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## Responding to Foreclosures in Cuyahoga County: An Assessment of Progress

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# **RESPONDING TO FORECLOSURES IN CUYAHOGA COUNTY AN ASSESSMENT OF PROGRESS**

Prepared for the Cuyahoga County Board of County Commissioners by:

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Findings presented to the Cuyahoga County Board of County Commissioners on November 16, 2006

## TABLE OF CONTENTS

Introduction.....	1
Methodology .....	2
Goal 1: Making Foreclosure Proceedings Faster and Fairer.....	4
Administration: Individual Departments/Agencies.....	6
Administration: Multiple Departments/Agencies.....	9
Successes.....	11
Concerns.....	12
Recommendations.....	12
Goal 2: Create an Early Intervention Program. ....	14
Administration.....	14
Funding Sources.....	15
Implementation.....	16
Objectives.....	17
Program Clients.....	17
Successes.....	21
Concerns.....	22
Recommendations.....	27

Appendix A - First Suburbs Consortium Letter to Cuyahoga Board of County  
Commissioners

Appendix B - Interview Participant List

Appendix C - 211 First Call for Help Definitions of Service

Appendix D - 211 First Call for Help Referral Guidelines

Appendix E - Foreclosure Initiative Timeline

Appendix F - Common Pleas Case Management Directive

Appendix G - Shelly Freed Complaint Letter to Ohio Supreme Court

Appendix H - Mayor Welo Complaint Letter to Ohio Supreme Court

## **Introduction**

On August 25, 2005 the Cuyahoga Board of County Commissioners released its “Commissioners’ Report and Recommendations on Foreclosures.” This report marked a significant increase in the scope of the County’s comprehensive efforts to address the rising tide of foreclosures and vacant and abandoned properties in Cuyahoga County. The three-year pilot foreclosure initiative recommended in the report, and now being implemented, is a coordinated effort involving eleven County agencies and nine nonprofits as well as municipalities, advocates, lenders and community development groups. The goals of the initiative are to:

1. Make foreclosure proceedings “faster and fairer.”
2. Create an Early Intervention program to help residents prevent foreclosure.

The County’s initiative was formalized in response to a “call to action” from fifteen mayors of the First Suburbs consortium in a letter to County Commissioner Tim Hagan dated May 5, 2005.<sup>1</sup> The consortium members were concerned about the “effects of the lengthy process (for foreclosure proceedings)” and the growing number of vacant properties in their communities. While the First Suburbs letter was the most immediate impetus behind the County’s action, the problems related to foreclosed, vacant and abandoned properties had been growing for at least a decade; a result of a perfect storm of a stagnating economy, a weak housing market, an increase in predatory lending, relaxed federal mortgage lending and underwriting standards initiated in the 1990’s and a national push to increase minority and low-income homeownership.

The City of Cleveland had long been concerned with the problem of increasing foreclosures and vacant and abandoned properties. A number of advocates, community development corporations (CDCs) and community organizations (PolicyMatters Ohio) had helped to draw attention to the issue over a number of years. Cuyahoga County led the state in the number of foreclosures and Ohio led the country. At the same time suburban communities began to feel the impact of increasing foreclosures as well. Advocates including the Coalition on Housing and Homelessness in Ohio (COHHIO) and ReBuild Ohio were working at the state level, as the problem of increasing foreclosures was affecting Ohio’s cities and rural areas.

The *Cleveland Plain Dealer* documented the problem in a series of articles and editorials. In early 2004, at the request of Neighborhood Progress, Inc. (NPI), the National Vacant Properties Campaign began to study the problem in Cleveland and issued its recommendations in a report “Cleveland at the Crossroads” in June 2005. It is safe to say that by May 2005, the general consensus was that the problem of foreclosures in Cuyahoga County had reached crisis proportions and a formal, public County-wide response was essential if the problem was to be addressed.

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<sup>1</sup> The First Suburbs consortium letter was signed by the Mayors of fifteen suburbs: Bedford, Bedford Hts., Brook Park, Cleveland Hts., Cuyahoga Hts., Euclid, Fairview Park, Garfield Hts., Lakewood, Maple Hts., Parma, Shaker Hts., South Euclid, University Hts., Warrensville Hts. See Appendix A.

As stated in the report, “The Commissioners made it clear that measures to increase the capacity to handle the high volume of foreclosures, and to deal with the underlying causes and the harmful effects of foreclosure, would receive priority consideration in the budget deliberations this fall.”<sup>2</sup>

## **Methodology**

In August 2006, Cleveland State University was asked to conduct an initial assessment of the progress on this initiative that would assist the County in planning. This report presents the findings of this initial assessment of the first eighteen months of this initiative. It documents the process undertaken by the County, assesses the progress made toward reaching the goals, identifies successes and concerns and offers some preliminary recommendations about program operations. It also offers suggestions for a more formal evaluation process going forward.

It is important to note that Cleveland State University was not asked to do a formal evaluation that would look at goals, measurable objectives or outcomes. However, it is suggested that the County implement a formal evaluation of this initiative going forward as a way of continuously tracking progress and improving program operations.

For the purposes of this report, information was collected and analyzed over a three-and one-half month period. The information used in this assessment was drawn from the following sources:

1. From August through November 2006, Cleveland State University conducted over 34 face-to-face interviews with 58 people representing 14 County departments and agencies<sup>3</sup>, nine nonprofit service providers, and five other entities including the First Suburbs Consortium, 211 First Call for Help, foreclosure attorneys, and Cleveland Housing Court. A complete list can be found in Appendix B. A basic interview protocol was developed and adapted for the different types of entities. Interviewees were very forthcoming and shared background information, copies of formal correspondence, and other related information.
2. Cleveland State staff attended three monthly County foreclosure coordinating meetings and one agency coordinating meeting.
3. Data collected by the County through the Department of Development and the Treasurer’s Office from March 2006 through September 2006.
4. Foreclosure data provided by NEO CanDo at Case.
5. Intake form copies provided by counseling agencies, as well as formal and informal information on their programs and clients.

