Losing one’s home is a painful and terrifying experience that over 10,000 Massachusetts residents have faced in the past five years alone. Senate Bill 673 mandates mediation with judicial review for all home foreclosure cases.

**The Bill**

Bill S.673: “Mandatory Foreclosure Mediation with Judicial Review”

**Foreclosure Mediation**

Kelsey Dean ’14
Adrienne Karlovsky ’12

**Elevator Speech**

Massachusetts is built on the strength and stability of its communities; however, the increasing high number of home foreclosures is threatening our foundation. Senate Bill 673 has the power to thwart this problem and drastically reduce the number of families damaged by home foreclosure. Fewer foreclosures means fewer vacancies, less crime, fewer homeless families, and increased tax revenue that will boost our economy. Additionally, banks will be more likely to receive payment through re-negotiation as mediation creates a platform for both parties interests to be heard and honestly evaluated. Families would be able to stay in their homes, banks will continue to thrive, and our communities will be restored. Can I count on you to support mediation and urge your representative to vote favorably for this bill?

**Op-Ed**

The No-Brainer That is Mandatory Mediation

You just lost your home. And there’s nothing you can do about it. Well, that’s not entirely true: you can sit down with your bank or mortgage lender and try to negotiate new payment terms that will keep you and your family in your home instead of on the street. But here’s the catch: your bank doesn’t actually have to talk to you. They can send you from one department to another, never giving you any real answers or options, or they can simply ignore you altogether. And if you are one of the few lucky enough to get a sit-down with the bank, there’s nothing that says they have to play fair and nothing to ensure they make a good faith effort to reach some sort of agreement.
The number of families that have already lost their homes because of their bank’s unwillingness to renegotiate is growing, almost as fast as the number of foreclosures in Massachusetts. Once these families are forced out on their homes, their communities are left to deal with the negative repercussions. Vacant homes drag down the values of their neighbors’ properties and lead to a significant rise in crime.

Granted I’m not an expert, but it seems to me that ripping families out of their homes, watching their neighbor’s housing values and safety plummet is a pretty backwards way to deal with the foreclosure crisis. What we could use more of is common sense and a little bit of compromise.

Lucky for Massachusetts, there is currently a bill in the works that has the potential to change all of this. Senate Bill 673 will not only require banks to work with homeowners in renegotiation efforts, but will establish the Massachusetts Foreclosure Mediation Program, which will provide neutral third party mediators upon request. Other New England cities have enacted similar programs, with positive responses and an astounding 62% decrease in foreclosures for those who utilized the mediation program.

Considering the amount of money banks lose when they need to try and resell a foreclosed home, which typically sells for 22% less than what it’s worth, and even the general cost to foreclose, it stands to reason that everyone – families, neighbors, communities, local governments and banks – stands to benefit from Senate Bill 673 and reduced foreclosures. This bill will add no time to the current foreclosure process; in fact it will shorten it in most cases. It will be paid for with current foreclosure fees, and costs the state and taxpayers nothing except some initial lost revenue, a minimal cost when compared to all the money the state loses from even one foreclosure.

The greatest impact would probably be seen in the banking institutions, which may need to hire more people to cover the additional hours that mandatory mediation would add to their business plan. But let’s face it, too many jobs isn’t exactly an issue we need to manage right now, is it? What we should be doing is working to pass Massachusetts Senate Bill 673 and instating the mandatory mediation program that will cost taxpayers little to nothing. The whole thing looks fairly win-win to me, but again, I’m no expert. For all I know common sense and general human decency could mean absolutely nothing when it comes to economics.

Speech to Ways and Means
Mary Gallagher lived in her home in Randolph for over 15 years, supporting her father, brother, and autistic son under one roof. Unfortunately, 2 years ago in the economic downturn, she lost her job and could no longer afford her mortgage. She, like thousands of other residents whose houses entered foreclosure, desperately tried to contact her bank to re-negotiate a payment plan, but was utterly ignored. Since 2005, over 10,000 households have had to try and navigate through this heartbreaking process in Massachusetts alone. But the crisis does not just affect those facing foreclosure; the economic repercussions of foreclosure cost us all, whether it be through increase crime due to vacant houses, or decreased property values and tax revenue. Simon Samuels with the Harvard Legal Aid Bureau estimates that “Boston taxpayers lose $20,723 to $32,053 per vacancy; Boston crime victims lose $12,813; and, Boston homeowners lose $157,058 to $1,028,862”.
Grace Ross reports that the high number of foreclosures is the biggest factor holding back overall economic recovery in Massachusetts.

