DevNW

DEVELOPING THRIVING COMMUNITIES

May 6, 2021

Senate Committee on Housing and Development
900 Court Street NE
Salem, Oregon 97301

Re: In support of HB2009-A12 – foreclosure moratorium and mediation exemption changes

Chair Jama, Vice Chair Linthicum, and Members of the Committee:

DevNW is an affordable housing development and asset building agency serving Lane, Linn, Benton, Lincoln, Marion and Clackamas counties. Since 2009, we have also been one of the largest providers of foreclosure prevention counseling in Oregon; we now provide telephone and video counseling across the state, in regions where a local provider isn't available.

DevNW saw firsthand the worst of the last housing crisis and the failures of our mortgage servicing industry to give struggling homeowners a fair shot at a workout option. We see the potential for the same wave to come again, but this time, we have the ability to put the right protections in place before tens of thousands of homeowners end up in foreclosure.

Scale of the Problem: According to the US Census Pulse Survey (which tracks the impact of COVID on households), in the first quarter of 2021 between 80-90,000 Oregon homeowners were behind on their mortgage payments. When asked about their ability to make next month's payment, we can see even more households on the brink of default:

- 25,000 expected their payment would be deferred
- 30-40,000 had 'no confidence' they would be able to make their payment
- 55,000-65,000 had only 'slight confidence' they would be able to make their payment.

HB2009 offers three crucial protections to homeowners, each with a specific goal:

1. A **foreclosure moratorium** in place until June 30 (with two opportunities to extend to 12/31) for homeowners and small landlords. This provision keeps people safely housed during a pandemic, and offers <u>time for people to re-employ and for federal mortgage and rent assistance dollars to be distributed.</u>
    a. Oregon will receive $90M in mortgage relief assistance, but we need time for funds to get to Oregon and to homeowners.
2. A **forbearance option** for homeowners who have lost income due to COVID (and small landlords who have lost rent due to COVID) with a plan in place for those arrears to roll to the end of the mortgage (unless the homeowner and servicer agree to another plan).

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This provision offers homeowners who have lost income a temporary reprieve, creates a reasonable exit plan from the forbearance (very few homeowners can pay the arrears in a lump sum or make double mortgage payments), and keeps the lenders whole during the life of the mortgage.

3. Updating the **foreclosure mediation exemption threshold** to reflect the impact of COVID and the 2020 moratorium. The exemption was intended to cover credit unions and local banks, and was pegged to those servicers who filed fewer than 175 foreclosures in the previous year. Because the moratorium was in place for 2020, every servicer – even the largest and worst – could file an exemption in 2021, leaving homeowners without access to mediation. The update lowers the threshold to 30 filings (based on actual data we didn't have when passing the original law), and for 2021 and 2022, it would look back to filings in 2019. This ensures that homeowners continue to have access to the benefits of mediation as we come out of moratorium and forbearance periods.
    a. The original 175 threshold was set at the peak of the last crisis, and without data about how many foreclosures were filed by credit unions and local banks. We now have exact data, based on 2019 filings. With the change to 30, only 14 servicers would lose their exemption, including the likes of US Bank, Citi Mortgage, and Shellpoint Loan Servicing. The original intended beneficiaries – including credit unions and local banks – all remain exempt.

The first two protections are crucial for the roughly 30% of Oregon homeowners and small landlords without federally-backed mortgages, who are not covered by similar federal provisions. The third protection is crucial for all Oregon homeowners – even those with federally backed loans – who still need help beyond the end of a forbearance period.

The **–A12** amendments offer several technical fixes at the request of stakeholders, but do not substantively change the consumer protections offered in the base bill. The workgroup that developed HB2009 included representation from banks and credit unions as well as consumer advocates, and the group had robust conversation to find middle ground on a complex issue. While not perfect for either side, HB2009 reflects this collaborative thinking.

Thank you for your consideration of HB2009.

Sincerely,

Emily Reiman, CEO