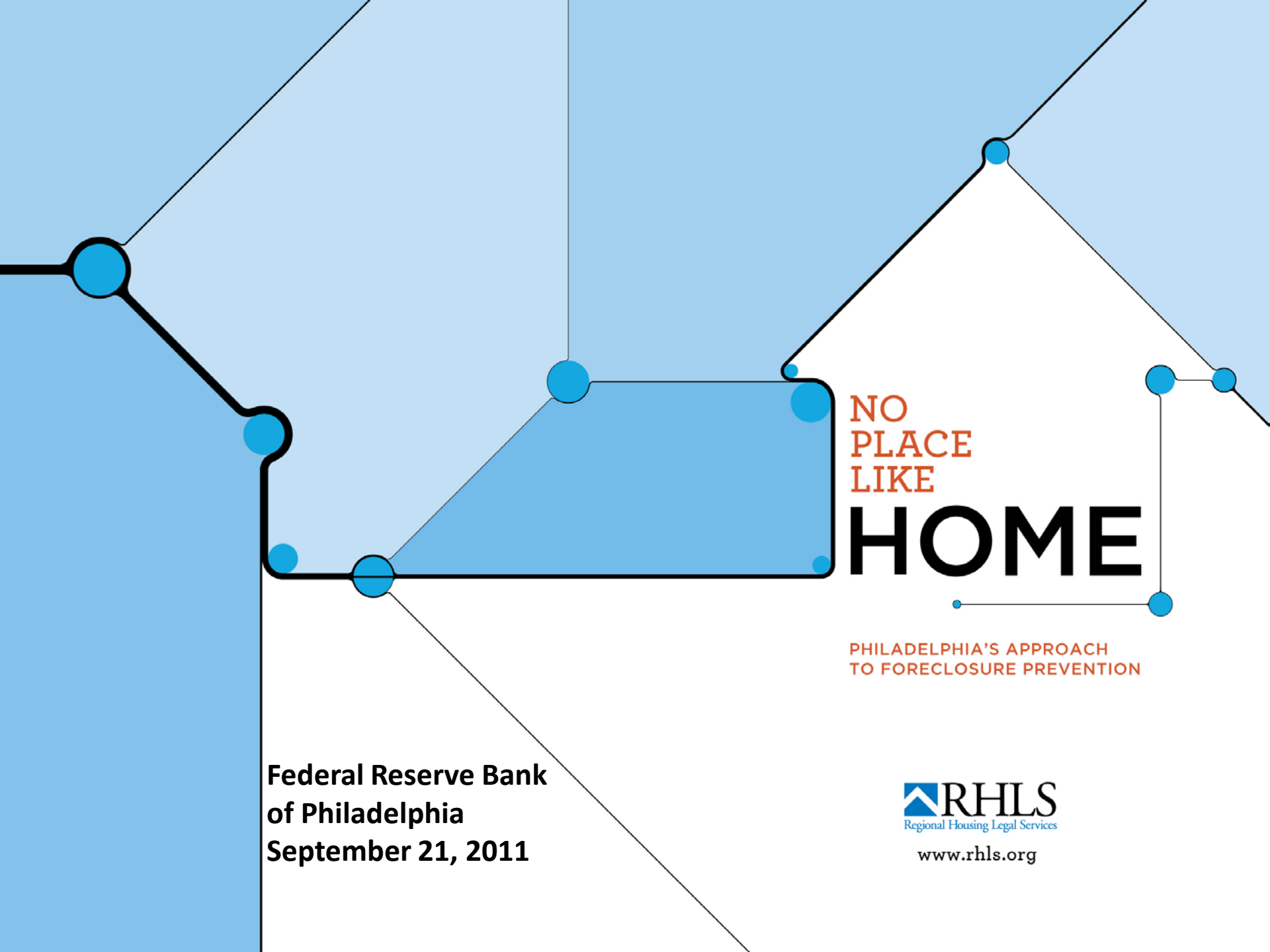

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September 21, 2011

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Philadelphia Foreclosure Prevention Approach: How It Works

- **Interviewed over 60 stakeholders** in 2010 and 2011
- **Quantitative study by The Reinvestment Fund**
- **Two primary programs**: **HEMAP** and **Diversion Program**
  - Home Affordable Modification Program (HAMP)
    Emergency Homeowners' Loan Program (EHLP)
    Litigation continued
- **Housing counselors as lynchpin**