However, we can fix this problem and curtail home foreclosures through enacting this bill that gives homeowners the tool of mediation with judicial review. This bill would establish the Massachusetts Mediators Foreclosure Program to train mediators, and require banks to inform homeowners of their right to mediation months before foreclosure. In these mediations, the homeowner would have an opportunity to negotiate loan modification or principal reduction, hopefully resulting in a solution that allows them to stay in their home. Most importantly, these mediations provide a platform for communication and cooperation of both the bank and the homeowner to develop a win-win solution.

Contrary to common belief, foreclosures are not in the interest of the banks. Foreclosures lead to home auctions, which frequently result in a house that sells far below its market value. Filing for foreclosure comes with a cost, and it has become clear that banks would benefit from mediation as well. Moreover, the mediation process is required to occur within 120 days, therefore, this procedure would take no longer than the current foreclosure process, and in some cases could resolve itself even quicker, reestablishing mortgage payments much sooner than a bank would see money from a home auction.

The cost to establish this program will not come out of the federal budget, and will not be a burden on taxpayers. The bill stipulates that the cost of the mediation program will be funded by the fees for foreclosure as well as by the participants themselves, although the mortgagor will not have to pay more than 15%. Therefore, as the House
Ways and Means Committee, you do not have to worry about sacrificing a part of the state budget to allocate for this program. In fact, by favorably responding to this bill, you would be generating revenue for the state, as similar programs in other states typically stop 50%-75% of foreclosures from occurring. This means that property values and tax revenue in our communities would both increase. Additionally, fewer foreclosures means fewer vacant houses encouraging crime and fewer homeless families the state must support.

Outrage with the manipulative and exploitative behavior of our banks is a commonly shared feeling among many residents, and this bill would give the common man a tool to assert themselves against predatory lenders. Enacting this legislation would prove to constituents that you understand their concerns and values and are willing to act on their behalf, rather than continuing to allow the status quo to take advantage of citizens and allow big business to control government.

This bill is about improving the well being of every community in Massachusetts, and providing an opportunity for citizens to pull themselves up by their bootstraps. You can directly assist thousands of constituents and save thousands of people from being kicked out of their homes, all while generating revenue for the rest of the state. Vote yes for Foreclosure Mediation with Judicial Review, S.673.

Excerpt from Campaign Journals

Adrienne

Meeting with Vita Urbana/City Life:

This meeting was probably the most eye-opening. While it didn't directly deal with our specific bill, it really gave us a chance to see what we were fighting for. The number of people I/we spoke to resulted in a number of stories and an opportunity to make connections with people who were handling foreclosure and dealing with banks first hand. We drove to a meeting center in Jamaica Plain and got to the meeting a little after it'd started. There were maybe 30 people in attendance, which we were told was a low turnout (they had more people at a protest at a bank). They went around and introduced themselves, each one telling their story about foreclosure and how they were struggling to stay in their homes and deal with their banks and lenders. For me it really got ‘real’ with people started talking about the experiences they’d had with the bank that I use. I wouldn’t say it hit home for me, just because foreclosure is something I’m lucky enough to not even be able to imagine, but it became a little more personal. Granted I don’t have a home loan, and the student loans that I have through my bank are significantly less than they would be on a mortgage, but it’s still a little jarring to hear the problems people are having with the same banking institution that I use every day.

While at the meeting we got a chance to interview a few people, one who was fighting foreclosure, and another one who was leading the meeting. We found out during the interview that she’d been foreclosed on too, but back in ’06 when she didn’t have a coalition for support, and it was interesting to hear the differences in the foreclosure process between 2006 and now. We used both of their stories in our video presentation, and got more personal stories at the meeting than we even imagined.

Update

As of June 27, 2012 the Joint Committee on the Judiciary was scheduled to respond on S.673. The bill has not yet been voted favorably out of committee.

For more information

The Commonwealth of Massachusetts
http://www.malegislature.gov/Bills/187/Senate/S00673

Massachusetts Alliance Against Predatory Lending: http://maapl.info/legislation