

Strengthening the Residential Mortgage  
Division Program in the  
Commonwealth of PA  
**Pennsylvania Housing Finance Agency**  
Special Achievement

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## Summary

In 2013, PHFA formed a collaborative effort with The National Real Estate Institute (NREI) and The American Society of Certified Housing Executives (ASCHE), to work with selected PHFA-approved housing counseling agencies, to provide comprehensive loss mitigation services, to residents involved with the diversion court process in targeted counties. The collaboration was developed to build and increase the capacity of housing counselors, assisting in supporting the Pennsylvania Residential Mortgage Diversion Courts in the designated twenty-four counties.

## Background/Innovation/Addressing State Need

PHFA is a mission-driven, nonprofit corporation providing affordable housing products to the citizens of the Commonwealth of PA. We offer programs and administer funds on behalf of the federal, state and tax related authorities and receive fees to deliver these programs. PHFA also conducts housing studies, promotes counseling and education for renters and homebuyers, encourages supportive services at apartments it has financed, administers rent subsidy contracts for the Federal government of the United States, and acts as an advocate to promote the benefits of decent, affordable shelter for those who need it most.

In 2003, following a meeting between Monroe County residents and Pennsylvania state officials concerning a significant and accelerating increase in foreclosures, Governor Edward Rendell assembled a group of cabinet members to develop an understanding of, and a response to, homeownership issues in Monroe County. The Pennsylvania Department of Banking was asked to take the lead. In January 2004, and under the auspices of the Department of Banking and the Pennsylvania Housing Finance Agency, The Reinvestment Fund was hired to provide an analysis and to develop a report to understand the root cause of the problem. (See: **A Study of Mortgage Foreclosures in Monroe County and the Commonwealth's Response**" Dated August 3, 2004). In 2004, PA ranked 7<sup>th</sup> highest nationally in foreclosure filings. PA's subprime rate was 11.94 percent, ranking the 4<sup>th</sup> highest in the nation.

Subsequent to that report, a slew of investigations, litigation, and prosecution ensued as fraud, abuse, and misrepresentation were uncovered. PA Department of Banking made several recommendations on legislation to combat issues of predatory lending practices: enhance industry standards for mortgage brokers, increase public notice filings and the enhance collections of mortgage filing data. The Board of Directors and Executive Director realized the need to expand the counseling network. Funding for staff to develop policy, expand training efforts, and implement counseling initiatives involving the counseling network was also approved. The PHFA's Comprehensive Housing Counseling Initiative and the Anti-predatory Lending Initiative were fully implemented.

During the same year, Northwest Counseling Service created the National Real Estate Training Institute (NREI) in response to the need for qualified attorneys to take pro bono predatory lending cases on behalf of affected consumers. Responding to the onset of predatory lending practices, we partnered with NREI to develop a 4-day course to help counselors understand the complicated issues regarding predatory lending. We produced a home preservation and energy saving tips video, designed a printed brochure "Don't Get Hooked," and developed an Anti-Predatory Lending Workbook to educate consumers and counselors to teach, and combat predatory lending practices that were evident at that time. In 2005, Pennsylvania ranked 9<sup>th</sup> highest in the nation in foreclosure filings.

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Special Achievement: Cumulative Improvements to Existing Programs and Practices

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In 2011, Monroe County was still experiencing a crisis that required immediate intervention, several other counties in the Commonwealth were experiencing problems, inefficiencies, and/or backlogs in their court-initiated processes designed to avert foreclosures exacerbated nearly ten years later by the effects of the recent Great Recession. Hence, PHFA establish this collaborative effort between ASCHE and NREI to: Increase the number and capacity of housing counselors serving the various counties; recommend changes in the current court processes and procedures, where applicable, to essential court personnel; develop a strategy to reduce the backlog of cases in PA County Mortgage Diversion Court process, where they exist and provide training to participants in the relevant counties involved in the PA Diversion Program.

PHFA's objective through this now new Mediation and Diversion Initiative was to replicate this intervention model developed in Monroe County in other areas of the Commonwealth, where intervention would be useful. Pennsylvania has twenty-four (24) counties with mortgage diversion or mediation courts; the court processes varied considerably in their responsiveness in meeting the objectives of foreclosure aversion. We have found that counselors who go before these courts need training on how to prepare and represent/assist consumers who are facing a mortgage delinquency. ASCHE would conduct the research, review, evaluate, and ultimately make recommendations as to enhancements and/or ways to grow and build the capacity of Residential Mortgage Diversion Programs and Courts as defined by the Administrative Order or other legal implementing instrument or authority; negotiate with the Judge(s), Court Administrator, Court Personnel, and other relevant parties regarding strategies or changes that lead to a more efficient and consumer-friendly forum through which PHFA Counseling Network Agencies may assist consumers in the mitigation of foreclosure and provide a monthly report of activities performed in the areas of: negotiation; coordination; advice, and review and evaluation of program and counselor progress and performance.

The current dilemma in Pennsylvania and nationally is that the National Specialty Certification, provided to housing counselors particularly in the area of mortgage delinquency and default, has been provided by national entities whose presence in Pennsylvania is sparse and/or costly to obtain. Alternatively, while some scholarships are available, counselors and agencies have had to absorb the costs of both time and travel to obtain the necessary certification to continue to practice as housing counselors operating under the PHFA Participation Agreement. NREI, located in Philadelphia PA, at least with respect to providing foreclosure intervention certifications, provides an answer to that dilemma by offering both a nationally recognized certification and the required continuing education and can customize the training with an understanding of local conditions. They would also provide orientation and training of the court implementing procedures, in addition to those pre declared relevant courses to enhance education among counselors, Judges, Conciliators, court personnel, attorneys, and others operating in the designated county. NREI provides training to our network, but also to attorneys, and court personnel involved in the diversion court processes.

