

NO
PLACE
LIKE
HOME

PHILADELPHIA'S APPROACH
TO FORECLOSURE PREVENTION

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*Reinventing Older
Communities: Building
Resilient Cities*
May 10, 2012

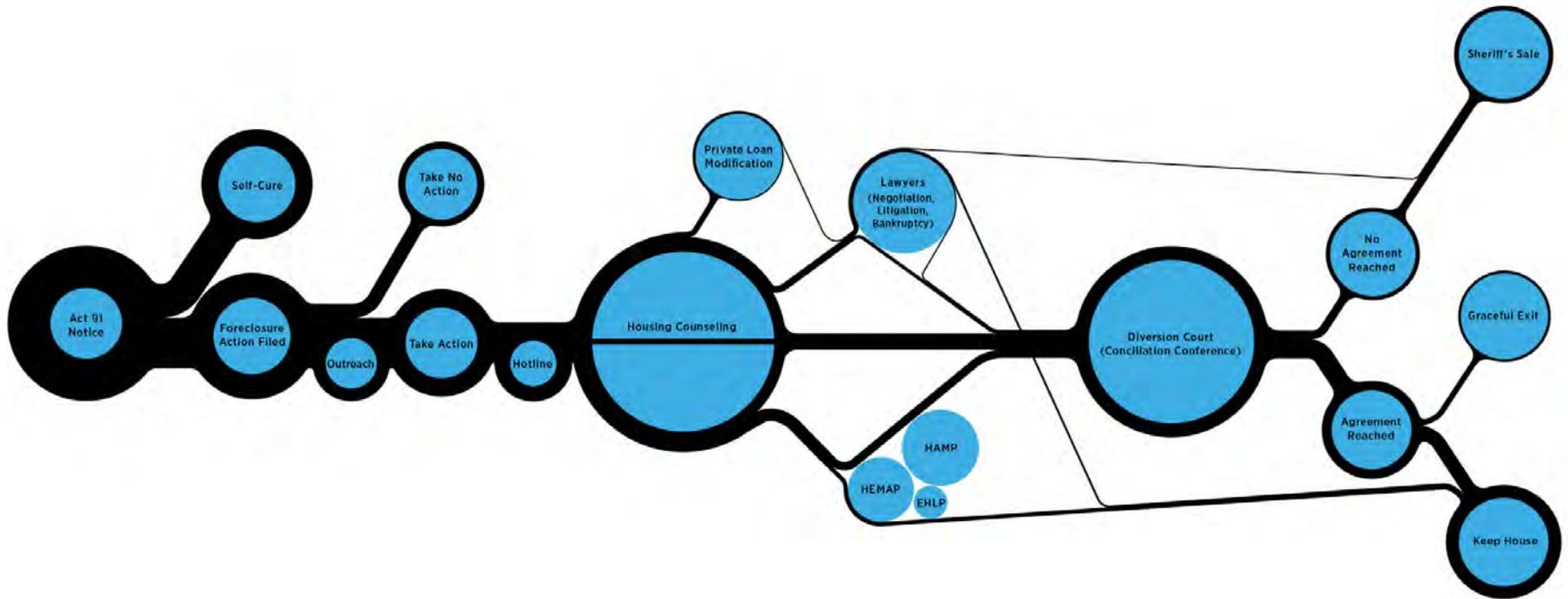


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Philadelphia's Approach to Foreclosure Prevention:

- **Many programs and players:**
 - HEMAP
 - Diversion Program
 - Housing Counseling
 - Home Affordable Modification Program (HAMP)
 - Emergency Homeowners' Loan Program (EHLPP)
 - Litigation continued

Philadelphia's Current Home Foreclosure-Prevention Process



➔ Philadelphia Foreclosure Prevention Approach: How It Works

1. Identify at-risk homeowners (Act 91 Notice)
2. Perform outreach (Neighborhood Advisory Comm)
3. Hotline (Philadelphia Legal Assistance)
4. Create budget and workout proposal (Counselors)
5. Apply to relevant State and Federal programs (Counselors)
6. Refer homeowner to lawyer (Counselors)
7. Negotiate at Conciliation Conference (Counselors/Lawyers)

