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**TESTIMONY OF STEFANIE FLEISCHER SELDIN
MANAGING ATTORNEY, PHILADELPHIA VIP
U.S. SENATE JUDICIARY COMMITTEE HEARING
PHILADELPHIA, PENNSYLVANIA
OCTOBER 24, 2008**

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Senator Specter and Members of the Judiciary Committee:

My name is Stefanie Fleischer Seldin, and I am Managing Attorney at Philadelphia VIP and a member of the Mortgage Foreclosure Steering Committee formed by the Honorable Annette Rizzo in 2004 to address long-term foreclosure issues.

VIP's mission is to promote equal access to justice for the poor. We work to secure pro bono civil legal services for more than 1,000 low-income individuals and families annually, and have done so since our inception in 1981.

The vast number of low-income homeowners facing foreclosure cannot afford to hire attorneys to represent them. Judge Rizzo knew that pro bono legal assistance would be critical to the success of the Mortgage Foreclosure Diversion Project, and she turned to VIP to provide those volunteers. We created the Philadelphia Foreclosure Rescue Effort (Philly FReE), to recruit, train and provide private lawyers to represent low-income homeowners attending the conciliation conferences.

During the conciliation conferences in June, July, August and September, VIP attorneys assisted 233 clients. VIP volunteers provided approximately \$325,000 in free legal services to homeowners in just four months.

VIP's clients are facing foreclosure because of unemployment due to injury or the economy. They have left jobs to provide for sick children or parents. They are senior citizens on fixed incomes trying to repair their disintegrating homes. Many are living solely on income from disability benefits. Too many face foreclosure because of predatory lenders or mortgage brokers who focused on their fees rather than their clients.

One hundred fifty private practitioners from mostly small and medium-sized law firms or solo practices are helping homeowners negotiate affordable work-outs to

avoid foreclosure through this Diversion project. I want to express my appreciation to the Philadelphia Bar Association and its Chancellor Michael Pratt for untiring efforts to promote and support this effort.

However, VIP needs help to continue to provide this service. Our volunteers are representing two, three or four clients and cannot take on any more. Even with 150 volunteer lawyers, we still need more attorneys to sign on, particularly from the large law firms. VIP enjoys extraordinary relationships with the large law firms of this city, which have told us they want to participate in the Mortgage Foreclosure Diversion project. But their hands are tied by conflicts of interests because they represent lenders, or they want to represent lenders. *The American Lawyer* magazine reported that pro bono efforts across the country are stymied because of the conflicts issue.

The New York Federal Reserve recently asked ten banks to provide conflict waivers to their outside counsel to allow them to participate in a New York City Bar Association mortgage foreclosure pro bono project. Five of them said yes and sent their firms waivers. The waivers are only for the New York City pro bono project.

We need all banks involved in residential mortgage lending, especially those receiving bailout money from the federal government, to not merely allow, but to encourage their outside counsel to participate in pro bono opportunities to negotiate affordable work-outs everywhere in the country. I am asking the Senate Judiciary Committee to help make this happen, and I am encouraging the Pennsylvania Bankers Association to endorse my proposal today.

The second way you can help grow this pioneering project is to invest resources. Resources should be provided to four different components of this project: to legal aid agencies, to outcomes analysis, to housing counseling, and to pro bono agencies.

First, we need money for the attorney experts who are providing valuable expertise and mentoring to VIP volunteers. Those experts are the legal services attorneys at Community Legal Services (CLS) and Philadelphia Legal Assistance (PLA). Most of the VIP volunteers knew nothing about mortgage foreclosure until they came to a training led by CLS's Beth Goodell. Until the Diversion Project was initiated, VIP handled mortgage foreclosures only occasionally, so we do not yet have the internal expertise to support our volunteers. Without any funding for their work with VIP, CLS and PLA nevertheless provide their time and talent to VIP attorneys to ensure a successful outcome for homeowners.

Second, I want to endorse more funding for housing counselors. The housing counselors and VIP volunteers work hand-in-hand to help our clients keep their homes. Specifically, money should be directed toward outreach to homeowners to increase their participation in the Conciliation Conferences and for intensive training for counselors on how to create affordable work-outs.

Third, VIP wants to measure the success of this program but, frankly, we do not have the staff or expertise to do it. I request funding for an evaluation of the Diversion project to be implemented by the Fels Institute of Government in collaboration with VIP and the Court of

Common Pleas. VIP reached out to John Kromer, an expert in neighborhood recovery from the Fels Institute of the University of Pennsylvania, to help us not only measure the impact of our work but also to summarize and promote this effort nationally. VIP wants to know the results of pro bono assistance: what were the terms of the work-out? Was a lower interest rate negotiated? Was the loan principal partially reduced? Did the lender waive late fees? With the answers to those questions and others, VIP can help homeowners achieve equivalent and more consistent results. VIP is actively searching for funding to support this evaluation.

Finally, VIP's management of this new, vital initiative is a significant investment of time and resources on an already tight budget and overworked staff. Before taking on this project, VIP already managed over 400 long-term housing cases with only three housing legal staff – two attorneys and a paralegal. With the 233 mortgage foreclosure clients, we have increased our capacity by over 50% with no additional staff. VIP's housing staff attend all Conciliation Conferences to provide technical assistance to volunteer attorneys, conduct intake with walk-in clients, assist in negotiations, and match on-call attorneys with walk-in clients. Back at the office, we coordinate trainings, schedule attorneys for conciliation conference duty, attend Mortgage Foreclosure Steering Committee meetings and answer attorney questions or direct them to our legal aid experts. Without additional funding, we are struggling to provide quality services to meet the demand.

The Bush administration is weighing a roughly \$40 billion proposal to help forestall foreclosures. Please consider using some of this money to support this Mortgage Foreclosure Diversion Project and to implement new projects across the country so other jurisdictions can benefit from Philadelphia's success.

I conclude by applauding President Judge Darnell Jones and Judge Annette Rizzo for their extraordinary vision and hard work on this exceptional collaboration, and by thanking my colleagues on the Mortgage Foreclosure Steering Committee, including the lender's bar representatives. Together, we are doing groundbreaking work to abate Philadelphia's foreclosure crisis. Thank you, Senator Specter, for inviting me to testify today.