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Homeowners receive little help from state program

BY JIM MOORE REPUBLICAN-AMERICAN

New state programs created this summer to offer a lifeline to homeowners facing foreclosure have, to date, barely made a dent.

Only 24 percent of the estimated number of eligible homeowners have applied for foreclosure mediation, and just 150 of those, or 3 percent of the 5,122 who applied, have achieved a result that allows them to keep their home.

The Connecticut Housing Finance Authority, which administers the \$64 million Emergency Mortgage Assistance Program established as of July 1, has awarded one loan to date.

The limited use of these programs may be in part the result of limited publicity, though Eugene S. Melchionne, a city bankruptcy attorney, points to another issue.

"The program doesn't have any teeth to it," said Melchionne, state chairman of the National Association of Consumer Bankruptcy Attorneys, of the mandatory mediation. The law only requires the lenders to talk, not to offer specific reductions in interest rates or debt forgiveness. "The banks aren't willing to give up enough to make a difference."

Melchionne said his 53 active bankruptcy clients represent a two-fold increase in his caseload in two years, and only one of those clients has sought mediation in an effort to save his home from foreclosure. While the mediation has yet to take place, a pre-mediation negotiation produced an offer that would add \$55,000 to his client's mortgage balance, and result in a roughly \$5 reduction in monthly payment, Melchionne said.

"The banks are saying, 'Stuff it,'" said Melchionne, who testified on the proposed legislation last year and was a member of a state committee created to study the issue.

That may change, said Vivian Becker, executive director of the nonprofit Neighborhood Housing Services of Waterbury, Inc., which provides affordable housing, home buyer education and foreclosure assistance programs. Amid a growing number of subprime mortgage loans readjusting to higher rates and pushing borrowers to the limit, and a growing number of foreclosures, the lenders have begun to come around, she said.

"The loan servicers have been increasingly willing to negotiate," Becker said.

Some get results

Roberta Palmer, who administers the state mediation program for the judicial branch, said 954 cases have been scheduled for mediation as of Oct. 1, and many may find different results than Melchionne's client because banks don't want to own all that foreclosed property.

Palmer said the key to the state mediation program is that the law requires a lender to have a decision maker available during mediation to consider an offer. At least some of the early cases have produced dramatic results. Palmer recalled learning of a husband and wife who sought mediation after falling behind on an adjustable-rate mortgage that had adjusted to a sharply higher interest rate. They sought a reduction to 6 percent interest, and had a lump sum of money available to pay back a portion of their

arrears.

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The lender also agreed to roll the arrearage balance into the loan.

"The homeowner threw his arms around his wife and started sobbing," Palmer said. Two mediators were involved in the case, and "they said it was the most gratifying thing they had ever seen."

Enfield attorney Keith Fuller, co-chairman of a Connecticut Bar Association foreclosure prevention subcommittee, said the mediation program has been among the most beneficial changes enacted by the state, "if for no other reason it provides an opportunity for unrepresented homeowners who are in a foreclosure to maybe understand their options."

"At least half, if not more of the foreclosures are proceeding against people that can't afford a lawyer," said Ann Parent, a Connecticut Fair Housing Center staff attorney. "It may be the first chance they get to actually speak directly to somebody."

The state's Emergency Mortgage Assistance Program, along with similar federal programs, lack appeal, Melchionne said, because they are too restrictive.

Spokeswoman Rose Holbrook said 41 loan applications have so far been deemed ineligible, and 83 applications are under review. To qualify, a homeowner must first attempt mediation without success. They must then prove they are able to repay the state-financed loan.

"We're not going to give someone a loan if they can't repay it," Holbrook said, adding the loan program was not designed to help people who got in over their head with no hope of getting out on their own. "It's geared toward a temporary hardship."



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Waterbury lawyer Eugene S. Melchionne color-codes his files, with red for bankruptcy cases. He said his bankruptcy case load has doubled since 2006-07, and state programs designed to provide relief to homeowners facing foreclosure have had little effect.

FORECLOSURE MEDIATION PROGRAM STATISTICS

5,122 total foreclosure cases filed statewide

