

Columbus -- Ohio House Democrats want to reach back to the Great Depression for a tool to stop foreclosures and keep people in their homes.

The Democratic lawmakers on Monday said they will push legislation putting a six-month moratorium on foreclosures and giving judges leeway to reduce the amount owed in a foreclosure case down to the home's appraised value.

The timeout on new foreclosure filings would also apply to the hundreds of thousands of cases already in Ohio's foreclosure system -- essentially freezing the system for 180 days. House Democrats outlined the proposal at a Statehouse news conference Monday where House Speaker Armond Budish announced the majority party's priorities for this session. The only exception to the moratorium would be foreclosures on vacant properties, which would be allowed to proceed.

Rep. Mike Foley, a Cleveland Democrat who crafted the bill, said it is aimed at giving homeowners a break until other new rules sought by lawmakers in the bill can take effect. An added bonus: possible federal bailout money for distressed properties, he said.

"We've got vacant properties all over the place in this state that are killing neighborhoods," Foley said. "The longer we can keep people in their homes and give them a chance to take advantage of recovery dollars that may be coming in seems like a good thing to me."

Under the bill, judges would get more leeway to write down mortgages for homeowners who owe more on homes than they are worth.

Foley said that the appraisal -- now done at the end of the foreclosure process -- would be done first and that judges would be able to knock down the mortgage value to the appraised value.

Other key provisions in the bill would triple the filing fee for a foreclosure action, grant homeowners more notification when lenders are considering filing for foreclosure and set up a database to track who holds the paper on a mortgage. Additionally, lawyers who file foreclosure actions would have to have the ability to negotiate on behalf of the lender with the homeowner -- often not the case nowadays with the complicated way that mortgages are packaged and sold off to investors around the globe.

Any House Democratic revamping of the foreclosure system would have to gain support in the Republican-controlled Senate, where the GOP holds a decisive 21-12 edge. At least one prominent Senate Republican has serious problems with the Democratic proposal.

Sen. Tim Grendell, a Chester Township Republican and a lawyer, said imposing a moratorium and allowing judges to alter mortgages would set a "dangerous precedent."

"I would be greatly concerned with the effect of rewriting private contracts after the fact," Grendell said. "I don't think it's government's role to force the lender to essentially renegotiate the loan because the market has changed."

He added: "The Ohio House Democrats need to think about something: when you reach out to those facing foreclosure, then somebody else who invested is going to pay the price for that. Are you going to make those people whole?"

There is precedent in Ohio legislative history for such a moratorium. From May 1933 to April 1939, Ohio lawmakers enacted a series of amendments that effectively blocked the sale of foreclosed property across the state.

Bill Faith, head of the Coalition on Homelessness and Housing in Ohio, a housing advocacy group, said a moratorium alone won't help, but that the fixes being floated by Democrats held promise. In particular, Faith found merit in the idea that an impartial party such as a judge would be able to write down mortgages.

"I think it makes a lot of sense to make more clear the value of the property for somebody in the referee role," Faith said. "The issue is the paper value is way off-kilter for what these homes are worth."

He said recent statistics from the mortgage industry suggest that nearly a quarter of the homeowners in Ohio owe more on their mortgages than their homes are worth. Amanda Wurst, a spokesman for Gov. Ted Strickland, praised Democratic lawmakers for making the legislation a priority but stopped short of saying the governor would support a moratorium.

"We're interested in exploring more about this legislation with the speaker and the other members of the legislature," she said.

Ohio's final foreclosure tally for 2008 isn't official, but preliminary numbers indicate that it will pass the record-setting total of 83,230 set in 2007.

"We will break that record when the 2008 numbers are released; we're just waiting for a few courts to report their final numbers," said Chris Davey, a spokesman for the Ohio Supreme Court, which maintains records for new foreclosure filings from each of the 88 counties.

Cuyahoga County will be one of the few small bright spots when the figures are officially released, even though the county still has a huge number of cases. The county reported 13,858 new foreclosure filings in 2008, a decrease of 2.9 percent from 2007. Summit County reported 4,113 new filings last year, a 14.5 percent drop. But other Northeast Ohio counties -- Lake, Medina, Portage, Lorain, Ashtabula and Geauga -- all reported increases in foreclosure filings last year over 2007.