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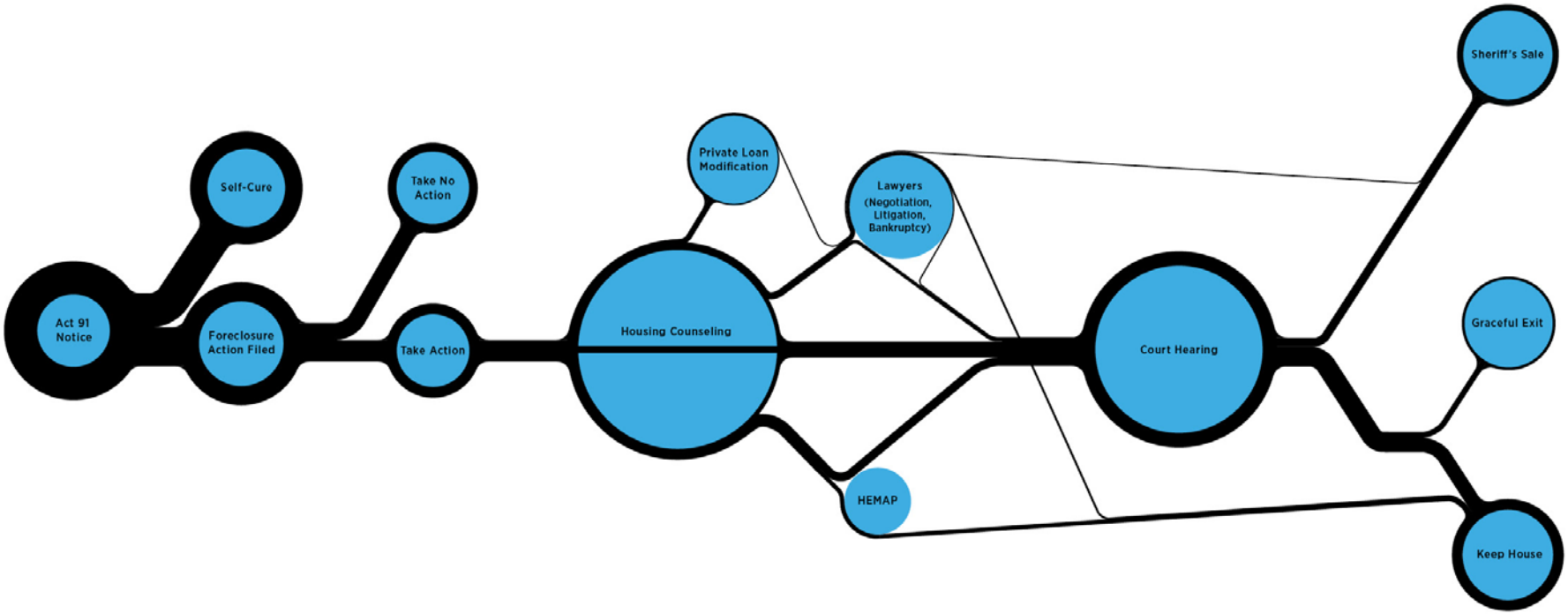
Philadelphia's Pre-2008
Home Foreclosure-Prevention Process