Philadelphia is a Leader



- HEMAP and Diversion Program are national best practices
- Philadelphia remains on the front lines looking for ways to refine and improve its strategy

8 Recommendations

1. Offer Alternative Paths to Assistance
2. Provide Housing Counselors with Training, Certification, and Standards
3. Ensure All Eligible Homeowners Apply to HEMAP or EHLA
4. Better Coordinate City and State Counselors
5. Improve Lawyer/Counselor Relationship
6. Improve Data Collection
7. Gain Cooperation of Sheriff
8. Continue to Fund Efforts

1. Offer Alternative Paths to Assistance

•Health Issues Contribute to Foreclosure

- Study found medical causes contribute to 1 in 4 Philadelphia foreclosures and medical costs are the primary cause of 1 in 10 foreclosures.
- Survey of homeowners facing foreclosure in California, Florida, Illinois, and New Jersey found nearly 50% identified medical issues as being at least part of the cause.

➔ 1. Offer Alternative Paths to Assistance

•Foreclosure Makes People Sick

- A recent NBER study correlated a variety of ill health effects (mental and physical) with foreclosure. It found that for every 100 additional foreclosures, among people aged 20 to 49 there is a:
 - 12 percent increase in anxiety-related hospital visits;
 - More than 38 percent increase in visits for suicide attempts;
 - 7 percent increase in emergency room visits and hospitalizations for hypertension; and
 - 8 percent increase in emergency room visits and hospitalizations for diabetes.

➔ 1. Offer Alternative Paths to Assistance

•Health Field Looking to Address Social Needs

- A survey of American physicians by the Robert Wood Johnson Foundation (RWJF) released in December 2011 showed that 4 out of 5 physicians believe that “unmet social needs are directly leading to worse health”; about the same number are not confident of their ability to address social needs. Of urban physicians, 43 percent indicated they wish they could write prescriptions for housing assistance.
- RWJF held a webinar in April with hundreds across the US talking about “health care’s blind side”. Models include a program where doctors can write prescriptions for referrals.

➔ 2. Provide Housing Counselors with Training, Certification and Standards

- **Consensus on Standardization**

- 73% of HUD counselors support need for national standards
- Philadelphia's Foreclosure Prevention Task Force has made this one of their key issues for 2012.
- The City's current training is believed to be compliant with the National Industry Standards; working to get formal approval.

3. Ensure All Eligible Homeowners Apply to HEMAP or EHLP

- **HEMAP is a Best Practice; Model for EHLP**
 - The Federal Reserve Bank of New York stated that HEMAP “has helped most participants retain their homes while paying off their loans—at a potentially lower cost than that of other relief initiatives”—about \$1,600 per case compared to about \$13,600 for the federal HAMP program.
 - TRF found that between 2008 and 2010 HEMAP helped more than 6,100 homeowners avoid foreclosure and saved (local and state governments, banks, and homeowners) approximately \$480 million.



Philadelphia Prevention Works

Data from the Pennsylvania HEMAP Program (April 2008 to July 2010):

NUMBER OF PHILADELPHIANS WHO APPLIED FOR HEMAP: **4,756**

PHILADELPHIA APPLICATIONS APPROVED FOR HEMAP: **1,025**

PHILADELPHIA HEMAP LOANS CLOSED: **623**

APPROVAL RATE: **22%**

AVERAGE COST TO HELP EACH HOUSEHOLD STATEWIDE: **\$1,600¹**

LOANS REPAYED STATEWIDE: **85%**

HEMAP RECIPIENTS WHO LOSE THEIR HOMES STATEWIDE: **<15%**

AVERAGE LOAN SIZE STATEWIDE: **\$11,000**

IMPACT ON STATE CREDIT RATING: **POSITIVE** (*Moody's, an independent credit rating agency, found it strengthened PHFA's loan portfolio and bond program.*)

