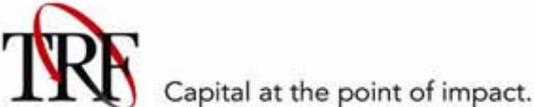


Experiences from the Philadelphia Residential Mortgage Foreclosure Diversion Program

At the Forefront of Foreclosure Prevention
Federal Reserve Bank of Philadelphia
Reinventing Older Communities – Building Resilient Cities

May 2012

Ira Goldstein
The Reinvestment Fund
Policy Solutions



The Reinvestment Fund builds wealth and opportunity for low-wealth communities and low and moderate income individuals through the promotion of socially and environmentally responsible development.

We achieve our mission through:

Capital

- Grants, loans and equity investments

Knowledge

- Information and policy analysis; PolicyMap & Policy Solutions

Innovation

- Products, markets and strategic partnerships

Funders: Open Society Institute &
William Penn Foundation

First Judicial District
Court of Common Pleas of Philadelphia County
Trial Division – Civil

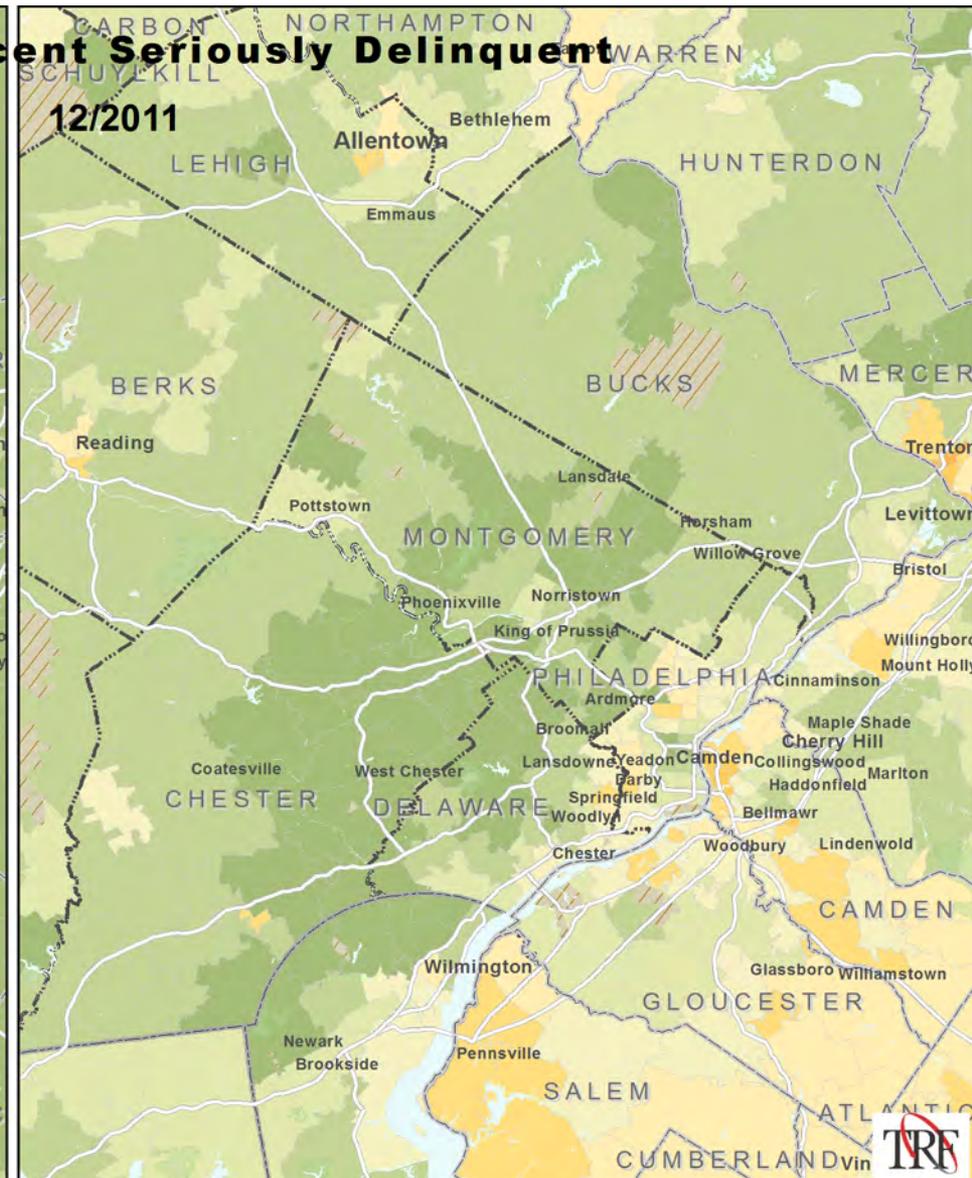
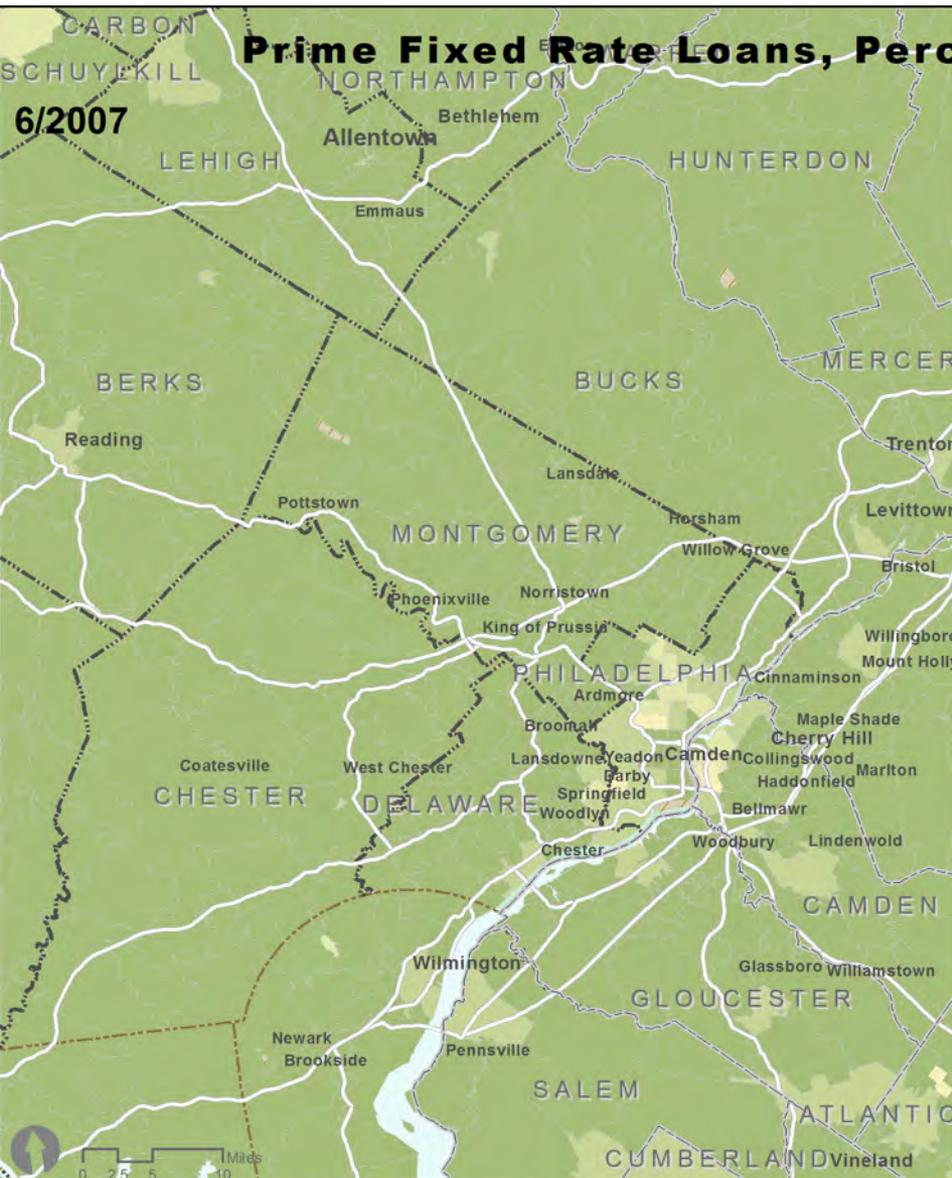
City of Philadelphia
Office of Housing and Community Development

