

Budget cuts hitting foreclosure counselors despite continued need

January 8, 2010 - by Adrian Burns

The economy remains weak and foreclosures continue to plague Ohio, yet money from a federal foreclosure counseling program to help homeowners in trouble is dropping significantly.

Cuts made by Congress in early 2009 to the National Foreclosure Mitigation Counseling Program mean the Ohio Housing Finance Agency will have 70 percent less to distribute to agencies across the state that are on the front lines of the battle to save more homeowners from default.

The plunge in federal aid, which makes up a big chunk of funding for foreclosure counseling at many agencies in the state, will lead to job cuts for counselors and fewer homeowners in Ohio who can be helped. The Housing Finance Agency expects to allocate \$1.3 million during the round of funding expected to start in February, down from \$3.2 million distributed in Ohio in 2008 and \$4.4 million in 2009.

That's bad news for troubled borrowers who can find themselves nearly helpless without advice on how to avoid foreclosure once they fall behind on loan payments, housing counselors say. It also could be worrisome for Ohio's economy, which has been hurt by declining housing values exacerbated by the growing number of foreclosed homes sitting on the market.

"The problem, certainly in Cuyahoga County, and everywhere, has not diminished," said Andy Nikiforovs, executive director of Community Housing Solutions in Cleveland.

Nikiforovs' group, which budgeted about \$350,000 for foreclosure counseling in 2010, expects to see its funding from the Housing Finance Agency slashed from \$53,100 in the last round to \$24,780. It got \$94,800 in the first round of funding in 2008. The reduction is prompting it to cut its counseling staff from six to four with a half-time counselor.

"It's incredibly frustrating," he said.

Big problem, little funding

Foreclosures in Ohio haven't shown signs of abating. The state saw 66,453 foreclosure filings through the end of September 2009, up 1.5 percent from the same nine months a year earlier, according to the latest data available from the Ohio Supreme Court.

"Our counselors are full up," Nikiforovs said. "If we had five times as many, each would be full up."

Foreclosures have been a problem in Ohio for years, but as they mounted nationally Congress reacted by dedicating money to foreclosure mitigation, said state Attorney General Rich Cordray, a proponent of counseling.

"In 2008, we were agitating for housing counselor funds and there were some significant funds provided," he said.

That money came from the National Foreclosure Mitigation Counseling Program, for which Congress allocated \$180 million in late 2007 and again in

mid-2008. But the third allocation, which was made in March and has only begun to trickle down to counseling groups, was for \$50 million. Congress passed an additional appropriation of \$65 million in December, but Ohio's share has yet to be allocated to the Housing Finance Agency.

"They have to either cut back services or find other sources of funds," said Cindy Flaherty, director of homeownership at the Housing Finance Agency. The outlook for getting the required levels of funding is dim, Nikiforovs said.

"The hope was that this would be an ongoing amount that would continue to be replenished until the foreclosure issue was really significantly addressed," he said. "Unfortunately, it has really been the opposite."

It would take \$300 million a year for five years to generate the needed level of counseling nationally, Nikiforovs said.

An important tool

The program has been effective, according to a November 2009 report by NeighborWorks America, a group administering the program nationally. The report found those who received counseling were 60 percent more likely to avoid foreclosure than those who didn't get counseling.

Indeed, even for the financially savvy, getting a loan modified or forestalling a foreclosure can be a drawn out, complicated effort that requires the help of an experienced counselor, Cordray said.

"Counselors have seen hundreds, if not thousands of cases, and they understand the patterns and know what to do," said Cordray, who said he would not hesitate to seek out a counselor if he faced foreclosure. "If we leave tens of thousands of households in ignorance, we know the kind of reactions it creates – embarrassment, shame, avoidance, failure to respond, despair and defeat. And that does not help us."

It's not clear why Congress didn't appropriate more to the program, said Doug Robinson, a spokesman for NeighborWorks.

"NeighborWorks America certainly does not believe the need for foreclosure intervention counseling has decreased," he said. "Why there is less money than previously appropriated? You'll have to check with Congress for that."

A spokesman for the House Appropriations Committee agreed to look into why the funding level was reduced, but could not come up with an answer prior to deadline.

For those facing cuts, the only alternative may be to seek money elsewhere. The Mid-Ohio Regional Planning Commission, which has three counselors, is expected to receive \$31,860 in the next round, a 40 percent drop from the last round and 74 percent below its first grant of \$120,540.

"Most of my job is looking for sources of funding," said Kathy Werkmeister, who oversees foreclosure counseling at MORPC. "The National Foreclosure Mitigation Counseling funding, for the last couple of years, has been a main source of funding for foreclosure counseling."

With less cash expected to come in from that program, MORPC jumped to apply for one of five \$400,000 grants offered through a Department of the Treasury financial education pilot program. A Treasury spokesman said the department received 235 applications for the grants.