Program, EHLP. In fact, EHLP had its greatest success in Pennsylvania, which, despite a very tight timeframe for committing funds, was able to fully commit the $105 million allocated to it, plus an additional three. Pennsylvania was responsible for more than a quarter of the funds committed under EHLP nationally. The existence of HEMAP helped both guide the policies surrounding EHLP and allowed Pennsylvania to capture those funds.

Through March 2012, HEMAP has disbursed more than $500 million and received repayments totalling more than 268 million. More than 45,000 homeowners have received HEMAP and more than 21,000 have repaid their loans. The average HEMAP loan is approximately $11,000. Approximately 80 percent of those who receive HEMAP loans are ultimately able to keep their homes.

The Reinvestment Fund, TRF, as you know, recently released an issue brief titled "What If Pennsylvania Had Not Had HEMAP," which stated that between 2008 and 2010, HEMAP helped more than 6,100 homeowners avoid foreclosure and saved, between local and state government, banks and homeowners, approximately $480 million.

In addition to the impressive statistics about HEMAP's impact in

Philadelphia and in our state, there are more subtle, but I think equally important, contributions that HEMAP makes to foreclosure preventions in Philadelphia.

Last fall, RHLS released a report titled "No Place Like Home: Philadelphia's Approach to Foreclosure Prevention." The report contained the first comprehensive qualitative look at the response to the foreclosure crisis in Philadelphia. We were able to document a variety of state, local and federal programs that were coming together to help prevent foreclosures in Philadelphia, and housing counselors were at the heart of it all.

Philadelphia has a network of approximately 30 housing counseling agencies which help people understand their options, help them negotiate modifications, inside and out of Diversion Court, and apply for HEMAP. The fact that we have such a large strong network of housing counseling agencies is a tribute to the leadership and commitment of the City of Philadelphia and the Office of Housing and Community Development, which has provided significant funding and support to these agencies over the years. I firmly believe that the commitment that the City leaders have made to housing counseling created an infrastructure in this city that facilitated the success of two national best practices, the Diversion Court and HEMAP. The network of housing counseling agencies was able to quickly mobilize to work with homeowners in Diversion Court and also responded quickly to the very short timeframe we had to implement EHLP.

We believe that HEMAP is a vital tool to help prevent foreclosure in Philadelphia. In addition to the thousands of homeowners and millions of dollars saved directly, HEMAP provides two additional key benefits: First, the notice providing contact information for housing counseling agencies, and, two, the process by which homeowners can get up to 120 extra days to try to find a solution.

Information about the availability of free, quality housing counseling services is vital. Many have seen the foreclosure crisis as opportunity to scam desperate homeowners, charging them up front for services never performed and for which the owner could have received free services elsewhere. The additional time homeowners receive under HEMAP has no doubt given scores of owners the opportunity to find a way to self-cure.

While the details about the amount and the length of funding remain unclear, we are currently hopeful that HEMAP will be reinstated, and we're hearing July. So we applaud the efforts of the City Council of Philadelphia to understand and publicize the significant

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impact that HEMAP makes to homeowners and to neighborhoods and urge homeowners to reach out to their housing counseling agencies.

COUNCILWOMAN TASCO: Thank you. Thank you for your testimony and thank you for your patience.

What is a non-profit law firm?

MS. BLAKE: That's us. We're a non-profit and we provide legal services as part of what we do, and typically we work with non-profit community development organizations. So like Judy mentioned before, organizations like Project HOME and a series of other organizations is the legal piece, and we do policy work, we have a utility arm.

COUNCILWOMAN TASCO: How are you funded?

MS. BLAKE: We get funding through a variety of sources. We are part of the Pennsylvania Legal Aid Network, so we get some funding through that, and then we also have some grant funding.

COUNCILWOMAN TASCO: Okay. Thank you very much.

MS. BLAKE: Sure.

COUNCILWOMAN TASCO: I appreciate your testimony.

Councilman.

COUNCILMAN JOHNSON: I have a question regarding a totally separate issue, but in terms of services that your organization provide, do you deal with making sure there are equal rights for people that have disabilities that are in need of housing?

MS. BLAKE: We don't do -- disability work is not one of our main areas, but there is an organization, Disability Rights Network, in the City that would probably be an excellent resource.

COUNCILMAN JOHNSON: Disability Rights Network?

MS. BLAKE: Yes. And I would say that if you're having trouble getting

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a hold of them or you have some other questions or a constituent does, we'd be happy to try to make whatever connections we can.

COUNCILMAN JOHNSON: All right. Thank you very much.

COUNCILWOMAN TASCO: Thank you.

Ms. Jones Lowman, Deirdre Jones Lowman. Thank you. Southwest CDC.

MS. LOWMAN: Good afternoon. My name is Deirdre Jones Lowman and I am the Housing Program Manager at Southwest CDC. I'd like to thank you, Madam Chair and esteemed Committee members, for allowing me the opportunity to speak here.

The impact of the Homeowners Emergency Mortgage Assistance Program on the residents of Southwest Philadelphia has been immense. Most homeowners going through the foreclosure process have no other recourse toward retaining their homes if they are unable to modify or cure the debt.