Empirical evidence and research suggest, one of the most effective legal innovations has been the use of pre-foreclosure mediation and settlement programs to improve foreclosure outcomes, which has notably been implemented in other states during this period. As the temporary eviction moratoriums have ended, states and cities are now forced to strengthen their support for eviction prevention programs. Millions of homeowners may be in danger of losing their homes as the domino effect of the pandemic prevails. PHFA also uses the Mediation and Diversion Initiative to pursue mandated efforts to Affirmatively Further Fair Housing.

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This Initiative is proven to assist with the removal of certain barriers to sustainable homeownership while ensuring equal access to foreclosure intervention programs, providing relevant disposition options to homeowners and to alleviate illegal discrimination in pursuant of the Fair Housing Act. Studies comparing foreclosure cases with and without Mediation also show mediation improves outcomes. Philadelphia's Reinvestment Fund Study found that 70% of eligible homeowners appeared at mandatory mediation conferences, and of those, 35% achieved a settlement to remain in their home. When comparing foreclosures before and after the mediation program implementation, the rate at which homes went to sale was cut in half. The results appeared to be lasting: 80% of homeowners with mediated agreements were still in their homes almost two years later. PHFA conducted a similar study using a sampling of 366 accounts in PHFA's Loan Portfolio. Of those accounts that received counseling, 60% were in their homes two years after foreclosure compared to 37% of the accounts that did not receive counseling.

Achieving intended results. Over the last 10 years, ASCHE in partnership with PHFA was able to review all 24 Administrative Orders, initiated and negotiated substantial changes in the Administrative Orders, researched and reviewed county statistics in all 24 Counties. We arranged and participated in three all-day events for Monroe, Delaware, Erie and Westmoreland counties. We met with stakeholders, Sheriffs, Conciliators and/or Presiding Judges, President Judges in at least 19 Counties, negotiated and secured the Judges' participation in mock conciliation sessions during training sessions in Allegheny, Beaver, Lehigh, Philadelphia, and Lawrence counties. Negotiated changes in the hotline in Allegheny County, made recommendations to improve the County Court Systems, added 17 Counseling Agencies - (5) Monroe, (6) Delaware, (5) Berks, and Lawrence (1). Due to COVID, we participated in oral conversations with judges and/or stakeholders in Blair, Clinton, Cumberland, Lancaster, and Lycoming Counties. Our work will continue in those counties cited above and other counties as judges and county officials want to start a Residential Mortgage Diversion Program and/or to avert foreclosures and help consumers stay in their homes.

As of December 2022, NREI has: Trained 1227 participants; held 88 classroom/webinar sessions; issued 255 nationally recognized Foreclosure Intervention Certifications; 321 court mediation certifications were issued; trained 496 participants in court-related negotiation strategies, limited representation, and referral of legal matters; trained 80 counseling agency staff in monitoring and mentoring housing counseling practices and practitioners; and counselors in HUD examination preparation; issued a total of 751 certificates in various subject areas; issued 17,817 nationally recognized continuing education credits, issued over 358 continuing legal education credits to attorneys; and 66 counselors who took the NREI 512 (HUD Exam Preparation course) passed the exam and received a HUD certification.

The program impact/benefits of the collaboration truly outweigh the cost of program delivery. Since 2013, PHFA has spent approximately \$109,573 on training counselors, lawyers, court administrators and approximately \$72,477 conducting research on the counties and the court process, reviewing administrative orders, and working with the court personnel. To date this reflects a total project cost of \$182,050. This program along with the experienced implementing other national recognized programs, i.e., the HEMAP, ELHP and the Foreclosure Intervention Mitigation Program has contributed to the agency receiving over \$40 million in grants and over \$96 million in loan funding benefiting over 79,000 families. As of February 2023, PA now ranks 23<sup>rd</sup> in Foreclosure filings. This program can be replicated in any judicial state because NREI is a national certification institution, recognized by NeighborWorks America. Research and negotiation in other states can be conducted by ASCHE upon request.

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## STUDIES/STATISTICS



Foreclosure Activity Study  
Monroe County



Mortgage Foreclosure  
Diversion Program Statistics



Lancaster County  
ASCHE Report

## EVENTS/LETTERS/ARTICLES/OTHER DOCUMENTS



Delaware County  
Event Press Release



Delaware County  
Event Announcement



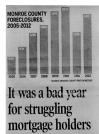
Invitation to participate



Judge's Response  
Lycoming County



Thank You Letter



02/01/13 Pocono Record  
Foreclosure Article



02/02/13 Pocono  
Record Event Story



06/13/13 The Yeadon Times  
Event Announcement



PHFA Mediation Counseling Agencies List

## COUNTY DOCUMENTS



Blair County Admin Order



Lancaster County Admin Order



Philadelphia County Admin Order

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## VIDEOS



Live News Coverage Channel 13 (02/01/13)  
Monroe County Event – Story 1  
*Available on Request*



Live News Coverage Channel 13 (02/01/13)  
Monroe County Event – Story 2  
*Available on Request*

## PHFA Home Preservation & Energy Series – PHFA YouTube Channel



Introduction



Chapter 1



Chapter 2



Chapter 3



Chapter 4

## BROCHURES



Foreclosure Prevention



Don't Get Hooked by Predatory Lending



Anti-Predatory Lending & Foreclosure Prevention Workbook  
*Available Upon Request*

## COMMUNITY LEGAL SERVICES (CLS)



CLS TRAINING  
With Michael Froehlich



Referral Form Information



CLS Approved PHFA Agencies



Counselor Preparation Checklist