*Plain Dealer Columbus Bureau Chief Reginald Fields and News Researcher JoEllen Corrigan contributed to this story.*

**To reach this Plain Dealer reporter:** [amarshall@plaind.com](mailto:amarshall@plaind.com), 1-800-228-8272

Foreclosure moratorium on House list  
Easing Ohio's housing crisis among Democrats' priorities  
Tuesday, February 10, 2009 3:14 AM  
By Jim Siegel  
THE COLUMBUS DISPATCH

Facing a continued housing crisis, House Democrats want to place a six-month moratorium on home foreclosures in Ohio and let judges rewrite mortgage terms if the property is worth less than what is owed.

If it passes, Ohio would have the most progressive foreclosure-prevention law in the nation, Rep. Mike Foley said. The state has the seventh-highest foreclosure rate in the nation, with an estimated 90,000 last year.

"So we're putting up as many roadblocks as possible to give us time to recalibrate and hopefully let the recovery straighten itself out," the Cleveland Democrat said of the bill, which will face strong opposition from the banking industry.

More than a month after taking control of the House, Democrats and Speaker Armond Budish of Beachwood rolled out a wide range of priority bills yesterday, including a ban on marketing credit cards at college campuses, and giving high schools the equipment needed to offer Advanced Placement courses through teleconferencing.

"Too often schools do not have the resources to offer these advanced classes," said Rep. Jennifer Garrison, D-Marietta, estimating the cost at about \$6 million. None of the priority bills will get the symbolic House Bill 1 moniker. Budish said he will make the two-year budget the first bill.

A handful of freshmen Democrats, particularly those holding vulnerable seats, are sponsoring many of the priority bills. Marian Harris, D-Columbus, who won an upset in November and is likely to be a key GOP target in 2010, will introduce three of them.

"They were topics I was definitely interested in," Harris said.

Foley's anti-foreclosure bill drew praise from Bill Faith, executive director of the Coalition on Homelessness and Housing in Ohio. He noted that two years ago, state leaders tried to address the housing problem without much success.

"There have been lots of well-intentioned efforts, but the bottom line is we still have record numbers of foreclosures," he said. "Most are not being prevented. So we have to ratchet up."

The bill also would allow those facing eviction to rent until the house is sold, and raise the foreclosure filing fee by \$1,500, with money going into funds to help people in foreclosure trouble.

But Michael Adelman, top lobbyist for the Ohio Bankers League, argues the bill would have a "dramatic negative impact" on homeowners and the housing market by creating more uncertainty and risk.

"A six-month moratorium? To do what? You're delaying the foreclosure process further," Adelman said. "It's already a very lengthy, arduous process. I don't know what they're hoping to gain."

He also questions whether it's constitutional to let a judge rewrite mortgage terms.

"Let's make sure Ohioans have the cash flow to meet their monthly financial obligations as opposed to trying to bash the responsible lenders over the head," he said.

[jsiegel@dispatch.com](mailto:jsiegel@dispatch.com)

ALBANY - Fearing the recession will produce more home evictions, lawmakers plan to examine the effectiveness of a new 90-day warning period and whether a moratorium on foreclosures also is needed.

State Sen. Brian X. Foley (D-Blue Point) said Monday he had heard complaints during last fall's election campaign about homeowners needing more time to reach a settlement with their lender before the start of foreclosure proceedings. And as the new chairman of the Senate Banks Committee, he will hold hearings about this and other issues related to the subprime mortgage debacle.

Before Foley's election, Gov. David A. Paterson and legislative leaders agreed last summer to a law requiring banks and other lenders to negotiate a payment plan with borrowers before trying to take their house. The talks are to occur after homeowners receive foreclosure notices, at least 90 days before the process begins.

Residents "just wanted to have a period of time to try and get their financial house in order, and that would take more than 90 days," Foley said, citing the experience of Suffolk homeowners. "The committee will be looking to see how effective the current law is in . . . mitigating foreclosures."

