Testimony of

Hiram Carmona

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Hon. Arlen Specter, United States Senate, Pennsylvania

Testimony for Hiram Carmona, Assistant Contract Administrator, City of Philadelphia, Office of Housing and Community Development

Good morning, Senator Specter. I am Hiram Carmona, Assistant Contract Administrator at the City's Office of Housing and Community Development. I also oversee the City's Housing Counseling Program. I am here today to submit testimony regarding the City of Philadelphia's role in the Residential Mortgage Foreclosure Diversion Program.

The Diversion Program offers owner occupied homeowners facing foreclosure the opportunity to meet with the lender and housing counselor at a Conciliation Conference under the auspices of the Philadelphia Court of Common Pleas, in an effort to help them save their home. Owner occupants are notified by the Court to contact the Save Your Home Philly Hotline (215-334-HOME) to access housing counseling. At the Conferences, loan workout and other viable alternatives to foreclosure are negotiated.

I would like to take this opportunity to emphasize the resources the City has devoted to this program.

Philadelphia has one of the largest and longest standing housing counseling programs in the nation. Over the past 30 years, Community Development Block Grant (CDBG) funds have been allocated to support community based housing counseling to low and moderate income residents of Philadelphia. This year the City supports 29 housing counseling agencies with $3.6 million dollars of CDBG funds. In addition, in order to meet the increasing numbers of homeowners facing foreclosure, an additional $700,000 in City funds was recently added, for a total support of $4.3 million dollars.

The City of Philadelphia also established the Save Your Home Philly Hotline, which is managed by Philadelphia Legal Assistance. $340,000 in CDBG funds is allocated to this program, and the City is searching for additional resources to fill a funding gap brought on by the increased caller demand on the Hotline. In fact, calls to the Hotline tripled since January - from 150 per month to 460 per month. Once the homeowner calls the Save Your Home Philly Hotline, they are given an appointment to meet with a housing counselor.

Furthermore, the City funds Community Legal Services with $350,000, to provide legal assistance to homeowners with predatory loans or in foreclosure.

Another important aspect of the City's contribution is its Door-to-door outreach, which has become an integral part of the Diversion program. The participation rate for homeowners that answered the door and had a direct encounter with an outreach team was 73 percent, compared to 48 percent for families that received no outreach. The door-to-door outreach is carried out primarily by the City's Neighborhood Advisory Committees (NACs), housing counseling agencies, and other City agencies. Although every owner occupant receives an official notice from the courts, families facing the crisis of foreclosure may become overwhelmed or discouraged, thus begin to disregard their mail, Court Notices included. When direct contact cannot be made, the outreach workers leave informational flyers. Since May of 2008, outreach teams have knocked on more than 1000 doors.

The Conciliation Conferences have already resulted in hundreds of success stories, such as:

?"Sam" was contacted through the door-to-door outreach program. His Adjustable Rate Mortgage was modified from a 22% interest rate to a fixed interest rate of 6%.

?"Mary" met with the lender in conciliation meetings and her loan payments went from from $1479 to $1124, by a reduction of the interest rate from 9.9% to 5.5%.

?"Mrs. Clark", an elderly woman, became behind on a home repair loan after an illness. Initially, the lender rejected repayment offers. However, at the Conciliation Conference, a forbearance agreement was reached.

In conclusion, while the City of Philadelphia supports Senator Specter's efforts to pass a bill authorizing federal judges to modify the terms of residential mortgages, we would also like to see the Diversion Program replicated elsewhere. To this effect, additional federal resources must be made available to every municipality that implements a program similar to ours, for there are significant costs associated with such an implementation. Unfortunately, the Housing and Economic Recovery Act of 2008 cannot be looked upon for this. Foreclosure prevention is not part of the Act, since it addresses vacant and already foreclosed properties only. An amendment to the Act to allow funding for implementation of Diversion

Programs and other foreclosure prevention activities throughout the country would be a great benefit to homeowners everywhere facing foreclosure.

I wish to thank Senator Specter and the Senate Judiciary Committee for granting me this opportunity to testify.