

JIM ROKAKIS, CUYAHOGA COUNTY TREASURER

**DOMESTIC POLICY SUBCOMMITTEE OF THE
OVERSIGHT & GOVERNMENT REFORM COMMITTEE
CLEVELAND, OHIO
DECEMBER 7, 2009 – 10:00 AM**

MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE, THANK YOU FOR THE OPPORTUNITY TO ADDRESS YOU TODAY ABOUT THE IMPACTS OF THE FORECLOSURE CRISIS IN THIS COUNTY – CUYAHOGA COUNTY – WHERE I SERVE AS TREASURER. THIS IS THE FOURTH TIME I HAVE APPEARED BEFORE A CONGRESSIONAL COMMITTEE. I AM SAD TO SAY THAT THIS STATE AND THIS COUNTY HAVE NEVER BEEN IN WORSE SHAPE. NEVER. WORSE YET IS THAT THINGS WILL WORSEN, WE HAVE NOT BOTTOMED OUT. PEOPLE TALK ABOUT ENDLESS WARS. MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE, THIS IS AN ENDLESS WAR. WE HAVE BEEN IN THE MIDDLE OF THIS FORECLOSURE CRISIS SINCE THE LATE 90'S. WE ARE LOSING THE WAR. CONSIDER THESE FACTS:

- SERIOUS DELINQUENCIES – 90 DAYS AND BEYOND AND PENDING FORECLOSURES ARE AT AN ALL-TIME HIGH.**
- AS YOU CAN SEE FROM THE GRAPH, LOANS THAT ARE AT LEAST 90 DAYS IN ARREARS ARE FILLED WITH “ZOMBIE LOANS”, LOANS THAT AREN'T CURING AND WILL NEVER CURE. BANKS HAVE SIMPLY STOPPED FILING FORECLOSURES ON THESE PROPERTIES – THEY DON'T WANT THEM, BUT THEY REFUSE TO COMPROMISE ON THESE LOANS EITHER.**

- **THIS GROWING NUMBER OF 90 DAY PLUS DELINQUENCIES HIDES THE SAD TRUTH. SUPREME COURT STATISTICS SHOW THAT FORECLOSURES IN OHIO ARE UP 1.5% OVER LAST YEAR, BUT IF YOU INCLUDED THESE OTHER DELINQUENCIES IN THE FORECLOSURE FILINGS, IT WOULD PUSH OHIO'S FILINGS TO OVER 100,000. SEE GRAPH.**
- **THIS IS NO LONGER A CITY PROBLEM. MORE AND MORE THIS FORECLOSURE CRISIS IS A SUBURBAN PROBLEM, AS THIS GRAPH DEMONSTRATES.**
- **THE INCREASE IN UNEMPLOYMENT IN THIS REGION HAS LED TO A HISTORIC INCREASE IN FORECLOSURES AND DELINQUENCIES ON PRIME LOANS. THE HISTORIC CURE RATE ON DELINQUENT PRIME LOANS – LOANS THAT CATCH UP ON THEIR DELINQUENCIES – HAVE FALLEN FROM 45% IN 2000-2006 TO JUST 6.6% ACCORDING TO AN AUGUST STUDY BY FITCH RATING SERVICES.**
- **TO COMPLETE THE PERFECT STORM, WE ARE NOW IN A SITUATION WHERE DECLINING HOME VALUES HAVE TRAPPED THOUSANDS OF OUR COUNTY'S HOMEOWNERS IN UPSIDE DOWN MORTGAGES – WHERE THE VALUE OF THE HOME IS LESS THAN THE REMAINING BALANCE OF THE MORTGAGE. THESE PEOPLE ARE EFFECTIVELY “TIED TO THE LAND”, NOT VERY DIFFERENT THAN SERFS UNDER THE FEDERAL ECONOMIC SYSTEM. PEOPLE WHO HAVE TO SELL THEIR HOMES FOR A NEW JOB OR TRANSFER ARE SIMPLY OUT OF LUCK. THE SAME IS TRUE FOR PEOPLE WHO LOSE THEIR JOBS OR HAVE THEIR**

HOURS CUT BANK. THREE OF OHIO'S METROPOLITAN AREAS ARE RANKED IN THE TOP 50 FOR CITIES WITH MORTGAGES UNDER WATER. THE 'MAKING HOMES AFFORDABLE PROGRAM' ('HAMP') HAS FAILED HERE IN OHIO. YOU WILL HEAR THE DETAILS FROM OTHERS, BUT SUFFICE TO SAY THE PROGRAM HERE HAS FLOPPED WITH THE FOURTH WORSE LOAN MODIFICATION RATE IN THE COUNTRY HERE IN OHIO. WHY DO WE CONTINUE IN GOVERNMENT TO TOUT FAILED PROGRAMS LIKE 'HAMP'? WHY CAN'T WE ADMIT WE BLEW IT AND START OVER WITH A PROGRAM THAT ACTUALLY WORKS?

WHAT DOES ACTUALLY WORK, MR. CHAIRMAN IS FORECLOSURE COUNSELING -- NOT 800 NUMBERS, BUT SIT DOWN FACE TO FACE COUNSELING WHERE A TRAINED COUNSELOR HELPS TROUBLED HOMEOWNERS NAVIGATE MUDDLED FORECLOSURE WATERS.

WE KNOW THAT COUNSELING WORKS. FOR THREE YEARS WE HAVE HAD OUR LOCAL PREVENTION EFFORTS MONITORED BY THE CENTER FOR COMMUNITY PLANNING AND DEVELOPMENT AT CLEVELAND STATE UNIVERSITY AND WE HAVE HARD DATA TO BACK UP THAT ASSERTION. WHEN DELINQUENT HOMEOWNERS WORK WITH COUNSELING AGENCIES, LOOMING AND PENDING FORECLOSURES CAN BE AVERTED 53% OF THE TIME. THAT IS A REMARKABLE SUCCESS RATE, BUT THE NUMBER OF NEEDFUL HOMEOWNERS STILL FAR EXCEEDS THE CAPACITY OF OUR LOCAL NONPROFIT GROUPS TO SERVE THEM. COUNSELING IS A LONG, HARD SLOG. IT'S NOT EASY OR FAST BUT IT IS VERY EFFECTIVE AND RELATIVELY INEXPENSIVE, ESPECIALLY WHEN WEIGHED AGAINST THE STAGGERING

COSTS TO OUR COMMUNITIES WHEN A FORECLOSURE PROCEEDS TO JUDGMENT AND SALE. WE NEED TO MAKE THE INVESTMENT IN SOLUTIONS THAT EXPERIENCE DEMONSTRATES ACTUALLY WORKS AND STOP RELYING ON THE LENDING INDUSTRY TO SOLVE THE PROBLEM THAT THEY CREATED IN THE FIRST PLACE.