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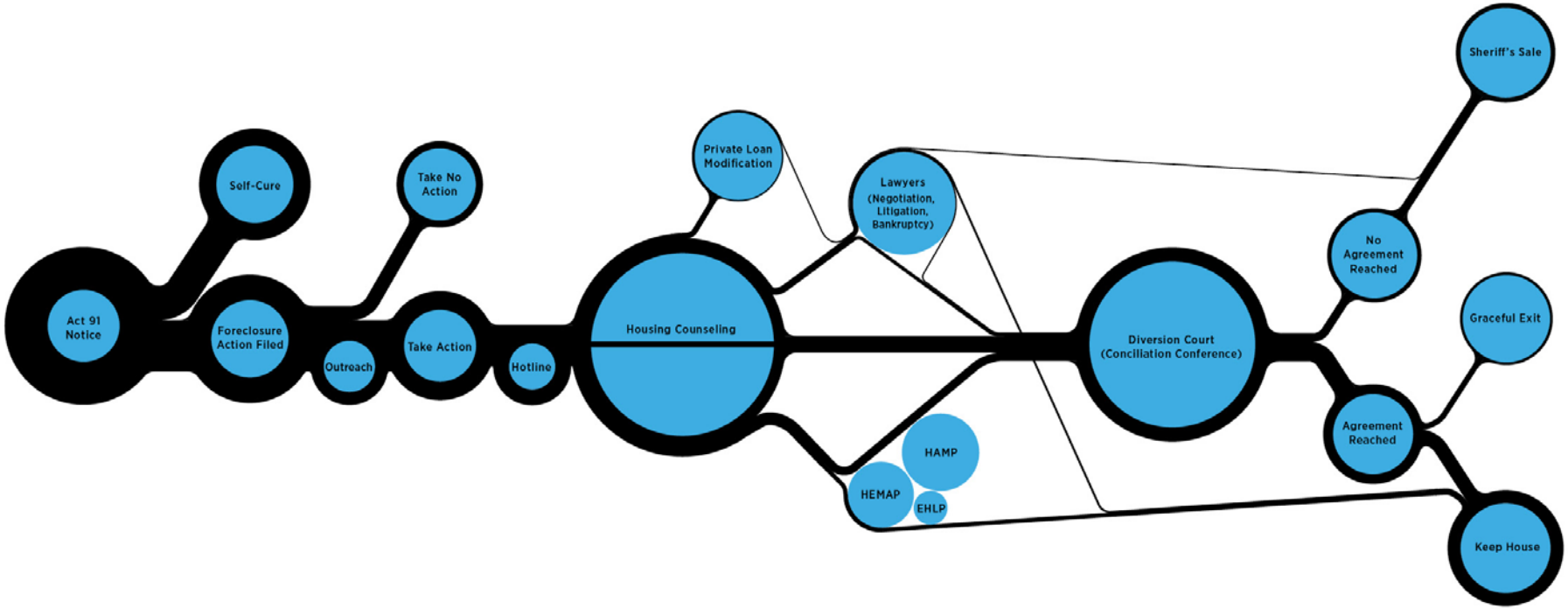
Philadelphia Foreclosure Prevention Approach: How It Works

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's Current Home Foreclosure-Prevention Process



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Philadelphia Prevention Works

Data on the Diversion Program from The Reinvestment Fund with Analysis from Regional Housing Legal Services *(April 2008 to May 2011)*[11]

PARTICIPATION RATE: 70% *of homeowners in foreclosure*
(Approximately 11,200 out of 16,000 homeowners participated in the Diversion Court program.)

ESTIMATED AVERAGE COST TO HELP EACH HOUSEHOLD: $750

HOUSEHOLDS WHO COMPLETE PROCESS AND REACH AGREEMENTS: 35%
(Approximately 3,900 homeowners; agreements may not allow them to keep their homes.)

AVERAGE NUMBER OF CONCILIATION CONFERENCES REQUIRED: 2

AVERAGE TIME SPENT IN DIVERSION PROGRAM: 54 DAYS

HOMEOWNERS REPRESENTED BY A LAWYER WHO MADE A FORMAL APPEARANCE IN COURT: 4.5% *(50% private/50% legal services)*

HOMEOWNERS WHO REACHED AN AGREEMENT IN THE FIRST YEAR OF THE PROGRAM AND ARE STILL IN THEIR HOMES IN 2011: 85%
(Approximately 850 out of 1,000 homeowners; 30% have subsequent foreclosure filings.)

HOMES SOLD AT SHERIFF'S SALE: 16% *of households who participated in the Diversion Program (approximately 1,825 homeowners)*

ESTIMATED AVERAGE COST TO SAVE A HOME: $3,310

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Philadelphia Prevention Works

Data from the Pennsylvania HEMAP Program *(April 2008 to July 2010)*[1]

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: **$1,600**[1]
LOANS REPAID 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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8 Priority Recommendations

- HEMAP and Diversion Program are national best practices
- Today Philadelphia remains on the front lines looking for ways to refine and improve its strategy
- Yet funding to help at risk homeowners is being cut at the State and Federal level

1. Offer Alternative Paths to Assistance

High Medical Bills → Medical Insurance

Seniors → Benefits

Homeowners → 49 Existing Programs

Study found medical causes contribute to 1 in 4 Philadelphia foreclosures and medical costs are the primary cause of 1 in 10 foreclosures.