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<sup>2</sup> “Commissioners’ Report and Recommendations on Foreclosures,” August 25, 2005, p. 5.

<sup>3</sup> Cleveland State staff were unable to schedule a meeting with staff in the County Recorder’s office.

6. Written program information, forms, background information, meeting minutes and other documentation of the process provided by County agencies.
7. Letters, meeting minutes, newspaper articles and other sources.
8. 211 First Call for Help provided documentation of the number of referrals by service type and agency, a description of their referral process, and definitions of the service categories used (see Appendix C and D).

A timeline was created to illustrate the major events and milestones of the County Foreclosure Initiative (see Appendix E).

Our work would not have been possible without the full cooperation and assistance of the numerous County departments and agencies. We especially wish to thank Paul Herdeg, Housing Manager, and Sara Jackson, Program Officer, Department of Development; Mark Wiseman, Foreclosure Prevention Program manager, County Treasurer's office, John Nolan, Administrator's office and Cathy Boyle, Commissioners' office for their commitment to making sure that we were able to get the information we needed.

**The County Foreclosure Initiative Goal 1:**  
***Make foreclosure proceedings “faster and fairer”***

**County Actors:** Auditor, Board of County Commissioners, Clerk of Courts, Court of Common Pleas Judges, Engineer, Magistrates, Recorder, Sheriff, Treasurer

**Community Partners:** Cuyahoga County Mayors and Managers Association

**Funding Sources:** \$250 increase in filing fees for foreclosure cases and the Delinquent Tax and Assessment Collection (DTAC) Fund (approximately \$2 million to date).

**Issues**

At the time of the Commissioners’ report in August 2005, more than 11,000 foreclosure cases were being filed annually in the Cuyahoga County Court of Common Pleas, a dramatic increase from the 2,582 filed a decade earlier in 1995. Not only was the number of new cases growing rapidly, but the Court had an enormous backlog of cases – almost 8,000 in August 2005<sup>4</sup> -- some of which had been on the dockets for several years.

The most pressing issues on the part of the cities impacted by foreclosures were concerns about the length of time it took for a property to go through foreclosure (and the length of time that property stood vacant or in disrepair) and the perception that foreclosures went more smoothly in other counties in Ohio. In 2002-2003, it became apparent that the Magistrates, Clerk of Courts and Sheriff’s offices were not prepared to handle the increasing caseloads, due both to a need to modernize their procedures (*e.g.*, forms were still being prepared on typewriters) and lack of sufficient staff and funding.

Thus, while the August 2005 Report formalized the initiative, a number of County agencies, specifically the Judges and Magistrates, the Clerk of Courts and the Sheriff had been working to streamline the processing of foreclosures since 2004. The public launching of the initiative gave them some much-needed additional resources to continue to streamline the process.

The original impetus towards increased efficiency in the foreclosure process came from the Magistrates, who were seeing significant annual increases in the number of foreclosure filings, but whose request in 2003 for funding to hire additional magistrates had been denied. In the absence of new hires, the Magistrates sought to increase their efficiency by requiring that a “Certificate of Readiness” (CR) be attached to every foreclosure filed. The CR, which was intended to minimize the number of cases being thrown out due to lack of preparation by creditor’s attorneys, had its intended effect and the approval rate at default hearings increased from 30% to over 90%. Although some members of the foreclosure bar have been critical of the CR process, data provided by

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<sup>4</sup> “Commissioners’ Report and Recommendations on Foreclosures,” August 25, 2005, p. 10.

Chief Magistrate Stephen Bucha shows that dismissals due to problems with CRs have occurred in only 2.3% of new cases filed and 3.8% of default hearings.<sup>5</sup>

At about this same time, the Clerk of Courts was completing an automation project to increase the efficiency of its own operations, particularly as regards the number of foreclosure orders of sale it could process. This project was independent from the Magistrates' actions and the Clerk's office had not communicated to other County Departments that it had undertaken this effort. After completing the automation project in late 2004, the Clerk of Courts, by January 2005, was able to double the number of foreclosure Orders of Sale it could process weekly from 100 to 200. As a result, Orders of Sale issued monthly by the Clerk of Courts almost tripled ( $493:1426 = +189\%$ ) between October 2005 and October 2006. Further, the monthly ratio of Orders of Sale to Foreclosure cases filed went from 58% in October 2005 ( $493:847$ ) to 115% in October 2006 ( $1426:1239$ ).

While automation allowed the Clerk of Courts to begin clearing its foreclosure-related backlog, it did not speed-up the foreclosure process; rather it merely moved the backlog further "down the line" to the Sheriff's Office. Although the Sheriff's Office was initially overwhelmed by the doubling of weekly orders of sale, it later implemented its own automation improvements which allowed that office to significantly increase the number of foreclosure sales it could process each week. (*See* "Sheriff" below).

The efforts of these various County departments to address efficiency concerns in the foreclosure process were aided significantly when the County Commissioners made foreclosure reform a priority after the First Suburbs mayors expressed their concerns in May 2005. The Commissioners released an initial report in August 2005. After receiving comments on that report, the Commissioners issued a "Supplemental Update of the Commissioners' Report and Recommendations on Foreclosures" on October 6, 2005, in which the Commissioners committed to implement the following measures as part of the streamlining process (agency responsible for implementation in parentheses):

1. Add property address and permanent parcel number to Clerk of Courts records (Clerk of Courts).
2. Increase temporary filing fee in Court of Common Pleas (Judges and Commissioners' Office of Budget and Management).
3. Provide funding for additional improvements beyond those that can be met through the temporary increase in foreclosure filing fees (County Administrator and Director of Budget and Management to review County agency funding requests for system improvements).
4. Adopt Court of Common Pleas rule changes to expedite foreclosure of vacant properties (Court of Common Pleas Judges).

