



DESARROLLANDO COMUNIDADES PRÓSPERAS

June 5, 2020

Senate Interim Committee on Housing and Development  
Oregon Legislature  
900 Court St NE  
Salem, OR 97301

Chair Fagan and Members of the Committee,

Thank you for allowing me to submit testimony about the landscape of residential foreclosures in the face of COVID-19. DevNW is a regional affordable housing provider and community development corporation serving much of Western Oregon and the Mid-Coast. We are also the largest provider of foreclosure prevention counseling in the state.

As you will recall, during the last foreclosure crisis, we saw tens of thousands of Oregon families lose their homes to foreclosure. But the impacts didn't end there. We saw many more families financially devastated by defaults, even if they were able to keep their homes. We saw displaced homeowners forced into an already over-burdened rental market. The construction industry was incredibly hard hit, and has yet to fully recover. Housing prices, especially in rural communities, took a decade to recover.

The good news is that we're not seeing this level of crisis yet, and we still have time to take key prevention steps. The bad news is that without an appropriately-scaled response, we could easily see a crisis that is equal to or worse than the last.

Partly, it's too soon to see the real impact of COVID on homeowners, but we're starting to see the first troubling signs. More than 1.6 million homeowners nationally fell behind in the month of April alone (by comparison, it took the first 18 months of the last crisis to reach that number). Some of the homeowners are on official forbearance plans, but not nearly all of them. We'll need to keep a close eye on these numbers over the next few months.

Partly, the foreclosure moratorium and forbearance plans (6 months, with an option to extend an additional 6) included in the CARES Act and available on federally-backed mortgages (roughly 70% of mortgages nationally) is providing real help to homeowners. We're also seeing some servicers of non-federally backed mortgage follow the CARES Act precedent and offer similar assistance to their borrowers. But several risks remain:

- Only federally-backed loans are fully protected; fully 30% of borrowers are dependent on the individual, voluntary choice of their lender.

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- Significant uncertainty remains about what options homeowners will be offered at the end of the forbearance period. The traditional options of either 1) a lump-sum payment of 6-12 months of arrears or 2) a short-term repayment plan on top of regular mortgage payments will not be viable for the vast majority of homeowners, and would trigger wide scale defaults and foreclosures.
- The CARES Act foreclosure moratorium expired May 17. The federal agencies have voluntarily extended through June 30, but that is less than a month away.

**If these federal foreclosure protections expire before we see significant economic recovery, or if servicers end their voluntary compliance, we will be taking a giant step closer to a very real foreclosure crisis.**

The same risk exists if additional federal stimulus payments are not forthcoming, and/or if the federal boast to Unemployment Insurance payments expire in August as planned, without a corresponding reduction in unemployment levels. These financial benefits have helped many homeowners remain current in April and May, but **if the financial assistance expires before the need ends**, we will take another step closer to a foreclosure crisis.

We're already seeing a significant spike in calls from homeowners, who are confused about the moratorium, the forbearance options, whether they have a federally-backed loan, what the impact will be on their credit, etc. We are also hearing that **homeowners are getting mixed messages (and sometimes simply misinformation) from their services**. It's worth noting that the vast majority of Oregon mortgages are not help by local banks and credit unions; they are held by the Big 5 banks and non-bank servicers that were the worst offenders during the last foreclosure crisis. **Homeowners can't seek help from their local banker; they are at the mercy of national call centers for accurate information and timely assistance.**

As we monitor the situation over the next few months, there are immediate actions that the legislature can take to help mitigate the risks that would see us slide into another foreclosure crisis:

1. **Fund Foreclosure Prevention Counseling.** OHCS is about to make available \$500k in funds from the current biennium, but this will not be enough if we see a full scale crisis. Additionally, foreclosure prevention counseling has never been part of the "current service level" budget, and is therefore not included in the current budget ask for the next biennium.
  - a. Ensure these funds can be used to serve all homeowners, even those not yet in a formal foreclosure process; early intervention is best.
2. **Help OHCS Administer \$25M in Hardest Hit Funds.** OHCS recently received permission from the US Treasury to keep and re-deploy the last \$25M remaining from the previous crisis, but Treasury has thus far not approved any administrative dollars to actually

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deploy the funds. A one-time allocation from the legislature may be necessary to free up this \$25M.

3. **Continue to support Oregon's Foreclosure Avoidance Program** that requires mediation prior to a foreclosure. This incredibly successful program has been winding down in recent years, but it will be crucial that it is active and robust heading into the next few years.
4. **Implement a more robust state-level foreclosure moratorium and forbearance plan**, to cover the 30% of homeowners without a federally-backed mortgage, to ensure that the protections aren't lifted too soon, and (most importantly) including provisions that all missed payments will automatically (unless otherwise requested by the homeowner) roll to the back of the mortgage. This will protect homeowners from lump-sum repayment or short repayment windows that may trigger a default at the end of the forbearance – accomplishing exactly the opposite of the intended protection.

Thank you for the opportunity to testify, and I am happy to provide additional information as needed by the committee.

Sincerely,

A handwritten signature in black ink, appearing to read "Emily Reiman".

Emily Reiman

CEO

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