- Philadelphia's Residential Mortgage Foreclosure Diversion Program, led by Judge Annette M. Rizzo and created by Orders signed by C. Darnell Jones and D. Webster Keogh (2008), was one of the nation's first foreclosure diversion programs.
- The Diversion Program was set to expire on December 31, 2009 but by Order dated December 17, 2009, the Diversion Program was made permanent.
- The Commonwealth of Pennsylvania has a judicial foreclosure process.

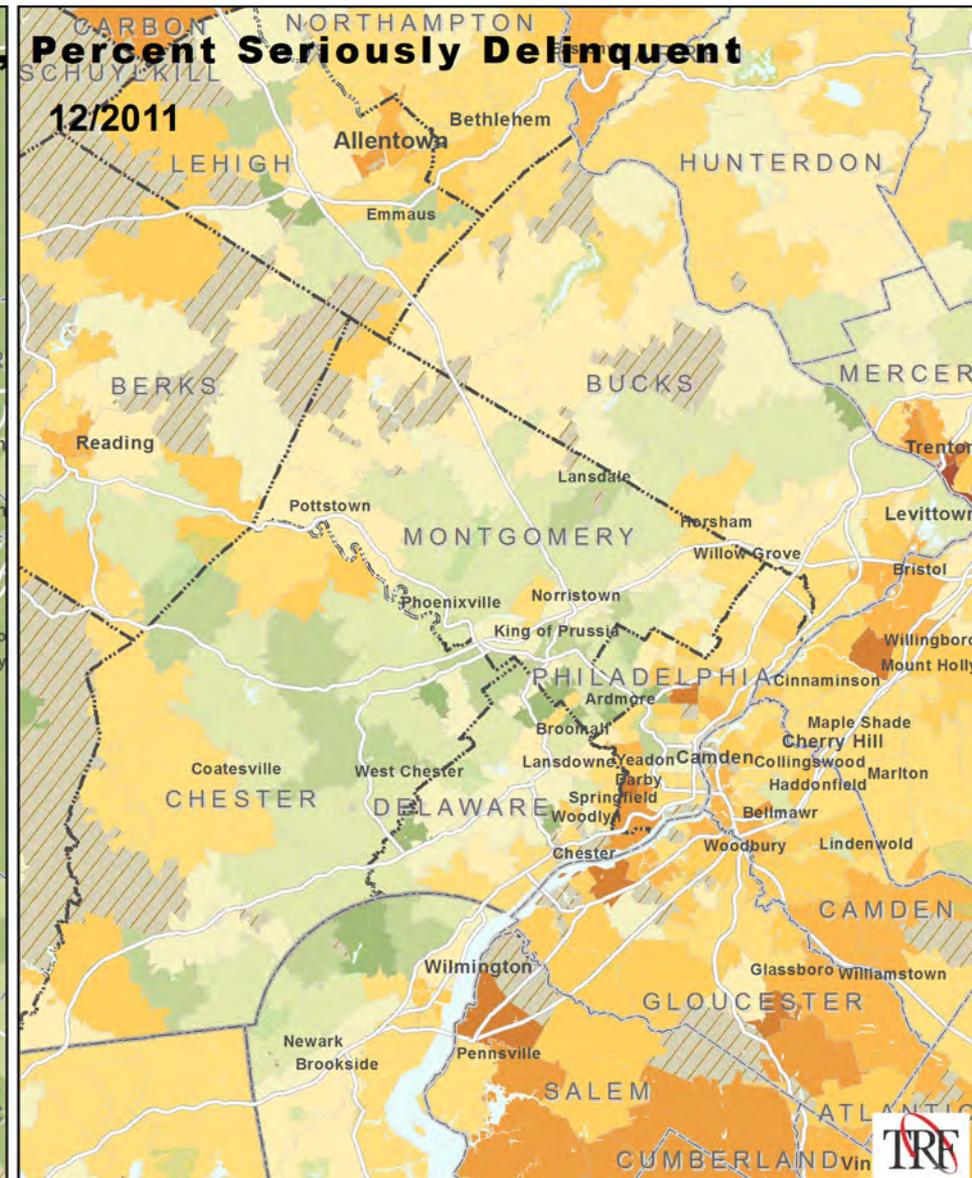
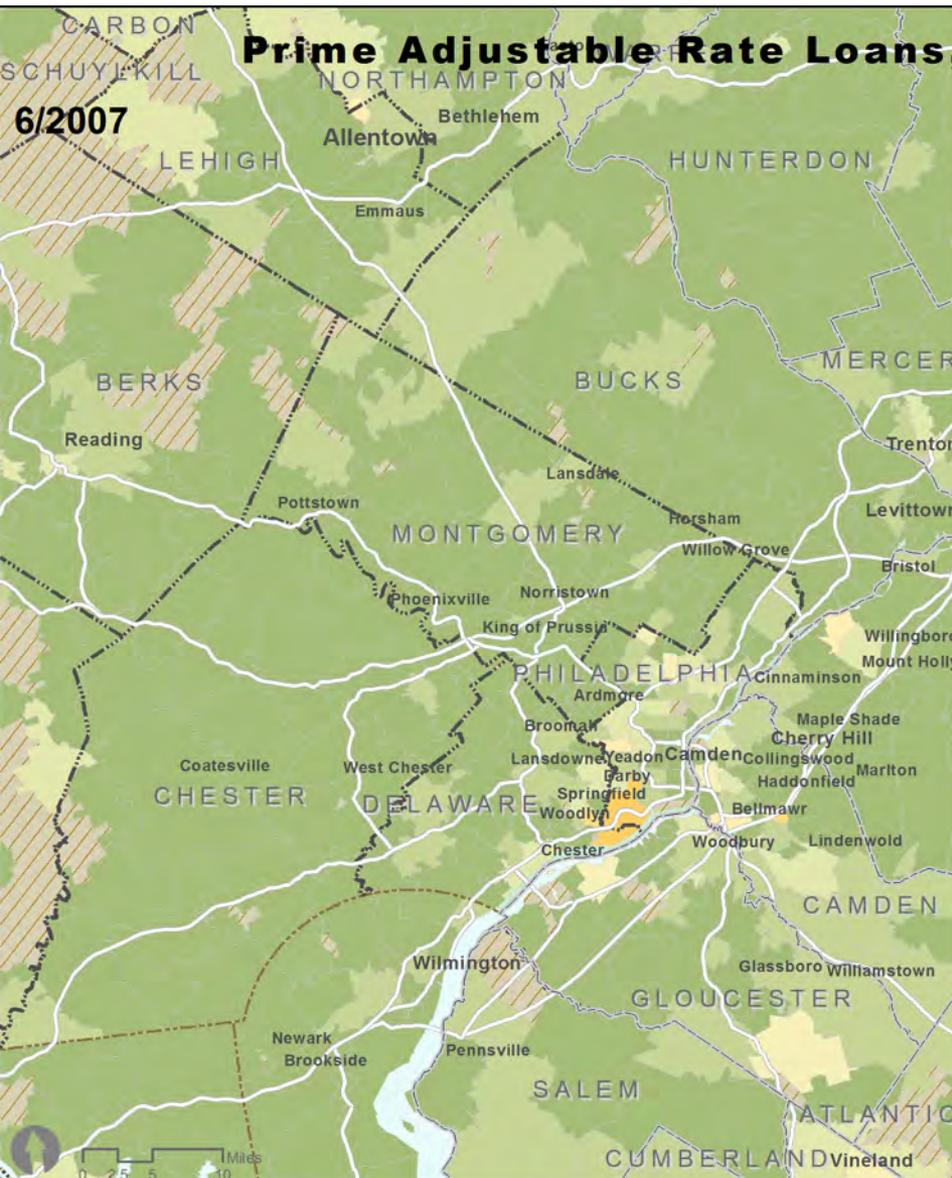
The Context – Mortgage Delinquency in Philadelphia