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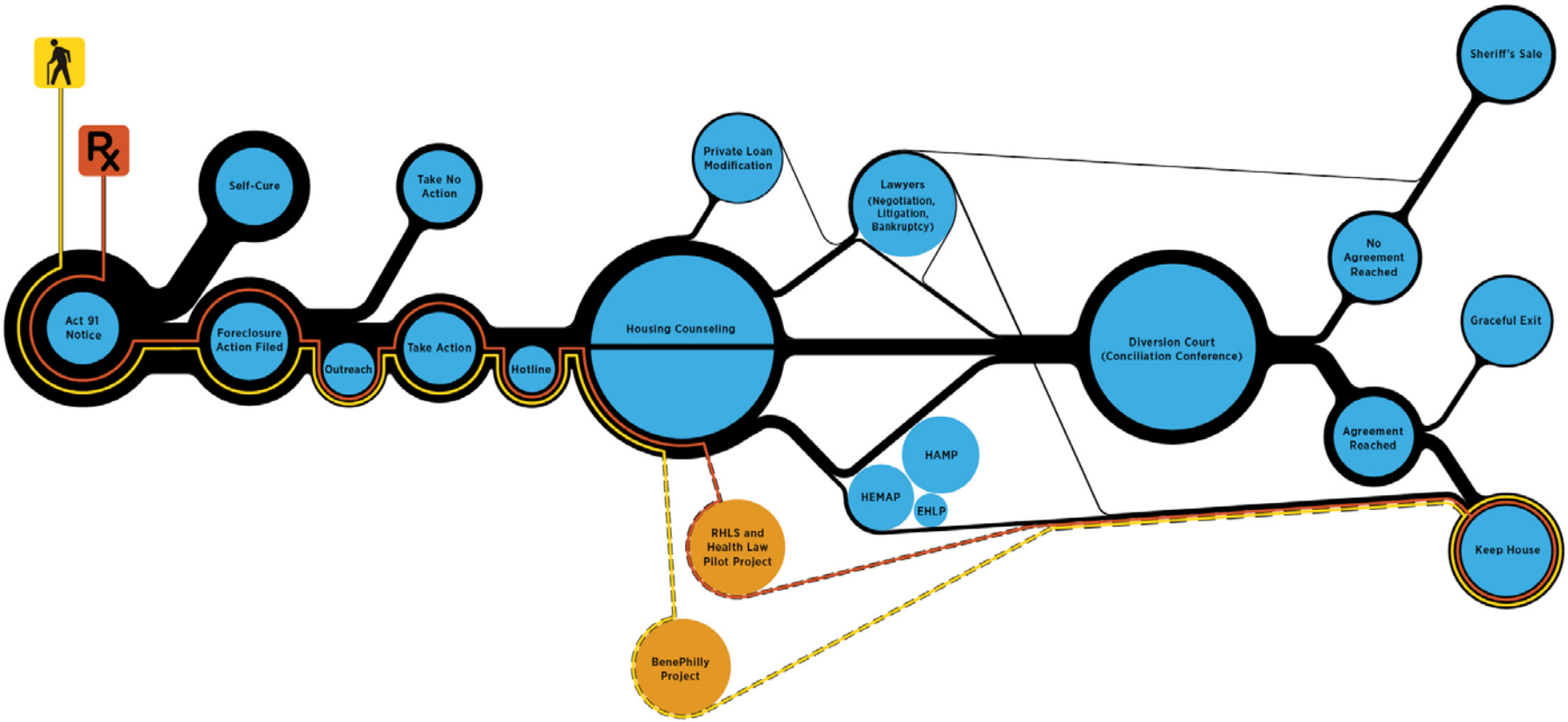
At-Risk Homeowners and Seniors



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1. Progress to Date and Next Steps

Progress To Date

- List Of 49 Existing Programs Compiled
- RHLS And Health Law Project Pilot (On Hold)
- Benefits Data Trust Working With Court

Next Steps

- Post List Online In Single Location
- Create Uniform Application and Process

2. Provide Housing Counselors with Training, Certification and Standards

- Housing counselor experience and skills vary
- 31 small counseling agencies
- Counselors define client's options
- Trainings twice a year – Can perform without training for up to six months
- 73% of HUD counselors support need for national standards

