

THE MORTGAGE FORECLOSURE CRISIS

The 2-1-1 Barometer utilizes 2-1-1 data and other information to explore issues affecting Connecticut residents. United Way 2-1-1 handles over 440,000 service requests from people seeking information and referrals each year. 2-1-1 tracks the type of information callers are looking for and the referrals that are made, creating a database that serves as a gauge of the needs present in the state.



The mortgage foreclosure crisis continues to have a major impact on the economy. Nationwide, over 800,000 households received a foreclosure notice in the first quarter of 2009, a 9 percent increase from the previous quarter.¹ The number of foreclosures is expected to continue to rise now that lenders, who temporarily halted foreclosure activity in anticipation of a government program, plan to restart their foreclosure operations. The Obama Administration's "Making Home Affordable" plan will assist many homeowners at-risk of foreclosure, but lenders may choose to foreclose on those who do not qualify.

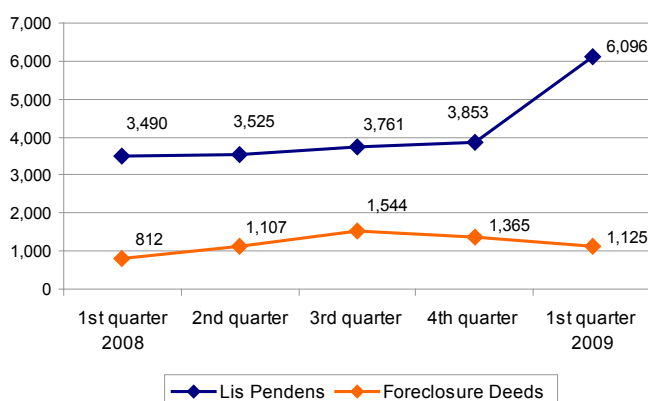
Connecticut's foreclosure rate has been far lower than the rate in the states most effected by the crisis, but it has the highest foreclosure rate among New England states (Table 1). In the first quarter of 2009, 1 in every 245 households had a foreclosure filing in Connecticut. That translates to 5,876 properties.

Table 1 – Top Five States for Mortgage Foreclosure Filings and New England States – 1st Quarter 2009

Rank	State	Properties with Foreclosure Filings	1 in every # Household	Percent Change from 4th Q 2008
--	United States	803,489	159	9.2%
1	Nevada	41,296	27	19.1%
2	Arizona	49,119	54	6.2%
3	California	230,915	58	35.1%
4	Florida	119,220	73	-12.2%
5	Illinois	38,966	135	31.2%

15	Connecticut	5,876	245	-6.8%
18	Rhode Island	1,711	264	-23.8%
19	New Hampshire	2,225	267	4.3%
27	Massachusetts	8,193	332	-9.2%
39	Maine	776	898	-14.2%
50	Vermont	21	14,830	-59.6%

Figure 1 – Filings of Lis Pendens and Foreclosure Deeds in Connecticut - Quarterly Data for 2008 and 2009



Source: Connecticut Housing Finance Authority

Source: RealtyTrac February, 2009

While Connecticut's foreclosure has declined since the 4th quarter of 2008, it is anticipated that foreclosures may begin to increase given that over 6,000 lis pendens were filed in Connecticut in the first quarter compared with 3,800 in the previous quarter.² A lis pendens filing is the first step in the foreclosure process. While not all lis pendens result in foreclosure, it is a tool for measuring foreclosure activity. It typically takes several months before a lis pendens results in a foreclosure deed. In 2008, there were between 3,400 and 3,900 lis pendens filed quarterly (Figure 1).

¹RealtyTrac, Foreclosure Activity Hits Record High in First Quarter, April 16, 2009.

²Ibid.

Initially, it was thought that Connecticut's foreclosures were the result of homeowners defaulting on subprime or adjustable-rate mortgages. However, foreclosures may increasingly be a result of the declining economy and the rising unemployment rate. Connecticut's unemployment rate, at 7.9% in April, is the highest it has been since the early 1990s. As a result of all these factors, foreclosure rates have been higher in the state's lower-income urban neighborhoods where the unemployment rate is higher and where subprime mortgages were more pervasive.

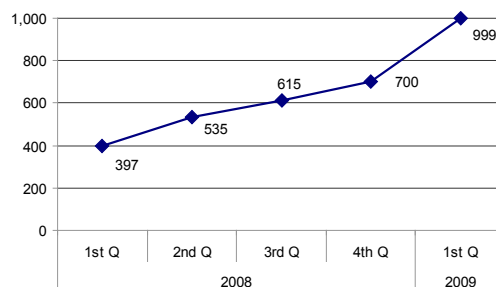
Efforts are underway at the national and state level to assist homeowners who are at risk of foreclosure. Where can homeowners turn for help? United Way 2-1-1 is receiving an ever increasing number of calls from homeowners who are seeking assistance as they face foreclosure. This report will review the volume of calls 2-1-1 has received, the types of assistance callers are requesting and the programs that are in place to assist homeowners.