The HEMAP program, a national model for mortgage assistance programs, allowed homeowners to stay the foreclosure proceedings while their application was under review. If approved to participate in the loan program, it provided affordable, soft second mortgages for those who are facing foreclosures due to no fault of their own - unemployment, reduction in income or any other circumstances beyond their control.

The PHFA program also promoted ownership and accountability and ensured that homeowners had a reasonable prospect of regaining control of their financial lives.

For 25 years, Southwest CDC has provided direct services to improve the quality of life for the residents of Southwest Philadelphia. Since 1995, the organization has been providing housing counseling services to the residents of Southwest Philly. The HEMAP program was instrumental in providing homeowner mortgage assistance to about 300 Southwest Philadelphia homeowners since 2007.

Southwest Philadelphia, which includes area codes 19142, 19143, 19153, has the largest number of foreclosures in Philadelphia, and the residents have been benefited greatly from the HEMAP program. When the program concluded on June 30th, 2011, the program had an average application acceptance rate of 37 percent for Southwest Philadelphia homeowners facing foreclosure. What that means is that of the 347 applications submitted in 2011, about a third of them were approved.

Between the first quarter of 2010 and the third quarter of 2011, when the HEMAP program ended, there were about 4,100 Act 91 notices filed in the zip codes of 42, 43 and 53. So what that means is that potentially there were about 4,000 people who could lose their home or were at least 90 days delinquent.

Philadelphia and the Commonwealth of Pennsylvania are unique because they set the national standards for foreclosure prevention and mortgage assistance programs, which include the Philadelphia Diversion Program and HEMAP. The average number of foreclosure notices sent for the zip codes that I've already stated, 42, 43 and 53, were about 1,374 for each zip code.

Currently, in 2012, foreclosure filings for the City of Philadelphia have increased by 50 percent over the last year this time. Mortgage default increased 35 percent over last year.

Southwest Philadelphia borrowers have the highest rate of subprime loans in the City. The diverse, culturally rich and pride for community is eclectic in its membership. Southwest Philadelphia community is composed of proud and self-sufficient people who value family and culture. Without the

HEMAP program, this community is at a high risk of foreclosure and any other Philadelphia community.

Foreclosure is not only about losing one's home. It contributes to an increase in neighborhood blight, crime, property abandonment, economic decline and disempowerment of its residents. HEMAP was more than a mortgage assistance program; it was or is a lifeline to hard-working families who fell behind due to no fault of their own. The HEMAP program, in conjunction with housing counseling, educates homeowners on how to live within their means, prepare for unforeseen circumstances, and the program contributes to community and neighborhood stabilization.

Thank you for your time.

COUNCILWOMAN TASCO: Well, we thank you for being so patient. Thank you for that testimony, and I will tell you that back in 1999, it seems -- I keep going back, because we started with the information gathered by ACORN on the subprime loans in Southwest Philadelphia, in your community, and that's how we came to the whole issue of dealing with the predatory lending in the City, because there was a large increase in subprime loans in that community. So we're very familiar with what's going on out there and glad that HEMAP was there to provide some relief to some of the homeowners. We thank you for being there to provide that service to the community and thank your organization for the work that you do.

MS. LOWMAN: Thank you.

COUNCILWOMAN TASCO: Thank you.

Is there anyone else here to testify?

Councilman Johnson has a comment.

COUNCILMAN JOHNSON: Deirdre Jones, I just want to commend you and Southwest CDC for work that you do, being on the ground, rather it's housing counseling or assisting families with mortgage foreclosures. I just want to acknowledge you for the hard work that you do; specifically, more importantly, Southwest CDC as a whole. They are the anchor in the Southwest community. So keep up the good work.

MS. LOWMAN: Thank you so much.

COUNCILWOMAN TASCO: Keep up the good work. You got a new Councilman, and I guess you were the State Rep, right?

COUNCILMAN JOHNSON: Yeah.

COUNCILWOMAN TASCO: He was the State Rep. So it continues with your leadership.

Anyone else here to testify?

(No response.)

COUNCILWOMAN TASCO: We certainly thank all of you. Hiram, thank you for your work over at OHCD and thank you for sitting and listening today. And we want to thank all of you for coming, providing the information that you have provided to us. We will follow this and track this in Harrisburg. Certainly I will be talking to my State Rep, Cherelle Parker, as well as my other State Rep, Dwight Evans, as well as my State Senator, LeAnna Washington, to let them know we had the hearings. I'll share with them some of the testimony that has come through, and hopefully you will and we all are successful in getting them to refund the program in Harrisburg, which is so important to our community.

Thank you again for coming. We appreciate it. Thank you for all the hard work you do and the services you provide to Philadelphia.

Thank you.

(Committee on Public Health and Human Services adjourned at 12:45 p.m.)

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CERTIFICATE

I HEREBY CERTIFY that the proceedings, evidence and objections are contained fully and accurately in the stenographic notes taken by me upon the foregoing matter on May 15, 2012, and that this is a true and correct transcript of same.

MICHELE L. MURPHY
RPR-Notary Public

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