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2. Progress to Date and Next Steps

Progress to Date

- Training & Supervision Strengthened
- Testing and Certification Required

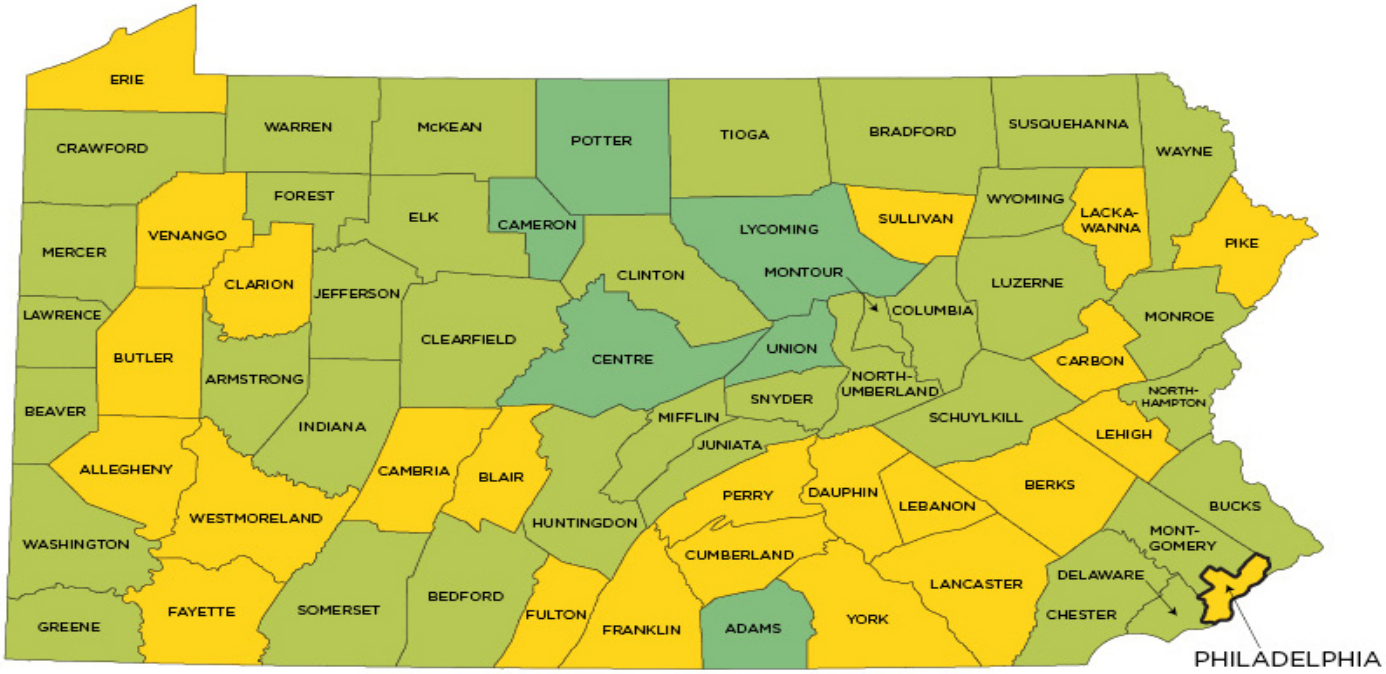
Next Steps

- Hold Counselors to Professional Standards
- Inform Client of All Alternatives and Provide Written Action Plan
- Provide Better First Line Supervision
- Create 2 Tiers of Counselors

3. Ensure All Eligible Homeowners Apply to HEMAP or EHLP

Philadelphia HEMAP Application Rates

are some of the lowest of any county in Pennsylvania.



Less than 10% apply for HEMAP

10–15% apply for HEMAP

15–20% apply for HEMAP

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3. Progress to Date and Next Steps

Progress to Date

- Counselors Will Receive PHFA Training
- Courts Make Computer Available For Applications
- Outreach Re EHLP

Next Steps

- Monitor Each Counselors HEMAP/EHLP Applications
- Restore HEMAP Funding

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4. Better Coordinate City and State Counselors

- Require separate multi-day trainings
- Only State-funded counselors compensated for HEMAP applications
- Only City-funded counselors can bring clients to Diversion Court
- Data entry duplicative and limited

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4. Progress to Date and Next Steps

