



Oregon

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Senate Committee on General Government, Consumer and Small Business Protection SB 558 – Foreclosure Mediation

Mr. Chair and Members of the Committee,

For the record my name is Steve Schlag and I am the Loan Program Manager at the Oregon Department of Veterans' Affairs. I'm here today to share how our agency addresses foreclosure issues and confirm that SB 558 would exempt ODVA from foreclosure mediation in that we do less than 100 foreclosures a year. As with all bills this session, the agency is neutral on this bill.

When the original foreclosure mediation legislation as passed last session, ODVA actually believed we were exempt based on the wording of the bill. However, we learned that through a sentence containing a double-negative, we actually were included. We were a little surprised given our statutory requirement to avoid foreclosing on veterans as outlined in ORS 407.095. This statute specifically states we must do everything we can to keep a veteran in their home. Additional citations are also found in Administrative Rules to further solidify this foreclosure avoidance position.

Our program is unique in that not only is it a loan product, but it is a veteran benefit that is earned through the veteran's honorable service. As a benefit, we do everything we can to ensure the financial success and security of our veteran borrowers. We do this in a number of ways when a veteran experiences financial distress. We can temporarily reduce the amount of the monthly mortgage payment, re-amortize or modify the original payment schedule over time; we can take missed payments and place them at the end of the loan. Additionally, we can make other financial arrangements that fit the individual circumstances of the veteran borrower. These advantageous flexibilities are permissible as we do not sell the servicing of our loans.

By the time a veteran ends up in foreclosure in our program, the veteran has been offered a variety of ways to remain in their home. We are finding that there are two or three primary reasons we are foreclosing at this time: Strategic Foreclosure where the borrower simply is walking away from the property because there is so much negative equity; and divorce where the party who is awarded the home no longer wants or is able to pay for that home and job loss where unemployment has been experienced for a long period of time. In these cases, the plans we offer usually are not feasible or accepted.

We appreciate that SB 558 exempts those entities that do a small number of foreclosures. In 2012 we experienced 13 foreclosures with a 3 year average of less than 15 foreclosures per year as such we would be exempt under the current language of this bill. Our interest in being exempt from mediation is not because we dislike mediation, but because we already do that and more for our veterans under ORS 407.095. We believe that veterans and their families should be given every opportunity to remain in their homes; we remember what they've sacrificed for their country. The

statutes that regulate our program sufficiently allow us to work with our veterans without a mediation process.

Thank you for allowing me to testify today and I'd be happy to answer any questions.