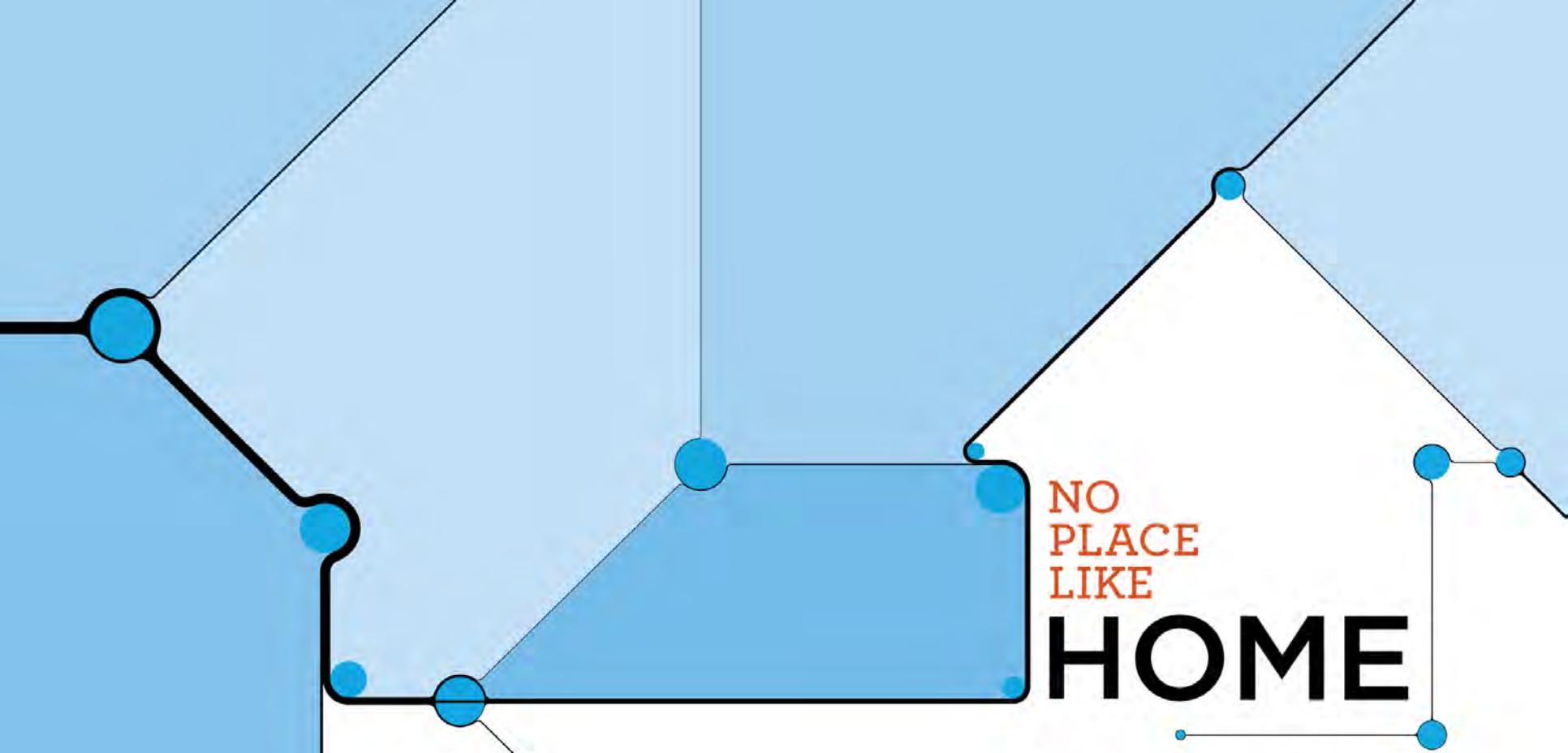
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- **PA was a Leader in EHLP Implementation**

- PA was 1 of 4 “substantially similar” states allowed to administer EHLP (Maryland, Connecticut and Idaho)
- PHFA was allocated \$105M
- Despite the very short time-frame, PHFA not only fully committed the funds it had, but was able to commit an additional \$3M (which HUD approved)
- Most other states were unable to make commitments of the funds allotted to them; PA’s commitments were over 25% of all the commitments in the US

Conclusion

- Philadelphia and Pennsylvania are on the cutting-edge of implementing effective foreclosure-prevention programs
- Leaders are continuing to improve existing model programs and look for innovative solutions to ongoing needs
- Allied professionals are supporting the work of program administrators by reviewing progress, supporting improvements, and publicizing successes



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