Progress to Date

- Training Coordinated

Next Steps

- Integrate Counselor Networks
- Compensate City Counselors for HEMAP applications
- Allow State Counselors Into Diversion Court
- Jointly Adopt One Database

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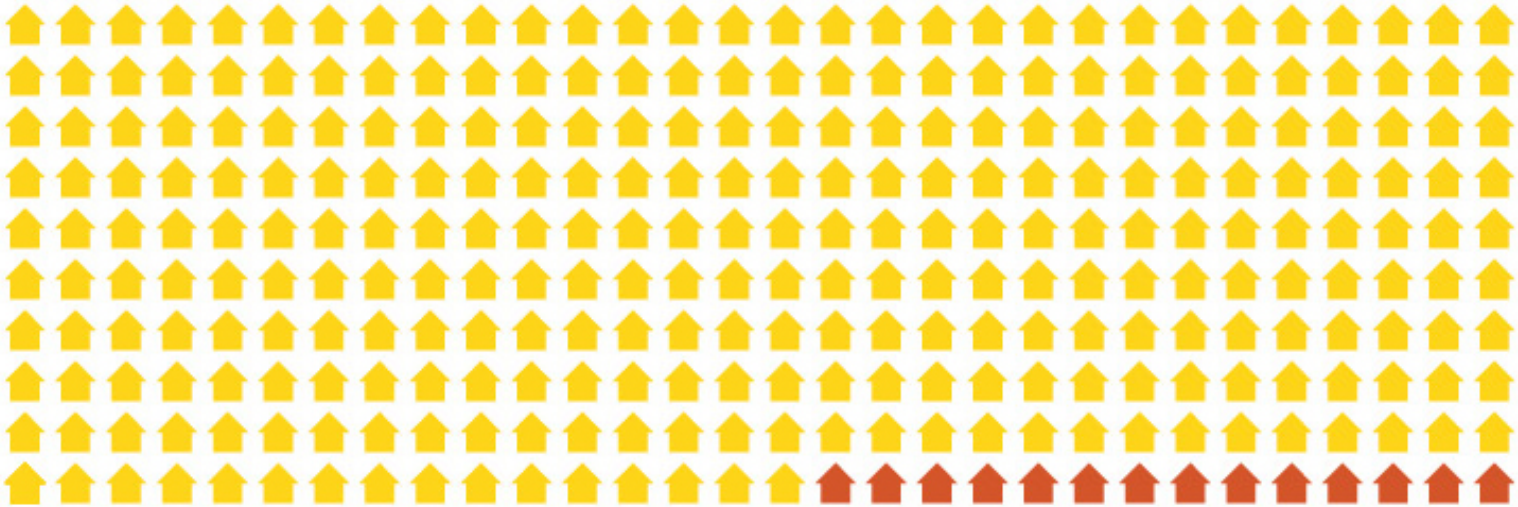
5. Improve Lawyer/Counselor Relationship. Clarify Referral and Case Selection Criteria



More than 95% of homeowners do not receive legal representation that results in a formal court appearance.

Fewer than 5% of homeowners receive legal representation that results in a formal court appearance.

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5. Progress to Date and Next Steps

Progress to Date

- Early Discussions Held

Next Steps

- Convene Lawyers And Counselors
- Create Standards For Referrals
- Share Standards For Case-Selection
- Create Information Sharing Agreement

