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*Human Services Subcommittee*  
*Housing & Urban Revitalization*

## Denise Driehaus State Representative

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### Senate Finance and Financial Institutions Committee House Bill 3 – Foreclosure Prevention Legislation Sponsor Testimony: Representative Driehaus

Good afternoon, Chairman Carey, Ranking Member Miller and members of the Senate Finance Committee. As a co-sponsor of House Bill 3, I would like to provide an overview of the housing crisis in the State of Ohio and outline actions that have been taken thus far to address this crisis. Representative Foley will speak to the details of the proposed legislation.

According to an analysis done by COHHIO, of the 1.478 million loans serviced in Ohio, 15.3 %, or over 226,000 are either in foreclosure or past due in their payments. At the end of September, one in every 6.5 Ohio homeowners with a mortgage was at least 30 days late in their payments or already in foreclosure. In an article published in The Cincinnati Enquirer in February, 2009, Chief Justice Thomas J. Moyer stated that data released by the Supreme Court of Ohio showed that “an unprecedented number of Ohioans continue to face the prospect of losing their homes and Ohio courts continue to struggle with record foreclosure filings.”

While these are startling numbers, this upward trend in foreclosures is not a new problem in the State of Ohio. In March of 2007, Governor Strickland established a task force to provide a unified and coordinated statewide response to the dramatic increase in foreclosures in Ohio. The Governor met with mortgage servicers to establish a Compact between them and the State and asked that they work with the State to prevent foreclosures. The Compact asked that the servicers make a good faith effort to increase outreach and education to borrowers around loan modifications and rate changes. In November of 2007, the Governor announced that the response to the Compact was inadequate and that nothing meaningful was offered. While some servicers were committed to the Compact, others were not.

2008 marked the thirteenth consecutive rise in foreclosures statewide, and many of our counties have seen rates rise by more than 50% since 2004. In 2009 the rate of foreclosures was on pace with 2008 and the rate of overdue loans grew. This means that while some homeowners have not yet been foreclosed upon, they are over 90 days delinquent in their payments and will likely go into foreclosure. So, while the rate of



foreclosure in 2009 may look similar to the rate in 2008, the reality is that there are more people facing foreclosure this year than last year.

These foreclosures not only involve the family living in the home, they also have a negative financial impact on the surrounding neighborhood as property values decline. According to a study conducted in Cuyahoga County, after one year in filing, the impact on neighboring property values is approximately \$2,400 per foreclosure. In suburbs, the results found that for foreclosures a year into the process, the impact was \$4,340 per foreclosure. According to a study sponsored by the Federal Reserve Bank of Cleveland, a home within 250 feet of a vacant or abandoned property will have a reduced value of 3.5%. If the property is between 250-500 feet, the property value will decrease by about 1%.

Our neighborhoods have fallen victim to a pattern of investment that does not reflect the needs of our time. Investors, lenders, servicers, and homeowners are connected by contracts and markets that diffuse the lines of communication and make loan modifications and loss avoidance cumbersome in most situations, if not impossible. Due to the complication of these efforts and the contractual obligation of servicers to cover the missed payments of the borrowers who they manage, foreclosure has become a “best practice” for servicers who cannot, or choose not to commit resources to foreclosure prevention.

An additional cost is borne by municipalities throughout the state. Cities bear the cost of trying to secure these properties (as often the true owner of the property is difficult to identify) through code enforcement, boarding, demolition and safety runs. In addition, the loss of tax revenue from these properties has a negative impact on the school districts. According to a study conducted by Community Research Partners/Rebuild Ohio – a coalition of local economic development agencies and banks, among others – “Site visits and conversations with city officials revealed similar perspectives across cities... that the blighting influence of vacant and abandoned properties negatively affects the quality of life in neighborhoods.”

It is time for the legislature to act. Federal dollars are available to stabilize the housing market and address the foreclosure crisis. We must call a time out on foreclosures so that every Ohioan who needs assistance to stay in their home has the opportunity to access that assistance. We have to make necessary changes to the way we approach foreclosure issues. This includes licensing servicers so that we can track trends and continue to encourage servicers to work with homeowners. We need to ramp up our efforts to make people aware of the resources that are available throughout the State to keep them in their homes.

It is important to note that there is substantial support for foreclosure prevention legislation from the Dayton Daily News, the Lorain Journal, the Akron Beacon Journal, the Cleveland Plain Dealer, the Lancaster Eagle Gazette and the Cincinnati Enquirer. In Southwest Ohio, the Hamilton County Commission and Cincinnati City Council have



both called for a six month moratorium. Additionally, the Lucas county Commissioners and the Montgomery County Commission have both called for a six month moratorium.

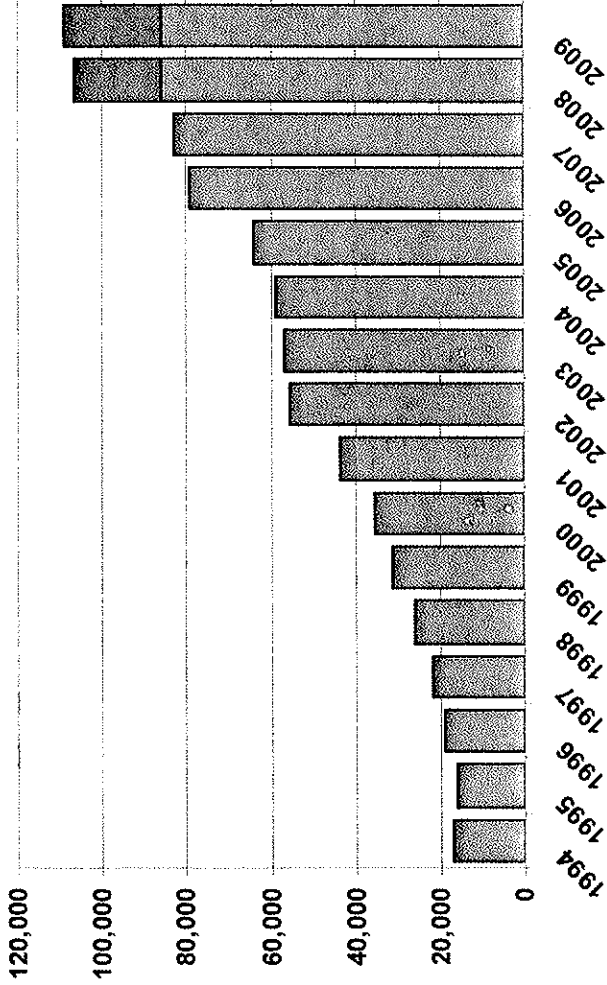
House Bill 3 has changed dramatically over the past few months as a result of extensive conversations with stakeholders on both sides of the issue and members on both sides of the aisle.

We cannot save every home owner from foreclosure, but it is incumbent upon us to make sure the process is fair and open, and that the end result is in the best interest of the citizens of Ohio.



# Ohio's "Real" Foreclosure Problem Accounting for the Missing 90 Day+ Delinquencies

2009 "missing" loans assumes foreclosure filings remain the same for Ohio as in 2008 and that the accumulation of 90 Day + loans remains constant through the 4th quarter as was true for the first 3 quarters of 2009.



■ "Missing" 90 Day+ Delinquent Loans  
■ Supreme Court Foreclosure Filings

Sources: Ohio Supreme Court, Mortgage Bankers Association, NDS, 90 Day+ Delinquencies