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<sup>5</sup> Magistrates' Department, Cuyahoga County Court of Common Pleas, General Division, Certificate of Readiness Fact Sheet (2005) p. 2.



5. Create a vacant property inventory (County Treasurer and County Prosecutor with Mayors of First Suburbs Consortium).

### **Administration: Individual Departments/Agencies**

#### Auditor

In July 2006, Auditor Frank Russo volunteered his Department's assistance to address the issue of giving priority on the foreclosure docket to vacant and abandoned properties identified by local governments. Auditor Russo has hired two new full-time staff for this project in July and September and they are now fully engaged in the work. In early October, staff met with the First Suburbs Housing Committee to discuss how the Auditor's efforts could be better coordinated with the needs of these cities. Since this project is just now getting under way, it is too soon for us to be able to provide a performance evaluation.

#### Clerk of Courts

As previously noted, by January 2005 the Clerk of Courts had completed automation improvements that doubled the number of foreclosure orders of sale it could process weekly from 100 to 200. As a result, Orders of Sale issued weekly by the Clerk of Courts almost have almost tripled (493:1426 = +189%) between October 2005 and October 2006. Further, the monthly ratio of Orders of Sale to Foreclosure cases filed went from 58% in October 2005 (493:847) to 115% in October 2006 (1426:1239). In November 2005, the Clerk of Courts implemented the recommendation in the August 2005 Report that permanent parcel numbers and addresses be added to all new foreclosure cases that are filed and to all Orders of Sale. Keith Hurley, Chief Deputy Clerk, reported that the productivity increases to date have been achieved because the Clerk of Courts was authorized to add nine additional staff. That additional staff is now working at full capacity and any further increases in productivity can only be achieved through hiring further additional staff.

#### Common Pleas Judges and Magistrates

The additional funding from increased filing fees made it possible to hire five new Magistrates in December 2005 and four more new Magistrates in early 2006 to handle foreclosure cases. With these additional Magistrates on the bench, there has been a significant reduction in the average number of days to case disposition – from 550 to 356, a reduction of almost 6.5 months, or 35%-- between March 2006 and September 2006. This reduction in average number of days to 356 means that the County is now in line with the Ohio Supreme Court's guideline calling for an average of one year for foreclosure cases. Further, between May 31, 2006 and October 6, 2006, the total number of pending foreclosure cases was reduced from 13,155 to 11,398, a 13 % reduction in pending cases in just over four months.

By January, 2006, the Common Pleas Judges had agreed to monitor more closely “issues existing within the foreclosure department.” The Judges formed a Foreclosure Committee the following month co-chaired by Judges Ann Mannen and Eileen Gallagher. By March, the Foreclosure Committee was reviewing the foreclosure process with Chief Magistrate Steve Bucha. The following month the Committee members met with the foreclosure bar to discuss the Certificate of Readiness issue and with title companies to discuss Title Commitment. Meanwhile, by April the Judges had also begun to seek ways to improve the Court’s software case management system, Proware, and Judge Boyle was working with Assistant Court Administrator Greg Popovich to design and implement a review process for employee performance evaluations.

The Judges were also addressing their Motion docket in foreclosure cases, dealing with 6,000 motions between January and May, 2006 and agreed that beginning November 1, 2006: (1) all foreclosure cases would be included under the civil docket on Supreme Court Form A and (2) Magistrates would be assigned to individual judges.

In June, the Judges took further action to deal with the foreclosure backlog. Judge John Russo circulated a list of “unknown” motions to be researched/resolved by staff attorneys and Judge Gallagher announced work on a central filing system would be completed within 6 weeks. The Judges also announced that all foreclosure files would be centrally located with Clerk of Courts office and that monthly printouts of dockets would be circulated to all Judges. The Judges also formed a Performance Evaluation Committee and began the process of creating new evaluation forms. In addition, Judge Kathy Sutula began working with Auditor Frank Russo’s office to enhance community link-up with the Court’s Foreclosure Department, especially regarding vacant/abandoned properties.

In August, Judge Bridget McCafferty introduced a proposed case management order which was passed unanimously and, in response to Judge McGinty’s request, statistics on foreclosure cases began to be circulated to the judges monthly (see Appendix F for the case management directive).

The Foreclosure Committee reports that it will continue its monthly meetings to monitor the Judges and Magistrates progress in dealing with the foreclosure docket. The Committee has also noted that its efforts have been aided significantly by the full cooperation of Court Administrator Tom Pokorney. In addition to whatever additional changes may come from inside the Court, there is also the possibility that further changes may be suggested – or required – when the Ohio Supreme Court releases the findings from a staff study of the County Court’s foreclosure operations which the Supreme Court initiated last year in response to complaints from the public and elected officials (see Appendix G and H for letters of complaint).

### Engineer

The County Engineer has a limited, but important role in the foreclosure process: ascertaining that the property description of the parcel at issue is accurate, and, where they determine it is in error, conducting a survey to provide an accurate description. The

County Engineer has been an active participant in the monthly coordination meetings conducted by Budget Director Alexandra (Sandy) Turk, but has reported that, as of late October, 2006, there have only been a handful of instances in which the property description was in error and needed to be corrected.

### Prosecutor

The Prosecutor's Office is involved with foreclosures in two different capacities. First, as previously noted, the Prosecutor is working with the Treasurer in implementing the new procedures for handling tax delinquency foreclosures through the Board of Revision. Colleen Majeski, Supervisor of the Tax Foreclosure Division, has primary responsibility in this effort and has been participating in the monthly coordination meetings convened by Budget Director Sandy Turk.

Ms. Majeski reported that her office has recently made operational changes to make her staff more efficient, but that she is not yet able to evaluate how well those changes are working. She also reported that her office is working on a new automated case management system and that she has been contacted by staff in the Auditor's office in regards to coordinating the identification of vacant/abandoned property with the HB 294 process. Finally, Ms. Majeski noted that she has requested, but not received, funding for a fifth staff attorney and two additional staff to work with tax foreclosures.