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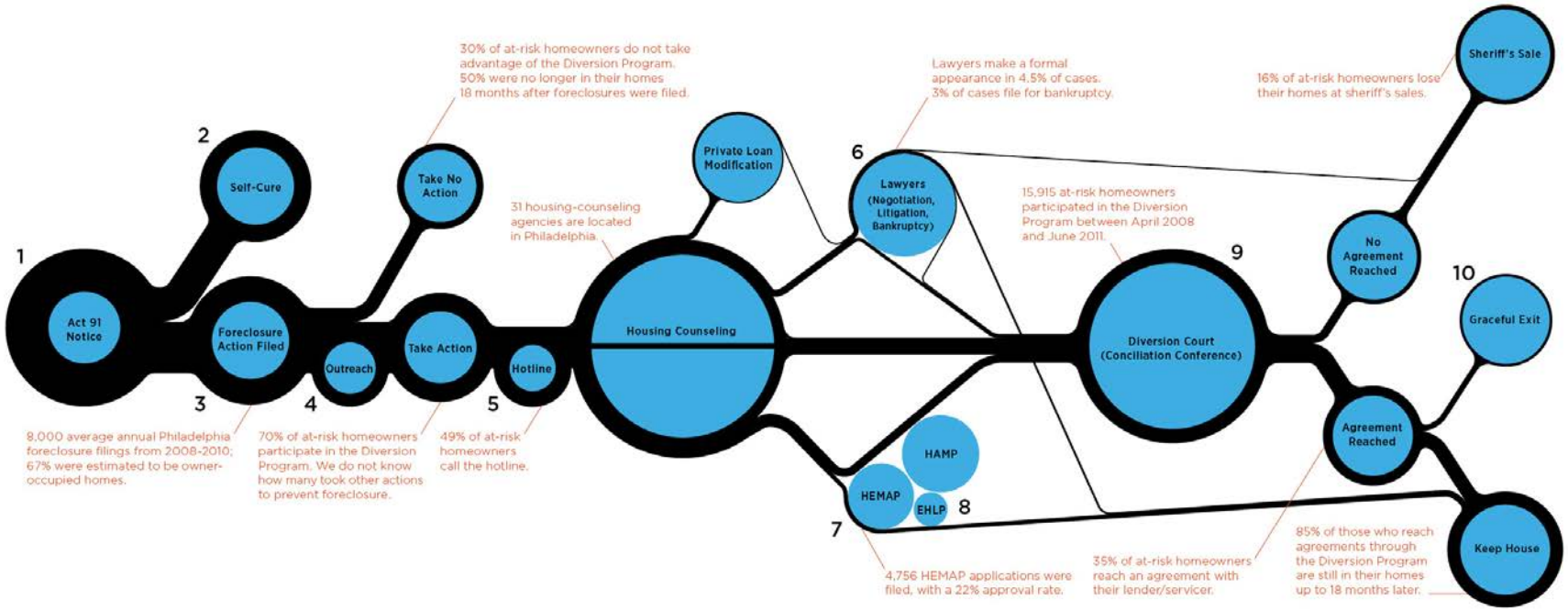
6. Improve Data Collection



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6. Progress to Date and Next Steps

Progress to Date

- TRF Study Significant – Analysis Needs to Continue
- New Court Order Form Provides Better Data
- Discussions Re Keeping Stakeholders Updated

Next Steps

- Update Data With Actions And Outcomes
- PLA And CLS Invest In New Technology
- Provide Online Resource For Homeowners
- Sheriff's Office Keeps And Shares Accurate Data

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7. Gain Cooperation of Sheriff

- Millions of dollars of homeowners' money not returned
- $1700 fee charged to homeowner
- Database inaccurate
- Data not shared
- Require stays to be hand-delivered

7. Progress to Date and Next Steps

Progress to Date

- MOUs To Increase Cooperation and Access To Data

Next Steps

- Return All Sales Proceeds To Homeowners
- Reduce $1700 Fee
- Stay Foreclosures With Electronic Order
- Update And Share Database
- Provide Writs To Court In Timely Manner

8. Continue to Fund Efforts

Foreclosure Prevention Is a Cost-Effective Intervention

	Dollars spent on foreclosure prevention reduce dollars spent on long-term vacant properties:
$750	*Estimated cost to provide foreclosure-prevention services to a Philadelphia homeowner household*
$3,310	*Estimated cost to provide foreclosure-prevention services that result in saving a home from sheriff's sale*
	If Philadelphia did not provide these services, costs the city would incur include:
$500–$34,000	*Annual cost to maintain and provide police and fire protection to a vacant property*
	When families are unable to recover economic independence, local and national taxpayers incur such costs as these:
$21,000	*Annual cost to keep a family in a homeless shelter*
$40,000	*Annual cost to keep a senior in a nursing home*
	Rehabilitating a vacant property to return it to market after foreclosure carries a high average price tag:
$85,000–$90,000	*Average rehabilitation cost per basic row home*
	Neighbors also pay a price, as the foreclosed property brings down nearby home values:
$8,000	*Average loss of value to homes located near a foreclosed property*

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8. Progress to Date and Next Steps

Progress to Date

- Philadelphia Has Made Foreclosure Prevention Effective Through Generous Funding of $3 million a year

