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Posted on Mon, May. 4, 2009

Phila. mortgage program keeps people in their homes

By Alan J. Heavens
 Inquirer Real Estate Writer

When her mortgage adjusted to 7.7 percent from 5.5, and the \$975 payment equaled about half her monthly disability pension, it looked as if Deserie Jones-Wright, a former Philadelphia police officer and a Navy veteran, would lose the house she had owned for 11 years.

But thanks to the city's nearly year-old foreclosure-diversion program, she and her lender, Everhome Mortgage Co., agreed recently to lower the rate on her VA mortgage to 5 percent, or \$572 a month.

"I just sent off the first new payment today," Jones-Wright, 47, said Thursday, with a sigh of relief.

Pointing to statistics that show more than 78 percent of those who participated in the Philadelphia program's June conferences with lenders were still in their homes at year's end, Washington-based ACORN (Association of Community Organizations for Reform Now) is urging that the idea be exported nationwide, to complement the Obama administration's efforts to stem the tide of foreclosures.

In a report released last week, ACORN said: "Philadelphia has pioneered an innovative and remarkably effective program."

"It is mandatory, uses very effective community outreach [Jones-Wright learned about it in a door-to-door canvass], is easy for homeowners to participate in and utilizes the expertise of housing counselors," the report said.

The city's program provides legal counseling to homeowners who have missed payments. Borrowers then proceed to a court session aimed at reaching agreements with their lenders.

Farah Jimenez, executive director of Mount Airy USA community-development corporation in Philadelphia, said: "Lenders and their counsels are employing a spirit of helpfulness and trying to arrive at loan modifications that maximize the potential to save someone's home while minimizing the negative impact to the banks and their shareholders."

The federal government's rescue program, Making Homes Affordable, targets up to nine million borrowers in trouble nationally, offering opportunities to refinance their mortgages or have the terms modified so payments are easier to make. The program is voluntary, offering servicers and investors, as well as homeowners, financial incentives to participate.

The Philadelphia strategy is "certainly worth a try," said Rick Sharga, chief economist of RealtyTrac Inc., of Irvine, Calif., which tracks foreclosures.

But, he added, "this formula is only going to work on a certain percentage of problem loans. A large number . . . are far too seriously upside down for a modification to work without a significant reduction in the principal balance, which servicers and investors have shown little appetite for."

Wright-Jones, who spent \$4,000 arranging better repayment terms with her lender and the VA, then fell behind again when her son came down with meningitis last summer, is glad her mortgage woes are over.

"You wouldn't believe the people who try to take advantage of you when you're in trouble," she said.



JOHN COSTELLO / Staff Photographer

Deserie Jones-Wright was able to keep her house thanks to the city's foreclosure-diversion program when she and her lender agreed to lower her mortgage rate. With her is son Jahbarle Francis, 11.

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OPINION



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Posted on Tue, Jun. 16, 2009

How to save more homes

IN THE LAST 12 MONTHS, more than 3,000 Philadelphia homeowners took steps to end a nightmare, by participating in an innovative program designed to slow down the foreclosure rate.

The Mortgage Foreclosure Diversion Program is a city-sponsored, court-designed program that brings lenders and homeowners to the table to work out a plan to save homes set for foreclosure. As a result, 1,400 city homes that had been due to be foreclosed were saved. Now, the program may expand throughout the state and around the country.

Last week, the National Conference of Mayors recognized Mayor Nutter for the city's role in making the program work; mayors from New York, Los Angeles, St. Louis, Miami and other cities are working to adopt the program in their cities. And later this month, the Pennsylvania House could vote on a bill, by Rep. Michael McGeehan, that would make the program statewide.

We hope the state and other cities that are about to adopt this appreciate just how remarkable this program is, for a number of reasons. For one thing, it has relied on the tenacity of Judge Annette Rizzo, who runs the program, in forcing a collaboration among the city, housing counseling agencies, legal services, and lenders. That's no small thing.

If similar programs are going to succeed, they'll need to adopt the key aspects of the city program, including:

... It's mandatory: When a notice of foreclosure is filed, the court notifies the homeowner and the lender, requiring their presence at a mitigation meeting. The federal Hope Now hot line proved that voluntary programs aren't as effective.

... It relies on pro-bono work: Lawyers who repre-

sent the homeowner at the mitigation meeting are volunteering their time. This is such a critical aspect of the program that we hope the state and the American Bar Association officially encourage their members to participate.

* Outreach is key. The city has put up \$2 million to get the word out to the homeowners at risk for foreclosure, and to operate a hot line (215-334-HOME). Given the devastating price to whole communities that foreclosures exact, that's a wise investment, but times are tough. That's why the federal government should allow neighborhood-stabilization money to fund foreclosure prevention. A successful consumer-based program like this needs all the support it can get.*



Deserie Jones-Wright was able to keep her house thanks to the city's foreclosure-diversion program when she and her lender agreed to lower her mortgage rate. With her is son Jahbarie Francis, 11. (John Costello / Staff Photographer)

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