The second capacity in which the Prosecutor's Office is involved is prosecution of criminal activity associated with mortgage lending, including so-called predatory lending. On May 15, 2006, County Prosecutor Bill Mason announced the hiring of attorney Michael Jackson to fill a new position concentrating on predatory lending. Mr. Jackson successfully prosecuted one case in July and reports that he is currently investigating another ten or so potential prosecutions. He also reports that he has contacted a number of different law enforcement agencies, including the FBI, in an effort to structure a "taskforce" that would focus on crimes associated with mortgage lending. Jackson's efforts will be supplemented in the coming year by the addition of a new investigator position that will focus on mortgage fraud. The position will be funded through a \$30,000 grant agreement negotiated between the County Prosecutor and the County Department of Development.

### Sheriff

The Sheriff began an automation project in January 2005 in response to the increased volume of Orders of Sale that resulted from the automation improvements that had previously been implemented by the Clerk of Courts. The automation improvements were implemented by the Sheriff by August 2005, funded by the increased foreclosure filing fees that provided resources for six additional staff.

The additional staff and automation now allows the Sheriff to process 300 Orders of Sale per week. As a result, the time required to issue a deed after auction has been reduced from four to five months to two months for banks.<sup>6</sup>

### Treasurer

In addition to his significant contributions to the foreclosure prevention program (see below) Treasurer Jim Rokakis has also played a critical role in advocating for, and now implementing, HB 294, which simplifies the process of foreclosure on tax delinquent parcels that are vacant or abandoned. Under the HB 294 process, vacant and abandoned tax delinquent parcels may now be adjudicated by the Board of Revision, rather than the courts, and the new legislation also makes it far simpler for these parcels to be transferred into a city land bank after foreclosure. All tax delinquency foreclosure actions are filed by the County Prosecutor and so the Treasurer's Office has worked closely with the Prosecutor's Office in implementing the HB 294 process, which became law in late September 2006. Under the HB 294 process, the Prosecutor still files these cases with the Clerk of Courts, however, instead of referring the case to a judge, the Clerk of Courts assigns the case to the Board of Revision. On October 2, 2006, the Prosecutor filed a first group of 104 cases utilizing the HB 294 process. These cases are scheduled to be heard by the Board of Revision on December 12, 2006.

The HB 294 process also allows for an expedited process for the disposition of vacant and abandoned property for which there is no buyer at the Sheriff's Sale. The Board of Revision is then authorized to order the Sheriff to deed the property directly to a municipality, or to a qualified Community Development Corporation. The community group must have the consent of the applicable municipality; however, to assure the property is deeded to a responsible group. As recommended in the August 2005 Report, the Treasurer has been working closely with municipalities and CDCs to identify vacant and abandoned tax delinquent properties that might be "recycled" through the expedited HB 294 process by creating a vacant property inventory.

It is still too soon to evaluate how the HB 294 process is working; however, both the Treasurer's and Prosecutor's Offices have performed well on the initial tasks in implementing the new procedures.

### **Administration: Multiple Departments/Agencies**

#### Coordination

The County's foreclosure initiative involves 11 County agencies as well as a number of community partners and stakeholders. The level of coordination is a model for other County initiatives that cut across multiple County Agencies. In this case, the coordination grew out of necessity. It started with the Sheriff's Office and Clerk of Courts. Due to the rapidly increasing volume, the Clerk of Courts automated its system

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<sup>6</sup> The Sheriff has consistently provided deeds to private buyers in one month.

of dealing with foreclosures in 2004, but the Sheriff's office, which is the next step in the foreclosure process, was not aware that the Clerk was making this change. The ability of the Clerk's office to process foreclosures more quickly led to a sudden increase in volume for the Sheriff's office. By January 2005, the volume of sales in the Sheriff's office, which is the next step in the foreclosure process, had nearly doubled. By May of 2005, it was taking five 1/2 months to get a property through a Sheriff's sale to the point of issuing a deed. The Sheriff's office was still using typewriters for all of its paperwork. They requested additional funding to automate their system and better deal with the increasing number of foreclosure cases.

The increase was impacting a number of County agencies, which were requesting additional funding to deal with the increasing number of foreclosures. In late Spring/early Summer 2005, Sandy Turk, Director, County Office of Budget and Management convened the Sheriff's Office and the Clerk of Courts to address these operational concerns, primarily as they affected tax foreclosures. It was helpful that this group existed because, at the request of the County administrator, it was expanded to include all agencies involved in both tax and civil foreclosures.

At about the same time that Sandy Turk was convening the agencies to work on the coordination of internal operations, Paul Oyaski, the County Director of Development, was working with the agencies to address the foreclosure issues faced by communities in Cuyahoga County. These two efforts at coordination were quickly merged and now all of the agencies meet together once a month, convened by the Office of Budget and Management. As a result of these meetings, agencies began to realize that they needed to and could work together, some of them for the first time. For example, the Court, the Recorder, the Clerk, the Sheriff began to find ways to share documentation where possible to eliminate duplication and unnecessary steps. As a result of automation and coordination, the Sheriff's office, for example, is now able to process 270-300 sales a week and get the deeds out in eight weeks instead of 5 1/2 months.

Coordination alone was not enough however. It also took the commitment of additional dollars by the Commissioners, and the high priority that the Commissioners placed on this initiative to bring about the high level of coordination that is making this initiative effective. One important benefit from the perspective of the County agencies is that each agency now has a designated point person for foreclosures.