Next Steps

- State Must Re-Allocate HEMAP Funding
- Implement Reforms
- City Should Continue to Fund Until Foreclosure Rates Drop Back to 2006 Levels

8. Model for Other Cities

Replicable and Scalable Where:

- Judicial Foreclosure State
- Ability to Identify at Risk Homeowners
- Substantial Counselor Capacity
- Strong Leadership

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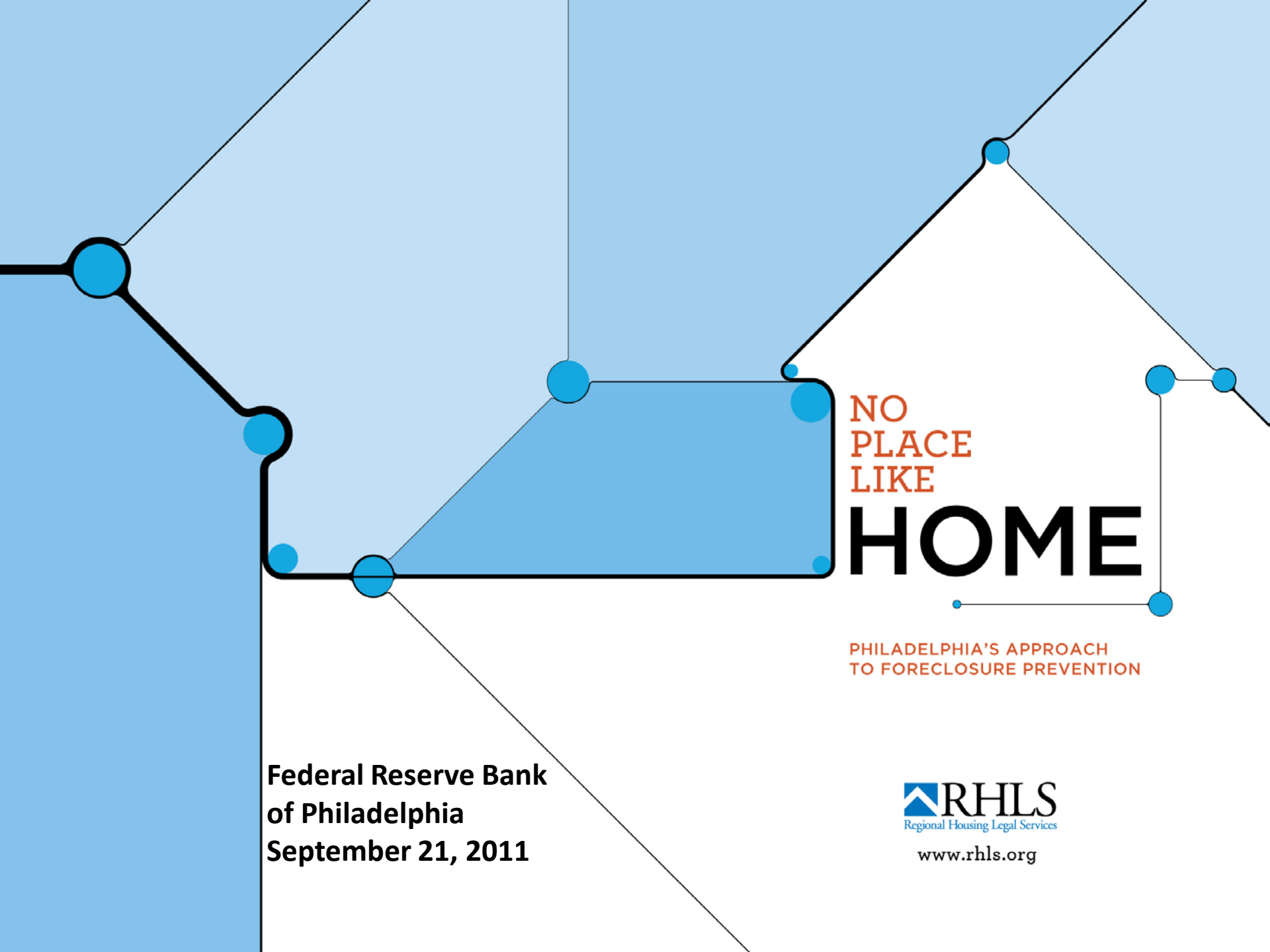

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