



**Foreclosures in Ohio Cost US**  
**The Coalition on Foreclosure Reform**

**Foreclosure Prevention Counseling: Key to Curbing the Crisis in Ohio**

**FACT SHEET**

As we begin a new year and a new decade, the foreclosure crisis shows no signs of abating. As the Senate begins deliberation on foreclosure prevention legislation, increased funding for homeowner counseling is an essential element.

**3QTR Foreclosure numbers show crisis deepening:** Of the 1.478 million loans serviced in Ohio, 15.3 percent, or 226,140 were either in foreclosure or past due in their payments, according to the Mortgage Bankers Association. That's up from 13% from the first quarter and 14.3% from the second quarter. One in every 6.5 Ohio homeowners with a mortgage was at least 30 days late in their payments or already in foreclosure. Continued unemployment and "underwater" loans (nearly half of all mortgages in Ohio) are now fueling the foreclosure crisis where subprime and Alt-A loans left off. Through third quarter 2009, 66,453 foreclosure filings were reported by the Ohio Supreme Court. Through the same period in 2008, there were 65,452 foreclosures. Total foreclosure filings in 2009 will likely top the 85,773 filings for 2008.

**What do foreclosure prevention counselors do?** They help the homeowner navigate the complex world of mortgage servicing. Counselors provide homeowners with information, individual support and communication, and act as the bridge between the servicer and the borrower to help keep all parties working toward the best possible outcome.

**Why are counselors so important?** Counseling makes all other foreclosure prevention efforts more effective. Successful mediation programs depend on counselors to prepare homeowners for the unfamiliar negotiation process, making alternative dispute resolution systems work more effectively. Servicers agree that having a trusted counselor working with the overwhelmed and discouraged homeowner can cut through communication hurdles that continue to be the single biggest impediment to HAMP's success. Counselors educate homeowners concerning the real economic issues that determine whether or not they can keep their homes. They help people face the realities of their household budgets, sometimes encouraging their clients to give up their home as the best alternative.

**Counseling works at the national level** The impact of housing counseling is significant, as reported in the National Foreclosure Mitigation Counseling (NFMC) Program Congressional Update<sup>1</sup>. The study, based on 300,000 households who received counseling through NFMC found that:

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<sup>1</sup> National Foreclosure Mitigation Counseling Program Congressional Update, Activity through August 18, 2009.  
<http://www.nw.org/network/nfmcp/documents/FinalCompleteReport.pdf>

- Counseled homeowners were about 60 percent more likely to stop or avoid foreclosure than homeowners who did not receive counseling
- Counseled borrowers received more favorable loan modifications, reducing their monthly payments by \$454 more than other homeowners.
- Among those moderately delinquent homeowners who received counseling, 18% avoided foreclosure.

Currently, only \$1 is allotted to local NFMC counseling programs for every \$155 of HAMP funding to mortgage servicers. More disappointing, the NFMC program is being whittled from its original appropriations level of \$180M to \$63M in 2010.

**Counseling works at the state level:** Ohio Housing Finance Agency receives the largest NFMC grant in Ohio, which is distributed to 21 agencies who served a total of 10,514 unique households in 2009. More than 20 percent of these households have already resolved their situation by obtaining a loan modification, negotiating a payment plan or bringing their mortgage current. Less than one percent has gone through foreclosure. Services peaked in the third quarter of 2009 when counselors reported more than \$1 million in cases eligible for NFMC funding. Because NFMC grant funds have been reduced, OHFA has scaled back funding to its subgrantees beginning in 2010.

OHFA's largest sub-grantee, Empowering & Strengthening Ohio's People (ESOP), provides a street level view of how successful counseling results in a win-win situation for the lender/servicer, the homeowner and the community:

To date, ESOP has met with 6,687 homeowners. Of those who have gone through the ESOP counseling process, 2,472 have saved their home (an 83% success rate for all people that complete the counseling process where an outcome is reported). 2,577 households continue to wait for the lending industry to respond to ESOP's outreach on behalf of the homeowner.

**Need for counseling continues:** Ohio's Save the Dream program connects people having trouble making their mortgage payment with trained, professional housing counselors throughout the state. Their hotline took 28,600 calls in 2009. For clients who completed counseling during the first year of Save the Dream Ohio, 55 percent obtained a workout.

While there is no single panacea for this large scale economic crisis, data show that homeowner counseling through HUD-approved agencies actually works to keep homeowners in their homes and paying on their mortgages whether modified or not modified. Counseling engages troubled homeowners where they are, not where some arcane formula says they should be.

**Counseling works.** Increased funding for counseling is essential to curbing the foreclosure crisis.