



Senate Committee on Veterans and Emergency Preparedness

Senate Bill 252 A-Engrossed | April 23, 2015

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The Oregon Department of Veterans' Affairs (ODVA) has originated and serviced its own home loans for veterans for almost 70 years. The ODVA home loan program provides Oregon veterans with below market-rate home loans.

The Foreclosure Avoidance Mediation Program (ORS 86.726) was established in 2013 and requires lenders to meet with residential loan borrowers and a mediator prior to the foreclosure process. The law exempts mortgage lenders who commence fewer than 175 foreclosures in a calendar year.

During the six-year period from 2008-2013 ODVA foreclosed on 48 loans and took a deed in lieu of foreclosure on 13 loans, well below the threshold of 175 foreclosures in one year, which would make ODVA eligible for the exemption. However, in May 2014, the Department of Justice concluded that the State and all its agencies are one "lender" for the purposes ORS 86.726. Therefore, ODVA is currently unable to qualify for the exemption.

The goal of the Foreclosure Avoidance Mediation Program is to avoid foreclosure by requiring a lender to have a meeting with a homeowner and a mediator. ODVA is statutorily required to meet or exceed the policy purposes of the mediation program.

ORS 407.095 states: "It is the policy of the State of Oregon to make every reasonable attempt to keep a veteran in the home purchased under the loan program when the veteran is unable to make required loan payments."

ODVA is a unique lender and already has the tools need to work with veterans to avoid foreclosure because ODVA is a loan originator and services all its loans. These factors, and the policy requiring ODVA to work with veterans to stay in their homes, positions ODVA to provide creative and flexible solutions for veterans. Compliance with the mediation foreclosure program is a time-consuming and unnecessary expense to ODVA that has statutory policies and procedures in place that provide far greater protections to veterans.

Senate Bill 252 exempts ODVA from the provisions of ORS 86.726 that requires ODVA to enter into mediation and negotiate a foreclosure avoidance agreement with a veteran borrower. This exemption would allow ODVA to meet its existing statutory requirement to work with the veteran to keep the veteran in the home they purchased, and not be unnecessarily burdened with a lesser, but duplicative requirement.