

CONGRESSIONAL OVERSIGHT PANEL

“COPING WITH THE FORECLOSURE CRISIS: STATE AND LOCAL EFFORTS TO
COMBAT FORECLOSURES IN PRINCE GEORGE’S COUNTY, MARYLAND”

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TESTIMONY

BY

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Good Morning, my name is Lisa Butler McDougal, I’m the Executive Director of Sowing Empowerment & Economic Development, Inc. also known as SEED and the Co-Chair of the Coalition for Homeownership Preservation here in Prince George’s County. In the Spring of 2007, the Coalition was formed by public and private sector leaders to address the high number of foreclosures occurring in this County. The goal of the Coalition is to strengthen homeowner assets and neighborhood stability in the Prince George’s County area by helping troubled borrowers and by increasing homeownership success. The Coalition’s mission is to preserve and strengthen homeownership by increasing education and other resources that foster good consumer borrowing choices while also working to eliminate foreclosures and abusive real estate practices in Prince George’s County.

One way the Coalition is working to educate homeowners is through the creation of an extensive workshop entitled, “Under the Shadow, Dealing with the Threat of Foreclosure.” The workshop rotates weekly throughout the counseling

agencies in the County and is offered in both English and Spanish. The goal is to inform clients who are unsure about their mortgage situation, unsure about the foreclosure process and to provide them with available options. Under the Shadow is also used by the Baltimore Homeownership Preservation Coalition.

The Coalition has also provided training for counselors on best practices, available resources, and we are in the process of gearing up for an aggressive public education campaign to combat foreclosure fraud and deceptive or predatory practices.

There are nearly ten (10) HUD approved housing counseling agencies who are members of the Coalition, and most of us are averaging five (5) to ten (10) calls per day from individuals and families whose dream of homeownership is turning into a nightmare. We immediately assess the borrowers circumstance, prepare necessary authorization paperwork for their lender and begin the counseling process of budgeting, determining the best course of action and providing a proposal to the lender that will lead to the borrower resuming normal payments.

Once a proposal is submitted to a servicer, it can sometimes take three (3) to five (5) months before a decision is reached and even then it is possible that the new loan terms are only good for (5) years with small reductions in payment amounts. We've seen cases where investors are not willing to agree to workouts and often provide clients with options they cannot afford, even after reviewing the

client's financial situation including their household budget. We've also heard of instances where a lender declined a modification request from a client working with a counselor but later sent unfavorable modification documents directly to the homeowner.

In another instance a lender was initially willing to accept a short sale, a buyer was found for the home but the lender rejected the sale because the contract amount was \$8,000 less than what they wanted. The home went into foreclosure and is now listed for \$114,000 less than the initial contract the lender rejected from the borrower.

Technology is also an obstacle. Many lenders are requiring that counselors fax documents of up to 40 pages, per client often times asking that we include the loan number on each page. On the rare occasion we are able to scan and email documents to a representative, time is saved. Also, many of the lender representatives are not properly trained nor are they sure what options may be available for our clients. At a recent foreclosure summit sponsored by Fannie Mae, Wells Fargo and JP Morgan Chase both admitted to being caught off guard with the magnitude of the crisis. Another lender informed one of our counselors that when we submit files, they are put on a table and are not touched again until someone calls on behalf of the client. If we are not aggressive in our follow up, they don't review the file and it will just sit there on the table.

Internal communication within the lenders is another problem. You can imagine our concern when the loss mitigation department is not talking to the representatives in the foreclosure department or the escrow group.

Prince George's County is unique as it was a specifically targeted market for sub prime lending. The high price of the homes in this County coupled with the loss and reduction of income have severely impacted the ability of homeowners to maintain high mortgages and the falling home values have made it nearly impossible for lenders to offer viable refinance options.

Governor Martin O'Malley and the Maryland Department of Housing and Community Development Secretary Raymond Skinner have been here from the very beginning, working to help us stay one step ahead. The programs created, resources immediately made available and the constant flow of information and support through Kelly Vaughn, Reginald Stanfield and Karen Ashby is unmatched. However, we hear the predictions daily of the new resets coming that will cause more delinquencies and we are very concerned for the counseling agencies on the front lines because our resources are running out. Most of the organizations are community nonprofits who with the exception of some grant funding, are compensated on the back end through the National Foreclosure Mitigation Counseling program for workouts which makes it very difficult for organizations

like SEED to hire and maintain the staff we need to continue serving the nearly 300 foreclosure cases we have.

There are still a lot of bad loans out there that need fixing. We know principal reductions are unpopular and we are not looking to reward the actions of borrowers who were not responsible. One of the first things we tell our clients is that not everyone who walks through our doors will remain a homeowner.

There are cases where banks are offering incentives to servicers to help troubled borrowers. We believe those same incentives should be offered to the community nonprofits who are working tirelessly to do our part to keep the economy afloat while providing hope and serving one borrower at a time.

Thank you.