	2007	2008	2009	2010	2011
Philadelphia; Prime Fixed					
30-Days Late	4.3%	4.6%	4.5%	4.6%	4.9%
60-Days Late	1.2%	1.7%	1.8%	1.7%	1.7%
90-Days Late	0.5%	0.8%	0.9%	0.7%	0.7%
120-Days Late	1.0%	1.4%	2.3%	1.5%	2.0%
Seriously Delinquent	2.5%	3.4%	4.9%	4.5%	5.1%
Philadelphia; Prime ARM					
30-Days Late	3.6%	3.7%	4.2%	3.9%	4.1%
60-Days Late	1.2%	1.8%	2.0%	1.6%	1.7%
90-Days Late	0.4%	1.0%	1.1%	0.8%	0.8%
120-Days Late	0.9%	1.8%	3.5%	3.1%	4.1%
Seriously Delinquent	3.0%	6.0%	9.2%	9.3%	10.4%
Philadelphia; NonPrime Fixed					
30-Days Late	11.0%	11.6%	10.8%	10.9%	11.8%
60-Days Late	4.2%	5.6%	55.0%	5.8%	5.3%
90-Days Late	2.2%	2.6%	3.9%	3.2%	3.0%
120-Days Late	5.6%	7.1%	13.0%	12.2%	11.8%
Seriously Delinquent	11.6%	14.9%	25.1%	25.5%	26.5%
Philadelphia; NonPrime ARM					
30-Days Late	12.4%	11.4%	10.7%	9.5%	10.2%
60-Days Late	6.0%	7.1%	5.5%	5.2%	4.9%
90-Days Late	3.4%	4.5%	3.7%	2.7%	2.4%
120-Days Late	5.9%	9.9%	15.6%	16.2%	12.7%
Seriously Delinquent	16.5%	26.4%	35.3%	34.5%	34.6%

