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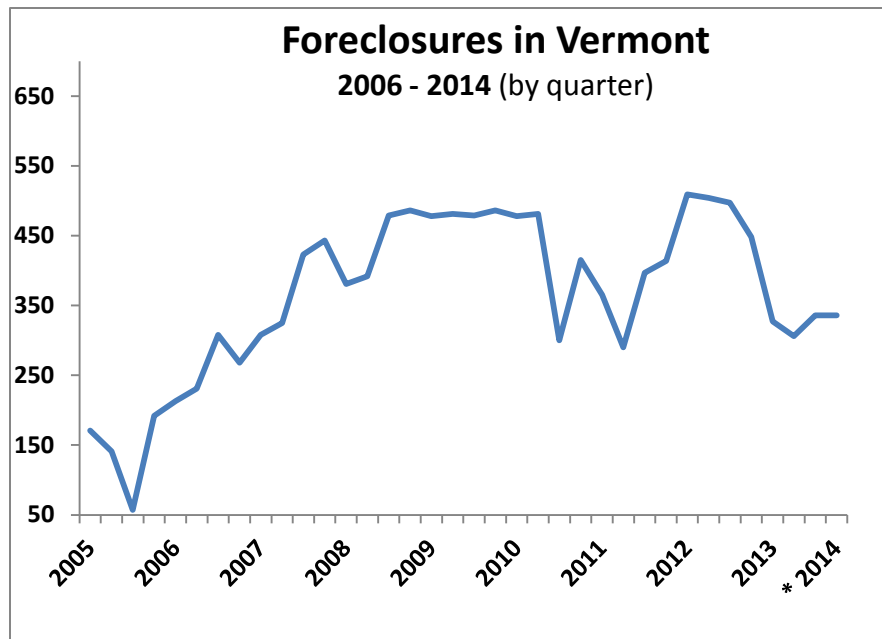
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FORECLOSURE DEFENSE FUNDING STILL NEEDED

As the financial crisis has slipped from the front pages, many people believe that Vermont's foreclosure crisis has ended. However, mortgage foreclosures are still at very high levels in Vermont; they remain more than 50% higher than the historical averages. Funding to handle these critical cases ends on June 30th. Vermont Legal Aid is seeking **\$100,000 per year for two years** to continue to help Vermonters save their homes.

National banks and servicers continue to file foreclosures based on inaccurate, misleading and fraudulent documentation. Recently the NY Times reported on a new foreclosure crisis caused by questionable practices of loan servicing companies. This is what is happening here in Vermont.



Last year there were still 1578 new foreclosures filed in Vermont. Before the housing bubble, the average number of foreclosures filed each year was well below 1000.

The current foreclosure levels are not a permanent problem and the majority of cases involving questionable mortgage practices are expected to pass through the court system in the next few years.

Banks are no longer making risky and fraudulent mortgage loans, and there are few problems with the new mortgages made since the financial crisis and bank bailout. However, there are still a significant number of the problematic mortgages which have been passed from banks onto mortgage servicing companies and are in the Vermont court system. These are somewhat complex and difficult legal cases, but a relatively small investment of funding to provide homeowners with help from Legal Aid can make the difference between a stable and productive household and a family facing the threat of homelessness, financial ruin and insecurity and disruption. Families able to remain in their homes for the long-term are significantly more likely to remain out of poverty and not reliant on governmental support.

Because of its expertise and experience in this field, VLA is often able to negotiate with national banks and servicers to work with homeowners to negotiate affordable loan modifications. When negotiation fails, Legal Aid has the resources to represent the homeowner in Court and insure that these Vermont families are heard and that they receive the loan modifications Congress entitled them to.

- In the last 18 months, VLA has directly intervened to save more than 40 homes; in addition to counseling over 100 other homeowners, helping some of them exit the foreclosure with either no remaining debt or with some of their equity retained.

Our work in these cases is almost always about how to get the bank or the mortgage servicer the money they are entitled to, while allowing Vermonters to remain in their homes and maintain their households. Our clients range from disabled veterans to single working mothers to elderly couples trying to remain at home.

In some cases, simply the fact that VLA enters an appearance in the case, leads to a settlement and dismissal of the foreclosure; in others our knowledge of the federal framework and persistence leads to a Court imposing, not only a loan modification, but sanctions on the bank for its bad faith practices.

For example, we helped an elderly couple who had used all their retirement savings to repair Irene related damage and then fell a few months behind on their mortgage. The bank and mortgage servicer ignored their request for a loan modification; and when the couple sought mediation, the servicer ignored the law and refused to respond to their phones calls and letters. After VLA took the case, we forced the loan servicer to come into the mediation and negotiated a modification at the federally required rate. This allowed this couple to retain their home of many years and look forward to mortgage payments they will be able to afford on their fixed income. Sometimes it is the court itself that looks to VLA for help. In another example, a court appointed mediator found that, after three years of delay and misrepresentation, a bank was negotiating in bad faith, and referred the case to us. VLA entered an appearance and got the bank sanctioned for its misstatements and misrepresentations; we then secured the modification that the family was entitled to, including a \$50,000 reduction in the remaining principal.

VLA is seeking \$100,000 per year for the next two years to continue this important work. This is the kind of investment that not only protects Vermonters from the actions of out-of-state corporations intent on flaunting our laws, but ultimately saves the state money. Without our intervention, it is inevitable that some of these families will lose their homes and end up homeless. Then a downward spiral begins which often ends with broken households and economic dependence on the state.

I recognize that there is tremendous pressure on the state budget again this year, but I urge the Appropriations Committee to find the funds to support this request.