His comments came after a speech to the New York Bankers Association. He admitted backing a one-year moratorium on foreclosures during last year's campaign against veteran Sen. Caesar Trunzo (R-Brentwood) but now said he wasn't sure such a move was necessary. "It is too early to say what form of legislation, if any, would be offered."

Some, including Paterson, have credited the 90-day warning period with slowing the pace of foreclosures. Statewide, foreclosure-related filings increased 29 percent from 2007 to 2008. But they were down 13 percent in Suffolk and only up 1 percent in Nassau, according to the foreclosure market RealtyTrac.

Still, Suffolk ranked fourth in the state and Nassau 10th in the percentage of housing units that received notices of auction, default or sale.

Asked about Foley's plan for hearings, Senate Majority Leader Malcolm Smith (D- St. Albans) said he supports a moratorium on foreclosures. Smith added that changes to current law shouldn't "hamstring" banks from writing mortgages.

Assembly Speaker Sheldon Silver (D- Manhattan) said his chamber adopted a moratorium last year but the then-Republican-controlled Senate balked. And Paterson said in June such a reprieve for homeowners wasn't needed. Monday his spokeswoman Erin Duggan said, "The governor has made keeping New Yorkers in their homes a top priority . . . served as a model for recent federal action."

The bankers' association, joined by former committee chairman Sen. Hugh Farley (R-Schenectady), vowed to oppose a foreclosure delay.

Association president Michael P. Smith said New York has one of the longest foreclosure processes in the country - more than 400 days, from beginning to end. "We should first see how the law is working; foreclosures are down in some areas of the state and up in others."

From Newsday

Foley plans hearing on state's foreclosure notice law

BY JAMES T. MADORE | james.madore@newsday.com

February 10, 2009

ALBANY - Fearing the recession will produce more home evictions, lawmakers plan to examine the effectiveness of a new 90-day warning period and whether a moratorium on foreclosures also is needed.

State Sen. Brian X. Foley (D-Blue Point) said yesterday he had heard complaints during last fall's election campaign about homeowners needing more time to reach a settlement with their lender before the start of foreclosure proceedings. And as the new chairman of the Senate Banks Committee, he will hold hearings about this and other issues related to the subprime mortgage debacle.

Before Foley's election, Gov. David A. Paterson and legislative leaders agreed last summer to a law requiring banks and other lenders to negotiate a payment plan with borrowers before trying to take their house. The talks are to occur after homeowners receive foreclosure notices, at least 90 days before the process begins.

Residents "just wanted to have a period of time to try and get their financial house in order, and that would take more than 90 days," Foley said, citing the experience of Suffolk homeowners. "The committee will be looking to see how effective the current law is in . . . mitigating foreclosures."

His comments came after a speech to the New York Bankers Association. He admitted backing a one-year moratorium on foreclosures during last year's campaign against veteran Sen. Caesar Trunzo (R-Brentwood) but now said he wasn't sure such a move was necessary. "It is too early to say what form of legislation, if any, would be offered."

Some, including Paterson, have credited the 90-day warning period with slowing the pace of foreclosures. Statewide, foreclosure-related filings increased 29 percent from 2007 to 2008. But they were down 13 percent in Suffolk and only up 1 percent in Nassau, according to the foreclosure market RealtyTrac.

Still, Suffolk ranked fourth in the state and Nassau 10th in the percentage of housing units that received notices of auction, default or sale.

Asked about Foley's plan for hearings, Senate Majority Leader Malcolm Smith (D-St. Albans) said he supports a moratorium on foreclosures. Smith added that changes to current law shouldn't "hamstring" banks from writing mortgages.

Assembly Speaker Sheldon Silver (D-Manhattan) said his chamber adopted a moratorium last year but the then-Republican-controlled Senate balked. And Paterson said in June such a reprieve for homeowners wasn't needed. Yesterday his spokeswoman Erin Duggan said, "The governor has made keeping New Yorkers in their homes a top priority . . . served as a model for recent federal action."

The bankers' association, joined by former committee chairman Sen. Hugh Farley (R-Schenectady), vowed to oppose a foreclosure delay.

Association president Michael P. Smith said New York has one of the longest foreclosure processes in the country - more than 400 days, from beginning to end. "We should first see how the law is working; foreclosures are down in some areas of the state and up in others."