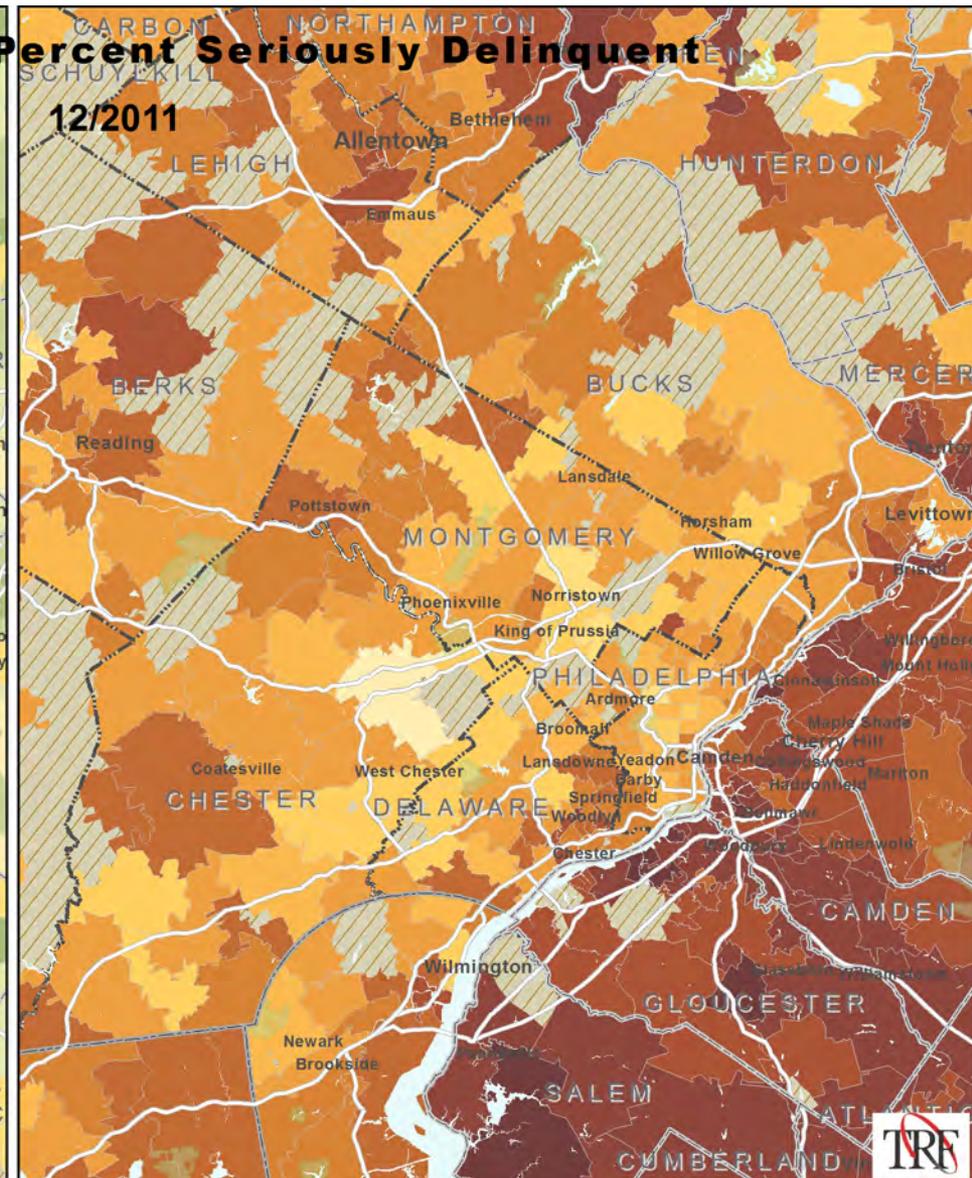
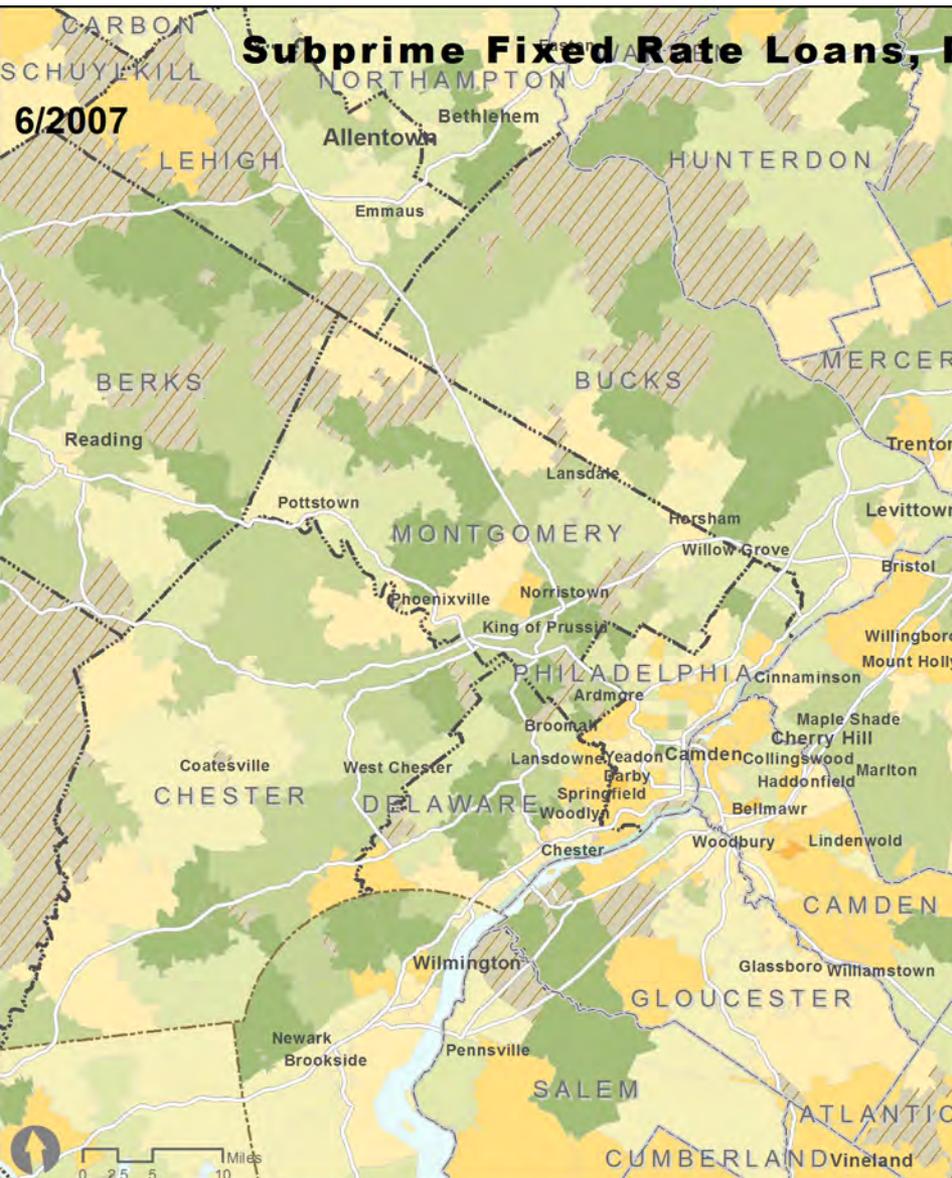
The Context – Mortgage Foreclosure in Philadelphia