CALLING 2-1-1 FOR MORTGAGE FORECLOSURE ASSISTANCE

WHO CALLS 2-1-1 FOR MORTGAGE FORECLOSURE ASSISTANCE?

United Way 2-1-1 has seen a steady increase in the number of requests for service related to mortgage foreclosure (Figure 2). In all of 2008, 2-1-1 received close to 2,300 requests for service on mortgage foreclosure, while in just the first quarter of 2009, 2-1-1 has already received close to 1,000 requests. In 2009, 2-1-1 began to track whether someone is calling 2-1-1 for the first time. In the first quarter of 2009, close to half of those calling 2-1-1 for mortgage foreclosure assistance are first-time callers. Call Specialists say they are hearing from callers who have never had to seek assistance and are unaware of the supports that are available for those facing a financial crisis. Call specialists say many of those seeking information on mortgage foreclosure are those who are recently unemployed and are being proactive to find help to stave off foreclosure. Many of these families are also seeking utility and food assistance.

Figure 2 – United Way 2-1-1 Requests for Mortgage Foreclosure Assistance



Source: United Way 2-1-1

WHAT INFORMATION DO CALLERS RECEIVE?

When someone calls 2-1-1 requesting information on mortgage foreclosure assistance, the caller is usually offered a number of options and referrals. Callers are encouraged to act as quickly as possible if they are in danger of not being able to meet a mortgage payment. Call specialists most often refer callers to the Connecticut Housing Finance Authority (CHFA), the State Department of Banking, the new federal Making Homes Affordable program or to their local housing counseling agency. (Details on these programs are available in the Resources section of this report.) Callers are also screened for other needs. Most often callers receive information on food, utility assistance and clothing. Requests for information on all of these needs, by all callers, have increased (Table 2).

Table 2 – 2-1-1 Service Requests 1st Quarter 2008 and 2009

	Service Category	1st Qtr 2008	1st Qtr 2009	Percent change
Utilities	Utility Assistance	8,949	12,692	41.8%
	Homeless Shelter	3,016	3,240	7.4%
Housing	Housing Search and Information	1,830	2,444	33.6%
	Mortgage Foreclosure Assistance	397	999	151.4%
	Mortgage Payment Assistance	162	231	42.6%
	Food pantries, soup kitchens	3,245	4,328	33.4%
Food	Food Stamps	1,641	2,563	56.2%
	Job Finding Assistance	1,172	1,419	21.1%
Employment	General Clothing	692	1,024	48.0%
Clothing				

Source: United Way 2-1-1

RESOURCES

PROGRAMS FOR CONNECTICUT RESIDENTS AT RISK OF FORECLOSURE

Dial 2-1-1 for further information on the following programs.

- **Connecticut Housing Finance Authority (CHFA)** manages several mortgage foreclosure assistance programs, including the Connecticut Families program, the Emergency Mortgage Assistance Program (EMAP) and the Homeowners Equity Recovery Opportunities program (HERO). (www.chfa.org)
- **Connecticut Department of Banking's Mortgage Foreclosure Assistance Hotline** gives referrals to HUD counseling agencies and other foreclosure assistance centers; cases can also be referred to Department of Banking examiners to research. (www.ct.gov/dob)
- **Housing Counseling Agencies** approved by HUD located within various agencies around the state.
- **American Recovery and Reinvestment Act's Making Home Affordable** has two programs:
 - ▶ **Home Affordable Refinance** for homeowners who are current in their payments but can't refinance to take advantage of lower interest rates because their home is worth less than they owe. (Only for loans issued or secured by Fannie Mae or Freddie Mac.)
 - ▶ **Home Affordable Modification** for homeowners who are behind in their payments and are experiencing a financial hardship. Loans will be modified to make payments more affordable.
- **HOPE NOW Homeownership Preservation Foundation's HOPE Hotline** provides free mortgage foreclosure counseling and referrals to in-state foreclosure counseling resources. Access to housing counseling is also available at the website. (www.995hope.org)
- **Statewide Legal Assistance's Pro Bono Foreclosure Attorney Panel** assists income eligible homeowners facing foreclosure at no charge. Homeowners must have income at or below 200% of the Federal Poverty Level and be using the home as their primary residence. Assistance is provided on a case-by-case basis and clients are referred to other attorneys, as needed. (www.slsc.org)
- **Foreclosure Mediation Program** offered through the Superior Courts in Connecticut provides free mediation services for homeowners and lenders in order to assist homeowners whose one- to four-family, owner-occupied, residential property is the subject of a mortgage foreclosure action. The property must be located in Connecticut and be the homeowner's primary residence. The foreclosure action must have a return date on or after July 1, 2008. (www.jud.state.ct.us/foreclosure/)