### GIS and Information Management

In the County Commissioners' August 25, 2005 report, one of the recommendations was to develop an integrated real property information system that would be available for use by all County agencies and the public. The County's Information Services Center (ISC) had already begun to build a Geographic Information System in early 2005. In summer 2006, it was decided that the foreclosure initiative would be the pilot program for coordinating and making available data through this system. The ISC is "mining data" from the 10 to 11 agency databases that involve foreclosures to create a way of tracking and mapping properties by parcel number. It will be able to draw from the Court of

Common Pleas and Prosecutor's case management systems as well. The GIS system is expected to be used by County agencies and departments and parts of it could be made available to municipalities in the future to track foreclosures in their communities. Participation on the part of the County agencies is voluntary.<sup>7</sup>

It may not be possible to have a "one-size fits all" data management system for both internal (County) and external (community) data, at least in the near future. As noted above, the County has made great strides in automating its internal systems and making the data more transparent. With the new GIS system, the County has the technical capability to coordinate its internal data and to make it available internally. It is also possible to make this data available externally, if a determination is made to do so.

### **Successes**

There have been significant successes in achieving the Commissioners' goals of making the foreclosure proceedings "faster and fairer." These include:

- Changes implemented by the Common Pleas Judges and Magistrates that have resulted in:
  - Number of pending foreclosure cases reduced from 13,155 to 11,398 (13%) from May 31 through October 6, 2006.
  - Cases are disposed of each month at a rate 20% to 70% above new filings since April 2006.
  - Reduction in average number of days to dispose of case from 550 to 356 (-35%) between March and October 2006 (now in line with Ohio Supreme Court guideline of one year).
  - The backlog of cases two years old or greater was reduced by 50% from May to October 2006.
- Automation of procedures and addition of staff by the Clerk of Courts and Sheriff have resulted in:
  - Addition of permanent parcel number and address to all new foreclosure case files and Orders of Sale.
  - 189% increase in Orders of Sale processed in October 2006 compared to October 2005 (493 vs. 1,426).
  - Stated another way, the ratio of Orders of Sale to foreclosure cases filed went from 58% in October 2005 (493:847) to 115% in October 2006 (1426:1239).

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<sup>7</sup> To date, all agencies have agreed to share their data except the County Recorder.

- o Current capacity of 300 Orders of Sale per week at Sheriff's Auction of foreclosed properties.
- o Time required for Sheriff to issue deed reduced from 4-5 months to 2 months for banks. (30 days for private buyers).
- Implementation of HB 294 process for tax delinquent abandoned and vacant properties.
- Creation of vacant property lists for both tax delinquent and mortgage delinquent abandoned and vacant properties.

### **Concerns**

While there have been significant successes, concerns remain. These include:

- Whether the achievements to date in processing the backlog of pending foreclosure cases are predictive of continuing progress because the easier cases may have been cleared off the docket first and those remaining could require more time and resources to dispose of.
- Whether current resources would be sufficient to meet an increase in demand that could arise from still higher rates of foreclosure as problems emerge with creative mortgage instruments. The concern here is that a large number of the interest only and adjustable rate mortgage instruments sold in recent years may transition to higher monthly payments over the next one to two years, resulting in an increase in foreclosures as property owners find they cannot meet the higher monthly payments.
- Whether municipalities have the resources and personnel to utilize the vacant property lists that have been and are being created to allow for expedited treatment of vacant and abandoned property.
- Whether vacant/abandoned properties that have gone through either/both mortgage foreclosure or tax delinquent foreclosure can be restored to productive use or land-banked for future productive use.

### **Recommendations**

- Closely monitor numbers of foreclosure filings/dispositions to insure that progress is continuing in reducing the backlog and the time needed for disposition. Evaluate the need for additional resources or procedural changes if data indicates emerging concerns with that progress.
- The County Agency/Department Coordination meetings should be continued to monitor progress on projects still being implemented, such as data systems integration, and insure ongoing performance.

- Continue discussions with Cleveland and First Suburbs on how County and municipal resources may best be combined to take advantage of the Court's commitment to prioritize cases placed on the vacant/abandoned property list.
- Monitor disposition and use of tax delinquent foreclosure properties that have been fast-tracked through the HB 294 process.
- Commissioners should request progress reports at 90 day intervals on projects that are at their inception, including the Auditor's work with municipalities on creating a vacant/abandoned property list and the Prosecutor's efforts to create a fraudulent mortgage lending task force and prosecute mortgage fraud.



**The County Foreclosure Initiative Goal 2:**  
*Create an Early Intervention program to help residents prevent foreclosure*

**County Actors:** Cuyahoga County Commissioners, Department of Development, and Cuyahoga County Treasurer.

**Community Partners:** Banks, 211 First Call for Help (211), Cleveland Housing Network (CHN), Community Housing Solutions, Consumer Credit Counseling, Consumer Protection Association, East Side Organizing Project (ESOP), Housing Advocates, Inc., Neighborhood Housing Services, Legal Aid Society, Spanish American Committee

**Issues**

County officials recognized that a comprehensive approach to dealing with the high number of foreclosures had to include a front-end solution to help residents avoid foreclosure in the first place, to assist them in staying in their homes, and to minimize the disastrous impact that the growing inventory of vacant and abandoned housing was having on individual homeowners, neighborhoods and cities throughout Cuyahoga County. The “Committee to Design an Early Intervention Program” was formed in May 2005 and members met regularly over the summer to design this component of the initiative. On August 1, 2005 the Committee submitted its recommendations to Paul Oyaski, Cuyahoga County Director of Development. The stated goal of the program is to “ensure that the County’s residents are able to remain in their homes until they are ready to leave, rather than when the lender is ready to foreclose.”<sup>8</sup> The Committee’s recommendations led to the creation of the Foreclosure Prevention Program in the Office of County Treasurer, Jim Rokakis in September 2005.

**Administration**

The Foreclosure Prevention Program is administered through a collaborative effort of the Commissioners (the County Department of Development) and the County Treasurer. The program staff is housed in the office of Cuyahoga County Treasurer, Jim Rokakis. Work on the program began in September 2005 and its Director, Mark Wiseman was hired in October 2005. The program has three full-time staff members: Mark Wiseman, Director, Lucy Dukes, Administrative Assistant and John A. Staraitis. Program staff work closely with the Commissioners’ Department of Development, the County Administrator’s office as well as coordinate with all of the County agencies involved in the foreclosure efficiency effort.