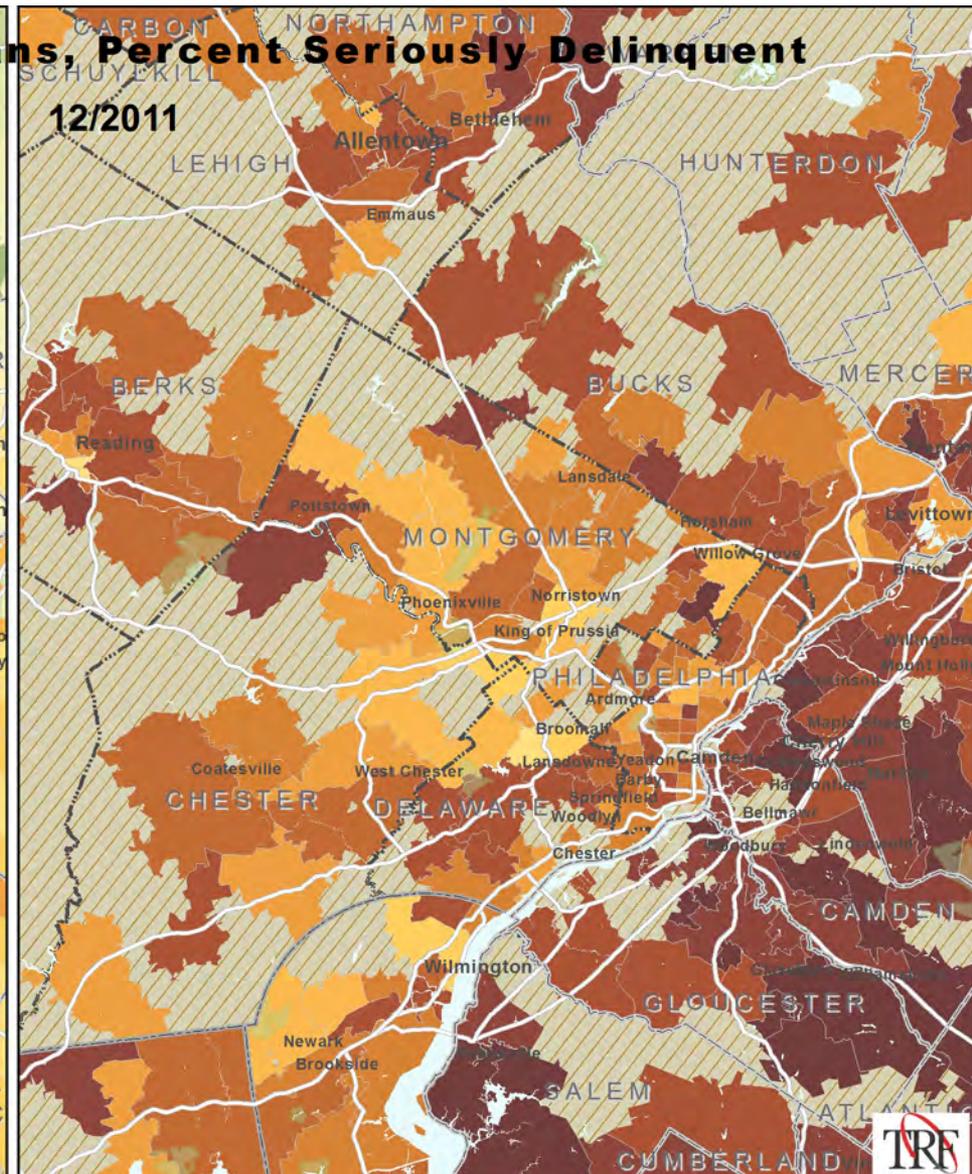
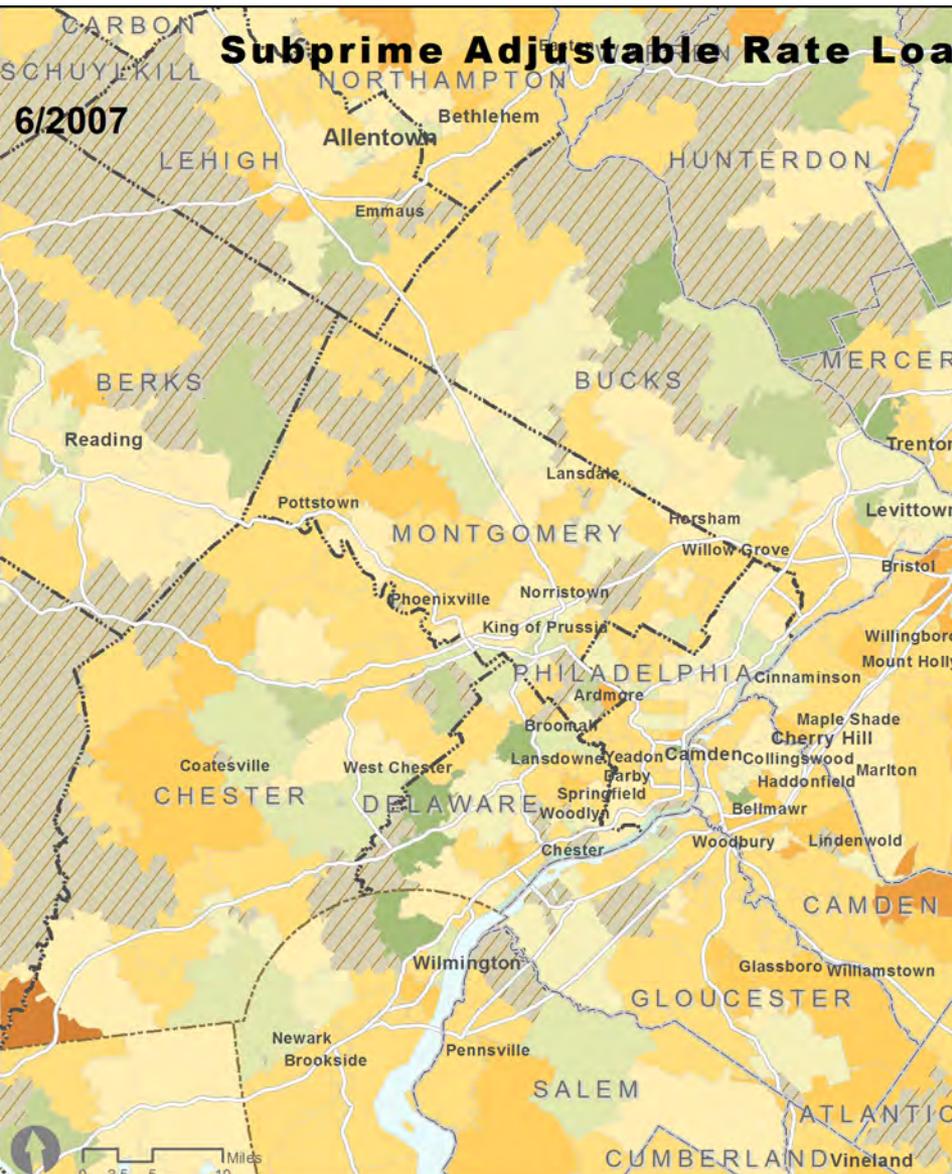
The Context – Mortgage Foreclosure in Philadelphia



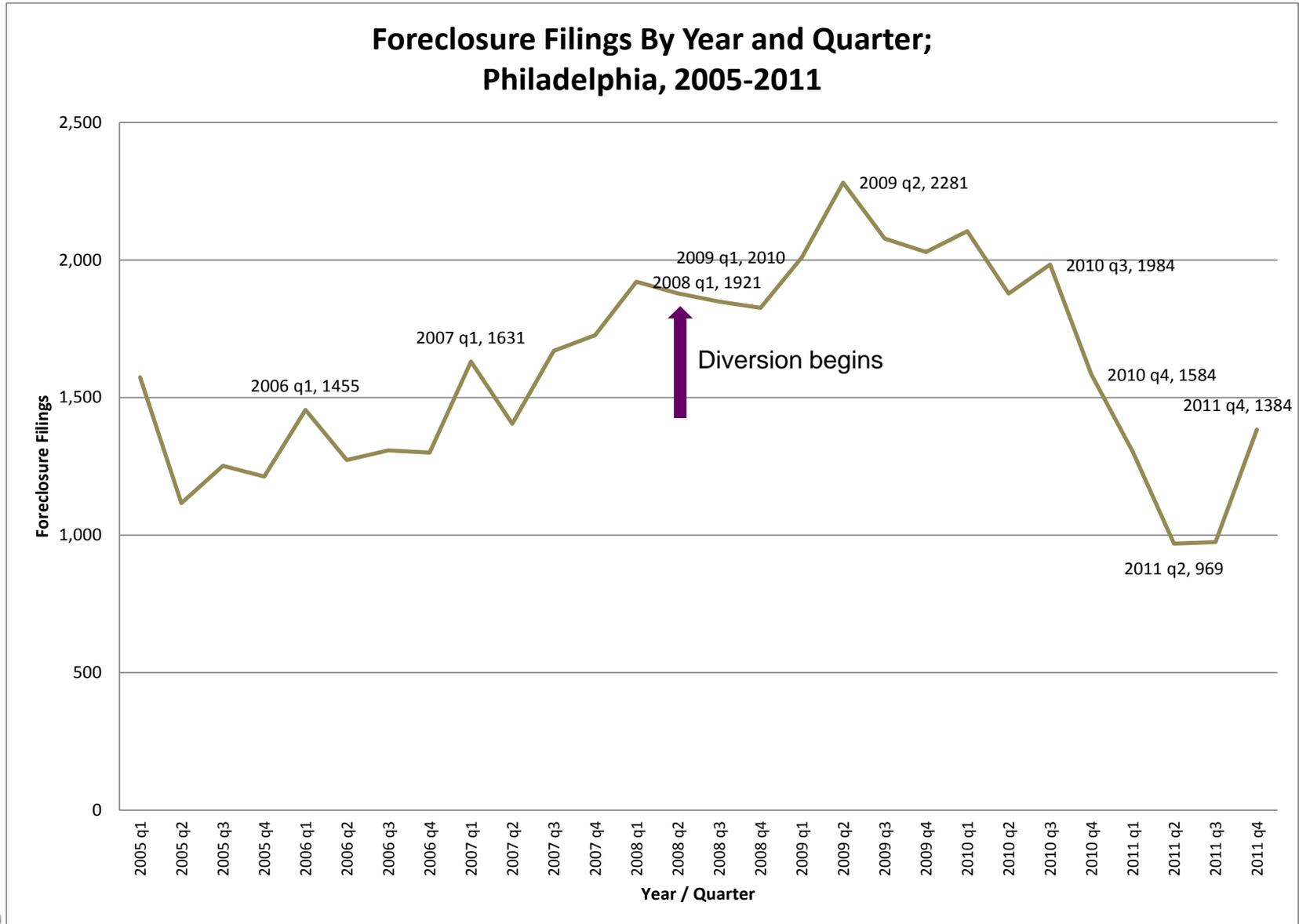
The Context – Mortgage Foreclosure in Philadelphia



The Context – Mortgage Foreclosure in Philadelphia



The Context – Mortgage Foreclosure in Philadelphia



How does Diversion work in Philadelphia? What is accomplished?