AVOIDING FORECLOSURE

Failure to pay your monthly mortgage payments can lead to foreclosure, but there may be ways to avoid that outcome. The following is a list of things you can do if you can no longer afford your mortgage:

- ▶ Analyze your financial situation and calculate how much of your mortgage you are able to pay.
- ▶ Dial 2-1-1 to locate an agency that can help.
- ▶ Contact a non-profit credit counseling agency for help with analyzing your financial situation. They can assist with credit repair and budget counseling.
- ▶ Contact your mortgage company as soon as you realize that you cannot make a mortgage payment or soon after you have missed a payment – the sooner the better.
- ▶ Stay in touch with your lender. Do not ignore the lender's attempts to contact you.
- ▶ Work with your lender to find a solution. Lenders are motivated to help you find a way to avoid foreclosure. They want to continue receiving your mortgage payments.
- ▶ Seek help from a HUD approved housing counseling agency and from any of the programs listed in the Resource section of this report. Dial 2-1-1 to locate an approved agency.
- ▶ Contact LARC (Legal Assistance Resource Center) or another attorney to find out your legal rights with regard to your home and mortgage.

Source: United Way 2-1-1

UNITED WAYS RESPOND

In Connecticut, United Ways are working to assist those who are affected by the mortgage foreclosure crisis. Some are directly involved with foreclosure programs, while others are focused on the development of affordable housing and on programs that help families achieve financial stability. Below are examples of just four initiatives at work through Connecticut's United Ways.

United Way of Connecticut

- United Way of Connecticut is partnering with Connecticut Public Television (CPTV) in an effort to connect Connecticut residents who are at risk of foreclosure with the resources they need. In June, CPTV will air “Facing the Mortgage Crisis Town Meeting”, a program that will feature experts from local and state agencies that are assisting homeowners in financial need and representatives from the mortgage industry. Viewers will also hear from homeowners whose subprime loans almost forced their homes into foreclosure. During the program, viewers will be encouraged to call United Way 2-1-1, Connecticut’s statewide information and referral service, for assistance. For information on “Facing the Mortgage Crisis Town Meeting” visit <http://www.cptv2.org/mortgagecrisis/>.
- United Way of Connecticut is one of six agencies that have partnered to create a program that provides free financial education to adults and seniors. The Connecticut Money School (CMS) offers free financial education classes on budgeting, savings and investing. CMS classes are currently offered in Bridgeport, Hartford and New Haven. CMS is a project of the Connecticut Association for Human Services (CAHS). In addition to United Way of Connecticut, CMS partners are FSW, New Life Corporation, Co-opportunity and the Agency on Aging of South Central Connecticut. To sign up for a class, dial 2-1-1 or visit www.ctmoney.org.

United Way of Greater New Haven - ROOF Project

United Way of Greater New Haven supports New Haven’s ROOF (Real Options Overcoming Foreclosure) Project, which is helping New Haven homeowners understand their options around foreclosure and helping them stay in their homes. The ROOF Project is a coordinated response to the growing



mortgage foreclosure crisis in New Haven. The project focuses on raising awareness about foreclosure issues, coordinating assistance for at-risk borrowers, and developing strategies to stabilize neighborhoods with a high concentration of foreclosures. Foreclosure intervention counselors help homeowners negotiate a loan modification with lenders or help them find a more affordable mortgage. The ROOF Project’s services are free of charge.

Middlesex United Way – Housing Impact Team

The goal of the Housing Impact Team is to increase the ability of individuals and families to attain affordable housing. Middlesex United Way (MUW) is working countywide on the need for safe, affordable housing. In Old Saybrook, MUW is funding HOPE Partnership to develop affordable housing for working families currently living in motels in their community. As in many communities around Connecticut, many working people cannot afford to live in the towns in which they work. MUW continues to support transitional housing and other programs throughout the county that help families acquire decent, affordable housing and the skills and job training necessary to maintain it longterm.

The mission of the United Way of Connecticut is to help meet the needs of Connecticut residents by providing information, education and connection to services.

To access other issues of the 2-1-1 Barometer online go to: www.ctunitedway.org/barometer.asp

2-1-1 is supported by the State of Connecticut and Connecticut United Ways.