Services are delivered in partnership with 211 First Call for Help and nine area nonprofits. Together, they work with the County to:

1. Educate homeowners before they enter into inappropriate refinancing loans.

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<sup>8</sup> Memorandum to Paul Oyaski, Director of Development, from Committee to Design an Early Intervention Program to attack the root causes of the foreclosure epidemic in Cuyahoga County, August 1, 2005.

1. Educate homeowners before they enter into inappropriate refinancing loans.
2. Engage delinquent mortgage borrowers early so that they never reach foreclosure.
3. Counsel homebuyers before and after their purchase to avoid predatory loans.
4. Negotiate workout agreements on behalf of delinquent borrowers to save homes.
5. Intervene with civic and criminal legal action against predatory lenders.
6. Advocate for legislative reform to discourage inappropriate home lending.

The nine agencies, Cleveland Housing Network, Community Housing Solutions, Consumer Credit Counseling, Consumer Protection Association, East Side Organizing Project, Housing Advocates, Inc., Neighborhood Housing Services, Legal Aid Society, and the Spanish American Committee have contracts to provide foreclosure prevention services through the Department of Development’s Housing program, managed by Paul Herdeg, Housing Manager. The County’s Department of Development also works on advocacy and local community interface.

**Funding Sources**

In its first year, the Foreclosure Prevention Program had three sources of funding: County General Funds (\$250,000), Community Development Block Grant Funds (\$103,000), and grants from banks and foundations. In fall 2006, \$400,000 in Temporary Aid to Needy Families (TANF) funds was added and will be allocated to the agencies. The TANF funds are one-time-only special federal funds through the state that must be spent by June 2007.

The following banks and foundations made commitments to the program in response to requests from the Board of County Commissioners and County Treasurer in fall 2005. As these commitments are paid over time, the funds are allocated to Foreclosure Prevention program staff and operations in the Treasurers Office.

<b>Table 1. Source and Commitments of Funds</b>	
<b>Funds Source</b>	<b>Commitments</b>
Cleveland Fnd/Gund Fnd	\$75,000
National City	\$50,000
Key	\$50,000
Freddie Mac	\$50,000
Miller Foundation	\$50,000
Chase	\$25,000
Ohio Savings	\$25,000
US Bank	\$10,000
<b>TOTAL</b>	<b>\$335,000</b>

The County’s general funds and Block Grant funds are used for the counseling, legal service and operating costs of the program and are allocated as follows:

<b>Table 2. Agency Award Amounts</b>		
<b>Agency</b>	<b>Award Amount</b>	<b>Pct of Total</b>
<b>Counseling</b>		
ESOP	\$50,000	18.3%
Neighborhood Housing Services	\$12,500	4.6%
Consumer Protection Association	\$20,000	7.3%
Consumer Credit Counseling	\$12,500	4.6%
Spanish American Committee	\$20,000	7.3%
Community Housing Solutions	\$50,000	18.3%
Cleveland Housing Network	\$12,500	4.6%
<b>Legal Services</b>		
Housing Advocates	\$20,000	7.3%
Legal Aid	\$75,000	27.5%
<b>Sub-total</b>	<b>\$272,500</b>	<b>100.0%</b>
<b>Operating and Program Expenses</b>		
Graphics for “Don’t Borrow Trouble”	\$12,000	
Outreach	\$5,000	
Evaluation	\$20,000	
Investigator in prosecutor's office	\$30,000	
Other Expenses	\$9,606	
<b>Sub-total</b>	<b>\$76,606</b>	
<b>TOTAL</b>	<b>\$349,106</b>	

### Implementation

#### Program Start-up (September, 2005)

- Plan program components
- Dedicate funding
- Hire foreclosure prevention program director and staff

#### Program Development

- Counseling
  - Develop the foreclosure prevention counseling program
    - Identify United Way’s 211 First Call for Help as the initial point of contact for assistance and referral
    - Identify agencies to provide housing counseling/foreclosure prevention and determine what services each will provide
    - Enter into contracts for services with seven counseling agencies (February, 2006)
  - Develop capacity to handle cases that require legal action
    - Contract with 2 agencies to provide legal help for foreclosures (February, 2006)

- Coordinate with and among agencies
- Track progress, modify operations as needed
- Financial education outreach programs
  - Develop and print brochure
- Marketing of Freddie Mac’s “Don’t Borrow Trouble”
  - Media campaign (radio, television, newspaper)
  - “Don’t Borrow Trouble” posters on buses
  - Fans, buttons, magnets, etc.
- Advocacy and community interface

### **Objectives**

In its October 6, 2005, report “Supplemental Update of the Commissioners’ Report and Recommendations on Foreclosures” the County identified the following expected outcomes as part of its proposed foreclosure prevention strategy:

1. Media outreach campaigns reaching over 200,000 homebuyers and homeowners in Cleveland and Cuyahoga County suburbs.
2. Mailings reaching all new homebuyers beginning in January 2006.
3. Up to 200 borrowers per month receiving counseling services.
4. After a startup period, up to 100 homeowners per month avoiding foreclosure.
5. Local and national lenders entering into cooperative agreements to apply sound underwriting practices and offer workout options to borrowers in distress.
6. Civic and criminal legal actions filed against at least 10 egregious violators of fair and inappropriate lending practices.
7. Advocacy continuing to reform State law to implement the Predatory Lending Task Force recommendations and bring Ohio in line with 48 other states that regulate mortgage refinancing and mortgage lending as consumer transactions.

### **Nuisance Abatement Fund**

In a related effort, Treasurer Rokakis announced at the September 1, 2005 meeting of Northeast Ohio First Suburbs Consortium in East. Cleveland that his office would be putting together a loan fund that cities could access to help cover the costs of maintenance for vacant and abandoned homes that are in foreclosure. These loan funds would be repaid to the County upon the sale of the home.

