

# Foreclosure Mediation Program

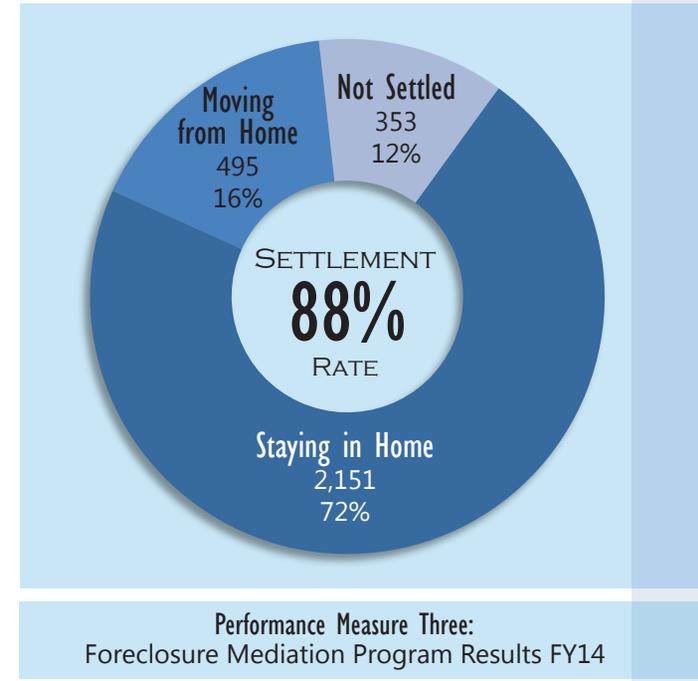
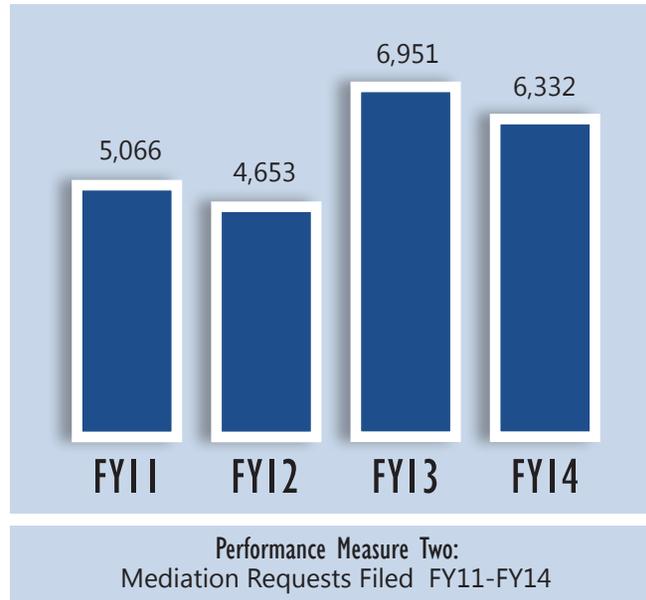
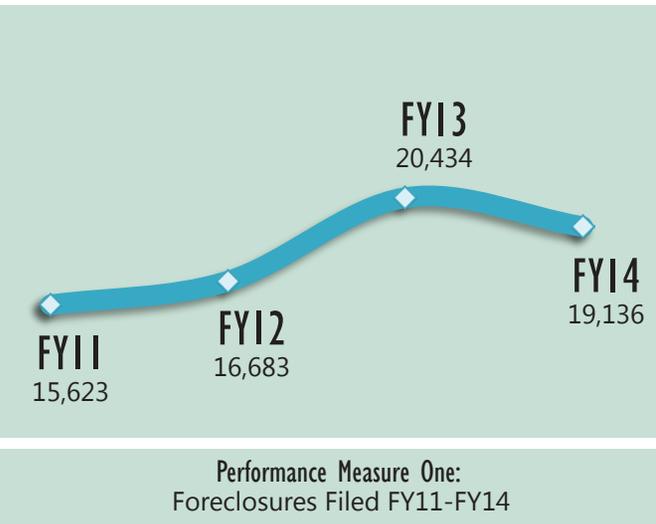
## PROGRAM REPORT CARD

**Quality of Life Result:** Homeowners in Connecticut remain in their homes.

**Contribution to the Result:** The Foreclosure Mediation Program provides homeowners facing foreclosure the opportunity to negotiate equitable outcomes with lending institutions. The homeowners are predominately self-represented parties (74%) and have reported loss of income as the main reason for their inability to satisfy their mortgage obligation. When successful, program staff facilitate agreements between the lender and borrower that lead to the homeowner staying in their house, or the process results in a negotiated settlement that puts the homeowner in a better long-term financial position.

**Partners:** Judges, Attorneys, Mortgage Holders, Lending Institutions, Loan Servicing Companies, Connecticut Housing Finance Agency, Department of Banking, Connecticut Bankers Association

**Total Program Funding:** FY15 = \$5,902,565



**Story Behind the Baseline:** Despite a significant decline from the peak of the foreclosure crisis in FY10, foreclosure cases have increased 22% from FY11 (15,623 cases) to FY14 (19,136 cases). Prior to the introduction of the Foreclosure Mediation Program, the majority of the mortgage foreclosure matters would have resulted in the homeowner losing their primary residence.

**Proposed actions to turn the curve:** The filing of foreclosure cases is impacted by a variety of conditions that are driven by economic factors outside the control of the Connecticut Judicial Branch. Factors that impact foreclosure filings include: loss of income, increased medical expenses, divorce and other forms of rising expenses and debt, which contribute to the homeowners' inability to satisfy their mortgage obligation.

Although the filing of the foreclosure action is outside the direct control of the Judicial Branch, the disposition of the foreclosure matter may be influenced by the ability to find an equitable outcome between the lender and the borrower through the Foreclosure Mediation Program. Historically, the Program has met its objective of facilitating negotiated settlements.

**Story Behind the Baseline:** Over the past four state fiscal years, the number of cases with a request for inclusion in the Foreclosure Mediation Program has risen steadily. From FY11 to FY14, requests have increased 25% to over 6,300 in FY14. The Program serves an important role in facilitating settlements in cases that involve a family dwelling that is owner-occupied. In short, the Program is designed to help Connecticut residents maintain their residence when they are experiencing financial difficulties. The numbers above depict a sustained and growing homeowner interest in participation in the Foreclosure Mediation Program.

**Proposed actions to turn the curve:** Outreach efforts may continue to impact the number of homeowners availing themselves of the Foreclosure Mediation Program. The Program showed a significant growth in requests to participate from FY11, however, there is a significant number of homeowners who have been determined to be potentially eligible for the Program that have not applied. During FY14, there were over 8,000 mortgage foreclosure cases that did not submit a request to be reviewed for eligibility in the Program.

**Story Behind the Baseline:** The most significant measure in the foreclosure mediation process involves settlement. In short, did the homeowner and the lender reach an agreement in the process? During FY14, 72% of the Program participants were able to remain in their home. An additional 16% of the homeowners agreed to a graceful exit. The agreement in these circumstances resulted in a more favorable outcome for the homeowner (i.e., when compared to a foreclosure of the property). The overall settlement rate was a resounding 88% for homeowners who participated in the Foreclosure Mediation Program.

**Proposed actions to turn the curve:** The Judicial Branch and Foreclosure Mediation Program staff will continue to look for ways to facilitate the agreement process, which will include improved communication efforts with the lenders, attorneys, homeowners and other interested entities. Additionally, efforts undertaken in Performance Measure 2 may increase the overall volume of settlements, and consequently will lead to more Connecticut residents staying in their home.