Capital at the point of impact.

General Features of Philadelphia's Program

- When the notice of foreclosure is sent to the homeowner, that homeowner is encouraged through a variety of means to call a hotline.
- The hotline exists within Philadelphia Legal Assistance - a local legal services organization.
- Paralegal hotline staff gather information and refer the homeowner to a housing counselor; in some rare instances a homeowner is referred for legal assistance.

General Features of Philadelphia's Program

- The housing counselor will work with the homeowner to prepare for the meeting with the lender/servicer.
- Court is in session every Thursday – a.m. and p.m. sessions.
- Most cases are managed between the lender/servicer (or their representative), the homeowner and her counselor.
- Judges pro Tem are available to step in where an impasse presents itself; so too is Judge Rizzo.

Basic Study Questions

1. What is the magnitude of the mortgage foreclosure problem in Philadelphia?
 - a. What part of that problem is being addressed by the Diversion Program?
2. Once a case is deemed eligible (i.e., residential owner-occupied properties) for this intervention, what results are achieved?
3. Does the Diversion Program facilitate the case processing efficiency of the Court?
4. Has the Diversion Program made a difference in how foreclosure cases progress from foreclosure filing to Sheriff Sale?
5. Assuming the result is a “saved home”, how sustainable is the resolution?
6. Has the Diversion Program improved overall access to the judicial process for Philadelphia homeowners facing foreclosure? Are the outcomes equal?

Q 1: Size of the Problem Confronting the Court

- Foreclosure filings: County Prothonotary
- Property Ownership: Recorder of Deeds / BRT / Private data provider

Year	Number of Foreclosures	Philadelphia Board of Revision of Taxes (BRT) Estimated Number of Residential Foreclosures	Percent Residential of all Foreclosures	BRT Estimated Number of Residential Owner Occupied Foreclosures	Percent Owner Occupied of Residential Foreclosures	Percent Eligible all Foreclosures
2005	5,126	4,532	88.41%	3,850	85.00%	75.10%
2006	5,322	4,697	88.26%	4,097	87.20%	77.00%
2007	6,448	4,772	74.01%	3,902	81.80%	60.50%
2008	7,782	6,812	87.54%	5,387	79.10%	69.20%
2009	8,522	6,765	79.38%	5,313	78.50%	62.30%
(9/30) 2010	6,082	5,394	88.69%	4,312	79.90%	70.90%
(est ann) 2010	8,089	7,174	88.69%	5,735	79.90%	70.90%

Q1: Size of the Problem Confronting the Court-Areas

Racial Composition of Area

Year	> 80 % Minority	> 80 % and < 60 % Minority	> 60 % and < 40 % Minority	> 40 % and < 20 % Minority	< 20 % Minority	NA Data
2005	56.20%	15.20%	9.30%	5.40%	13.90%	0.00%
2006	55.50%	14.00%	8.50%	6.00%	16.00%	0.00%
2007	49.50%	13.50%	9.70%	7.30%	20.10%	0.00%
2008	47.70%	12.80%	9.40%	8.40%	21.50%	0.10%
2009	44.30%	13.40%	10.30%	8.00%	23.60%	0.40%
2010	44.50%	13.80%	9.70%	8.10%	23.50%	0.40%

Price of Homes in Area

Year	Median Sale Price < 50k	Median Sale Price > 50k < 75k	Median Sale Price > 75k < 125k	Median Sale Price > 125k < 250k	Median Sale Price > 250k	NA Data
2005	30.60%	10.20%	24.40%	18.10%	1.90%	14.90%
2006	30.40%	10.80%	22.60%	20.10%	2.50%	13.60%
2007	26.10%	9.70%	24.90%	23.70%	3.00%	12.60%
2008	25.40%	9.70%	24.70%	25.00%	3.30%	11.90%
2009	22.30%	8.50%	25.50%	27.10%	3.40%	13.10%
2010	22.20%	9.20%	25.10%	27.90%	3.70%	11.90%

- Court Orders: Cases typically have more than one contact with the Court.
 - TRF analyzed nearly 28,000 Orders (contacts) on 15,900 cases (72.2% day forward)
 - To date, we've collected more than 30,000 Orders representing approximately 19,000 cases.

Q 2: Court Order Data

	Continued	Status	Service	Not Owner Occupied	Failure to Appear	Bankruptcy	Agreement	No Agreement Possible	Default Delayed	Default	Sheriff Sale Ordered
All Cases	7.1%	2.6%	8.8%	6.2%	30.5%	2.0%	20.7%	2.7%	9.6%	2.5%	11.9%
Day Forward	7.7%	2.7%	10.6%	7.3%	31.8%	1.4%	21.5%	3.0%	11.5%	2.9%	2.1%
Day Back	4.5%	2.1%	0.2%	1.1%	24.3%	5.2%	16.8%	1.3%	0.5%	0.3%	57.5%
Eligible and Processed	11.3%	4.1%	13.8%	NA	NA	3.2%	32.6%	4.1%	15.0%	3.8%	16.3%
Day Forward	12.6%	4.4%	17.3%	NA	NA	2.2%	35.2%	4.7%	18.8%	4.7%	3.5%
Day Back	6.0%	2.9%	0.2%	NA	NA	6.9%	22.5%	1.8%	0.7%	0.3%	65.7%
Closed/Inactive	6.6%	4.6%	12.8%	NA	NA	3.3%	34.6%	4.5%	15.8%	4.3%	17.5%
Day Forward	7.2%	5.1%	16.5%	NA	NA	2.2%	38.0%	5.2%	20.2%	5.4%	3.2%
Day Back	4.6%	3.0%	0.2%	NA	NA	7.1%	22.7%	1.8%	0.7%	0.3%	65.9%

Since the time of our initial report, the percent of FTAs is up slightly; the percent of cases reaching agreement is steady.

Formal appearances of counsel were observed in just under 5% of all cases; appearances were split evenly between private counsel and legal services. As of June 2011, Philadelphia VIP reports that they provided *full* and *limited representation* in approximately 1,300 cases.