## **Program Clients**

### **Eligibility**

Clients are eligible to receive services if they are a County resident, the property in question is the principal residence, the resident has the means to meet monthly obligations, and the resident wants to stay in the home.

### **The Nature of the Problem**

Foreclosure Prevention Program agencies served 712 people from March/April through September 2006. For the most part, clients were well into the foreclosure process, with most facing the loss of their home by the time they had contacted 211. According to the agencies, clients are facing foreclosure for a number of reasons, mostly due to a loss of income, resulting from the loss of a job, the loss of one or more wage earners in a household, or taking a lower paying job, and/or a sudden increase in expenses, financial collapse, and for the elderly, deferred maintenance.

However, individual client's financial problems are compounded by the proliferation of bad loans made by unscrupulous lenders, brokers and appraisers preying on the aspirations of poor people by putting them in mortgages with terms that do not serve the reality of their financial situation and which they will have great difficulty repaying. This is, in part, due to Ohio's lax regulatory environment (SB185, Ohio's recently passed Anti-Predatory Lending Law, is designed in part to address this.) Agencies report that they began to see a shift five to six years ago from a majority of local lenders to a majority are out-of-town lenders. Lending abuses have been well documented, and the effects are devastating for low-income and minority communities.

There are other influences as well. There is a sense that the American Dream is just too compelling, that people will get in over their heads just to own a home or they will borrow against their home. Agencies are seeing both long-time homeowners and first-time homebuyers in trouble. Many have no savings and no savings plan. Other contributing factors are refinancing, and the changes in bankruptcy rules. Some agencies report that their clients do not understand what they are signing, while others think their clients know that they are signing bad loans, but they do it anyway.

There was a general consensus among the agencies that while many of the loans are "bad" loans, lenders have become adept at making sure they do not necessarily cross the legal line that would subject them to prosecution as predatory loans. However, whether they cross the legal line or not, the loans are predatory in both intent and in effect.

## Demographic Profile

A demographic profile of the 712 clients seen by the counseling agencies follows in Table 3. This information is drawn from the monthly reimbursement reports submitted by the agencies to the County Department of Development. It is important to note that all demographic information was not reported for all clients and that agencies may be seeing other clients for foreclosure prevention counseling through their other programs (not 211 referrals).

<b>Table 3. Foreclosure Prevention Program Client Profile</b>		
<b>Demographics</b>	<b>Total</b>	<b>Percent</b>
<b>Ethnicity</b>		
Hispanic	23	3.47%
Not Hispanic	639	96.53%
<b>Race</b>		
<i>Single Race</i>		
American Indian/Alaskan Native	2	0.28%
Asian	1	0.14%
Black or African American	563	79.30%
Native Hawaiian or other Pacific Islander	0	
White	141	19.86%
<i>Multi Race</i>		
American Indian or Alaska Native and White	0	
Asian and White	0	
Black or African American and White	1	0.14%
Other Multiple Races	2	0.28%
<b>Gender</b>		
Male	217	31.04%
Female	482	68.96%
Female Head of Household	318	45.49%
<b>Age</b>		
Number of clients 62 years or older	43	6.15%
<b>Income</b>		
<30% of Area Median Income (AMI)	204	33.01%
50-80% of AMI	321	51.94%
>80% of AMI	93	15.05%

### Highlights

- 79% of clients are African American, 4% are Hispanic and 20% are white.
- The majority of clients (69%) seen by the counseling agencies are female and 45% are female heads of household.
- Only 6% are age 62 or older.

- 33% had extremely low incomes (at or below 30% of Area Median Income.)  
52% of the clients served had incomes between 50-80% of Area Median Income.  
15% had incomes greater than 80% of Area Median Income.

<b>Table 4. Geographic Distribution of Clients</b>				
	<b>Total Clients</b>	<b>Pct of Total</b>	<b>Total Foreclosures</b>	<b>Pct of Total</b>
Cleveland	400	60.9%	5,705	56.7%
First Suburbs Total	215	32.72%	3,319	33.0%
Rest of Cuyahoga County	42	6.39%	1,046	10.4%
<b>Total</b>	<b>657</b>	<b>100.00%</b>	<b>10,070</b>	<b>100%</b>

- While no single other community approached the level of residents needing foreclosure assistance as the City of Cleveland, the 16 communities that comprise the First Suburbs Consortium accounted for nearly one third of all clients seen by the counseling agencies.
- While the majority of clients (61%) came from Cleveland, the counseling agencies saw people from 40 communities from across Cuyahoga County. Suburbs with the highest numbers of clients seen by agencies were Euclid and Maple Heights. This geographic distribution of clients almost perfectly reflects the geographic distribution of foreclosures throughout the County, which means that the agencies are doing a good job of serving those in need, at least from a geographic perspective. (See Table 4).
- Although agencies do not report the distribution of their Cleveland clients by neighborhood, an examination of the distribution of total foreclosures filed in Cuyahoga County between November 1, 2005 and August 28, 2006 by neighborhood indicates that they are heavily concentrated in low-income neighborhoods on Cleveland’s east side. For example, 31% of all foreclosures in the City of Cleveland are concentrated in four predominantly African American neighborhoods, Glenville (421), Mt. Pleasant (389), Union-Miles (345), and South Collinwood (284). But foreclosures are not exclusively in African American neighborhoods. South Broadway, which is 80% white had 337 foreclosures.<sup>9</sup>

**Assessment of Progress**

The following analysis is an assessment of progress to date, organized by successes, concerns, and recommendations.

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<sup>9</sup> source: NEO CANDO system, Center on Urban Poverty and Community Development, MSASS, Case Western Reserve University (<http://neocando.case.edu>).