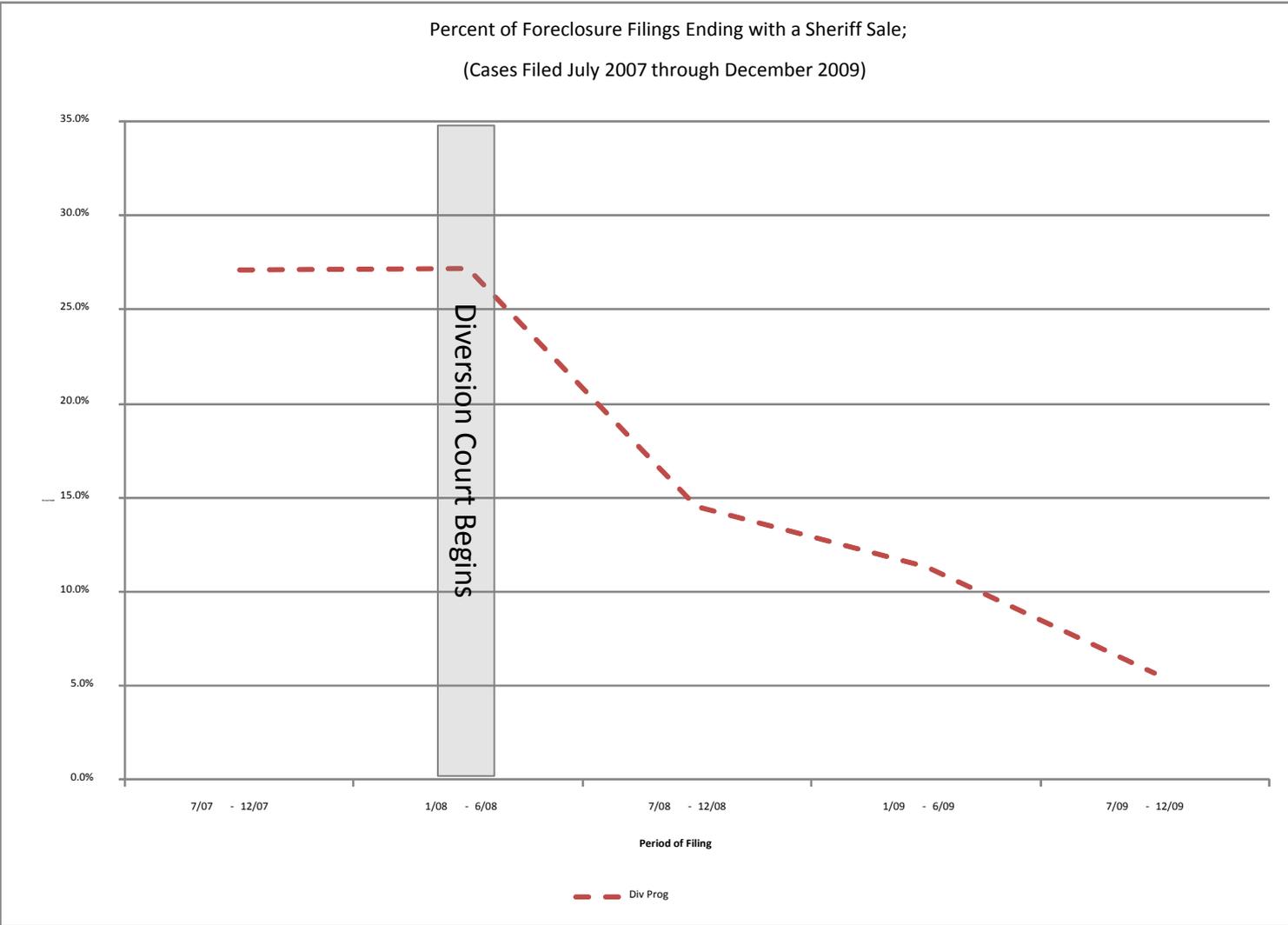
Q 3: Case Processing

		Number of Court Orders (Contacts) per Case										Orders per Case	
		1	2	3	4	5	6	7	8	9	10	Total Orders	Case
Day Forward	#	8,281	2,791	912	479	255	145	91	54	43	60	13,111	1.81
	%	63.16%	21.29%	6.96%	3.65%	1.94%	1.11%	0.69%	0.41%	0.33%	0.46%	100.00%	
Day Back	#	1,765	538	229	104	56	38	20	13	12	23	2,798	1.74
	%	63.08%	19.23%	8.18%	3.72%	2.00%	1.36%	0.71%	0.46%	0.43%	0.82%	100.00%	
Total Cases	#	10,046	3,329	1,141	583	311	183	111	67	55	83	15,909	1.75
	%	63.15%	20.93%	7.17%	3.66%	1.95%	1.15%	0.70%	0.42%	0.35%	0.52%	100.00%	

Since the time of our initial report, the number of Orders per case is up slightly – about 0.1 – 0.2 depending upon case type.

	Mean Days in Diversion Program		
	All Cases	Day Forward	Day Back
Open	46.94	46.01	51.17
Closed / Inactive	115.06	108.91	296.27
Total	53.74	53.28	56.00

Q 4: Case Progression



Q 5: Cases with Agreements – Post-Diversion

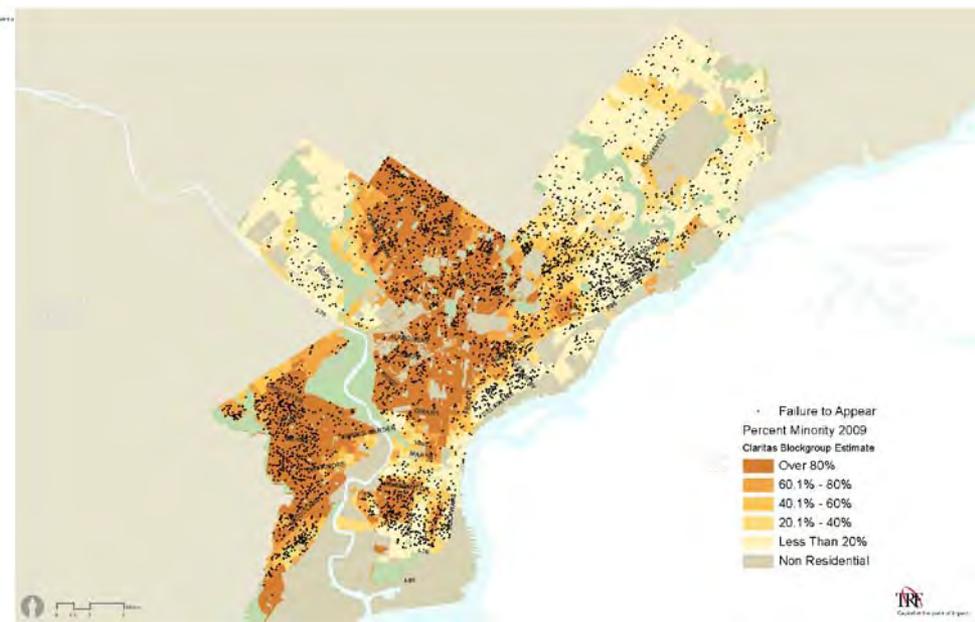
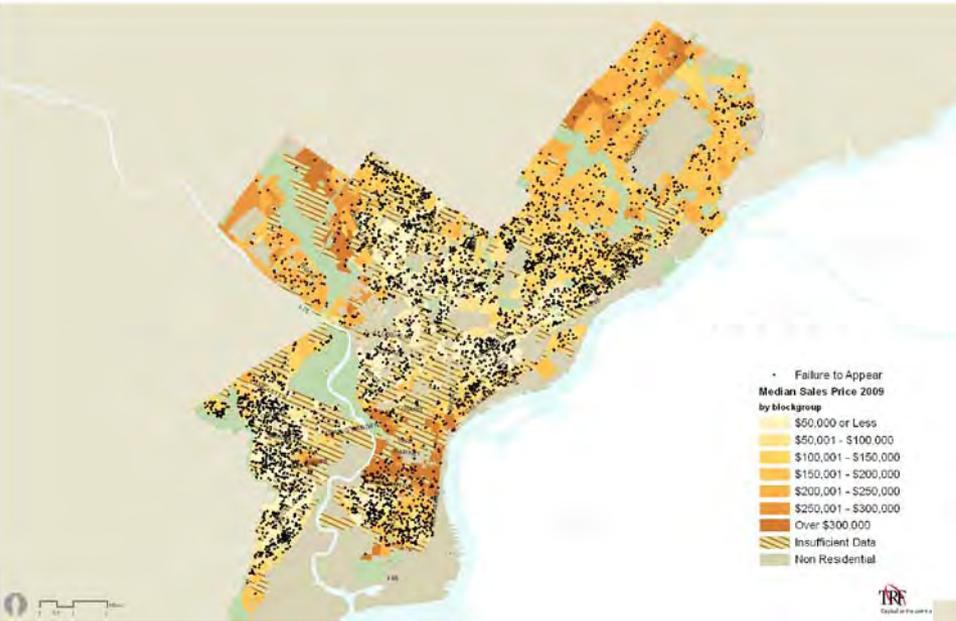
- Selected cases with Agreements from the beginning of Court through June 2009;
- Collected public record data on those cases to understand loan characteristics and circumstances;
- Collected Court filings for the post-agreement period.

Q 5: Cases with Agreements (Year 1)– Post-Diversion Status

- 84.6% of homeowners still in their home 21+ months post-Agreement;
 - since the time of our initial report, this percentage has declined by about 3 percentage points.
- **Using the same methodology and data sources, over 90% of homeowners who achieved Agreements in year 2, also now more than 18 months old, remain in their homes.**

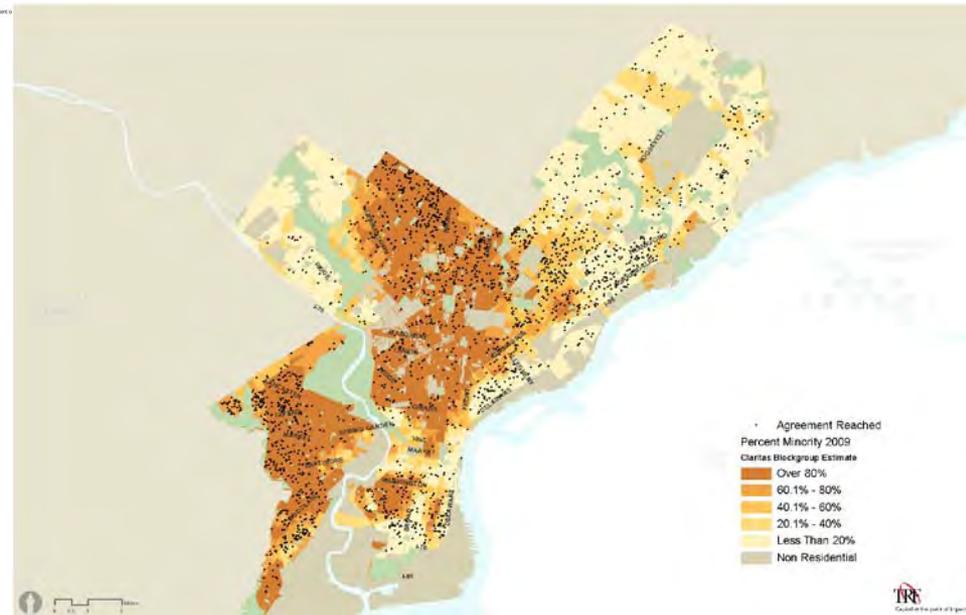
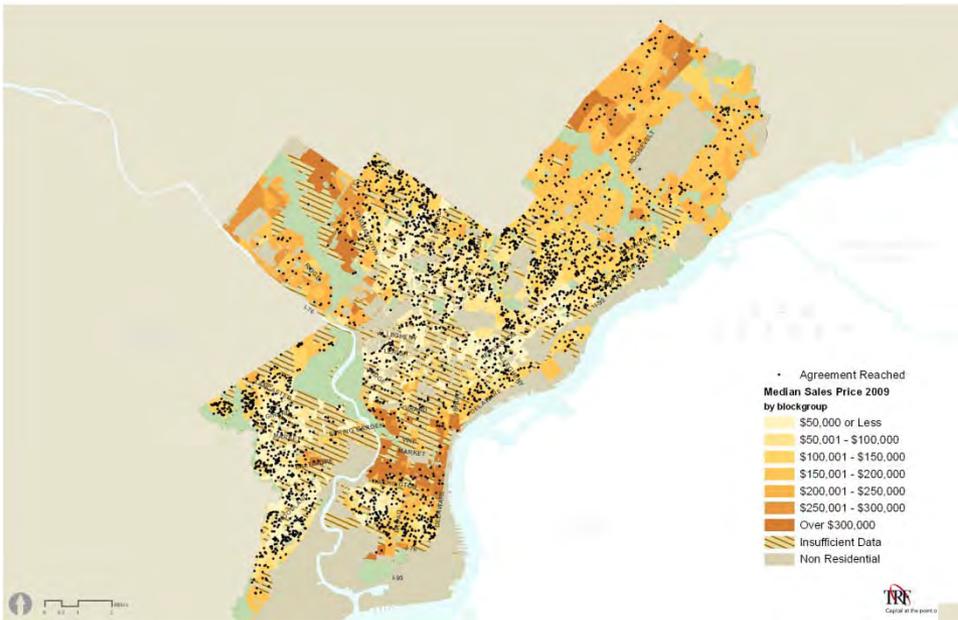
Q6: Is the Court Providing Equal Access to Justice?

Failure to Appear



Q6: Is the Court Providing Equal Access to Justice?

Agreement



Q6: Is the Court Providing Equal Access to Justice?

“...there is no spatial pattern associated with race, ethnicity or economics to suggest that one or another group of Philadelphia homeowners is either availing themselves of the process or obtaining an equally advantageous set of results. To the extent that any inequity exists, it appears that areas with higher percentages White not Hispanics are slightly less likely to access the program. However once the Diversion Program is accessed, there are no observable differences in the quality of the outcomes achieved.”

In January 2011, the Diversion Court changed the Order completed for each case; the new Order allows for a more complete (albeit still incomplete) understanding of any agreement reached.

For those cases “closing” between January 2011 and June 2011, we observed that:

- Traditional loan modifications outnumber HAMP modifications approximately 2:1 (together they represent 76% of cases closed with agreements); forbearance agreements represent an additional 6% of agreements where the payments were modified.
- HEMAP (ended in mid-2011) and EHLP (temporary federally funded program that is now ended) are the basis of approximately 11% of cases closed with agreements.
- Charge-offs, deeds in lieu and short sales represented just a handful of cases (2% of cases closed with agreements).

http://www.trfund.com/resource/downloads/policypubs/Foreclosure_Diversion_Initial_Report.pdf

<http://www.trfund.com/resource/downloads/policypubs/diversionstudymethods.pdf>

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Capital at the point of impact.