## Successes

- **High Priority/Fast Track.** By all accounts, the County has been responsive to community concerns and has moved quickly to assist homeowners in foreclosure. The County Commissioners clearly signaled that this initiative was a high priority for the County and that it was prepared to commit funds to implement changes. This set the stage for all County agencies to move quickly and with authority, knowing full support would be provided. For the prevention program, this meant that the County was able to hire a director, design the program and enter into contracts with nine agencies to deliver services in six months. The County had contracts in place with a number of agencies under other programs to provide housing counseling and legal services. After assessing the capacity of each of the agencies, it was determined by the Foreclosure Prevention Program director that these agencies had the capacity to provide services to individual borrowers under this program. This facilitated the contracting process and enabled the County to move quickly.

As soon as the Commissioners publicly announced the program, the number of calls seeking foreclosure assistance to 211 jumped from seven in February to 520 in March 2006. Calls have been averaging 338 a month since that time. Even though all the parts of the program did not necessarily run smoothly at the outset, a decision was made that rather than take a year to design a “perfect machine” it was more important to get the program up and running as soon as possible. This proved to be a good decision because it allowed for County residents to access counseling services and avert foreclosure even as the kinks in administering the program were worked out over time.

- **Collaboration, Communication and Coordination are Key.** One of the keys to the success of the program is the high degree of collaboration, communication and coordination among all the County agencies involved in foreclosure. Sandy Turk, Director, Office of Budget and Management, convenes a monthly meeting attended by designated representatives of each of the 11 county agencies involved in some aspect of the foreclosure process. This group focuses on coordinating the internal, operational issues related to foreclosures.

Equally important is the coordination between the County, the nine service agencies and the 211 program. Mark Wiseman, Director, Foreclosure Prevention Program, convenes a monthly meeting of the nine participating agencies to identify and resolve issues, refine the understanding of each agency’s strengths, identify gaps and overlaps and better coordinate service delivery.

- **Adaptability.** During the first six months of operation, the County has been willing to work with the agencies and with 211 First Call for Help to quickly adapt from what all thought would be a program of early intervention and prevention to one of crisis intervention.



- **Over 700 Clients Seen and, Based On Preliminary Reports, an Estimated 40% Avoid Foreclosure.** Together, the seven counseling agencies have seen 712 clients in the first six months of the program's operation. On average, they spend about 5 to 6 hours per client, some spend more, others less. Based on information collected from six of the agencies by Mark Wiseman in July and August, of the clients seen, about 40% were able to avoid foreclosure. Approximately 25% could not be assisted for a variety of reasons including an inability to sustain the necessary payments (i.e. they just could not keep their home), they were too far into the foreclosure process, or they did not follow-up with the agencies. Rates vary from agency to agency and range from about 21% to about 62% of clients assisted in averting foreclosures. These initial outcomes are preliminary but can be expected to improve as agencies continue to become more effective at addressing the needs of the clients they are seeing through this program.
- **Leverage.** All of the agencies involved in the County foreclosure prevention program are experienced in housing and/or credit counseling, foreclosure prevention and workouts, and/or legal assistance. The \$272,000 that the County has allocated to the seven counseling agencies, is, in effect, leveraging their expertise, their varied relationships with lenders and national networks, and their access to other sources of funding for mortgage assistance and rescue funds.
- **Agencies Benefit.** By convening all nine agencies on a regular basis, the County created an environment for cooperation and sharing which has strengthened the overall program as well as each of the agencies. In addition, the County provided all the participating agencies with a list of contacts at the lending institutions. This has been a great resource for helping clients with forbearance and loan workout arrangements. Five of the seven counseling agencies cited this as a benefit. Lastly, the County's support offers the agencies additional clout when working with lenders on behalf of clients.

### Concerns

- **Need Added Emphasis on Early Intervention.** The County anticipated that 60% of the clients would need education and pre-purchase counseling. Instead, an estimated 90% of the people are in crisis, well into the foreclosure process and in some cases only weeks away from Sheriff's sale. The agencies reported that it is not uncommon for people to wait until they are facing the loss of their house, before they seek help. In most of these cases, the agencies can help an estimated 40% of people to avert foreclosure, thus preventing them from losing their homes. All agencies are committed to providing as full a range of services as possible so that they do not have to turn people away, and while agencies do offer pre-purchase counseling, financial literacy and consumer education designed to help people avoid high-risk loans, it is usually done in the context of assisting clients with loan workouts to avoid bad situations in the future.

Many agencies cited the need to reach people earlier in the process so that they can avoid foreclosure. They cited the need for mandatory financial literacy programs in area schools. Now that the counseling component is running relatively smoothly, the County is beginning to ramp up the early intervention education and marketing component using the “Don’t Borrow Trouble” campaign. Efforts are underway to target people when they first experience a crisis that could result in financial distress such as the loss of a job, a health care emergency, or other precipitating factors.

- **Public Awareness vs. System Capacity.** One reason the County has been hesitant to more broadly advertise with the “Don’t Borrow Trouble” campaign is that they did not want to create demand that could not be met by 211 and the agencies. This was a prudent approach in the initial months of the program, but as the agencies become better able to provide services, and if more County funds become available, a more widespread public information campaign would be beneficial and better address the early intervention goals of the program.
- **Data Collection and Reporting.** The County needs to collect consistent data on a regular basis to track the progress toward expected outcomes for the initiative overall and for each agency. Data needs include the type of services provided by each agency (with each service type clearly defined), the number of calls each agency receives from 211, the number of appointments made, the number of appointments kept, how quickly people are seen, referrals to other agencies due to inability to see the client in a timely manner, the number of referrals to other agencies due to inability to provide the needed service, expected outcomes for each client, the actual outcomes of each client, the actual number of hours spent per client, the number of cooperative agreements, the number of legal actions filed, the number of foreclosures averted, etc.

The data that is collected by the County from the contract agencies on a regular basis is for reimbursement and contract performance purposes. To request reimbursement, agencies submit a County form and the HUD-9902 form each month to the County Department of Development. Three agencies receive Community Development Block Grant funds as well as County general funds. These agencies have slightly different reimbursement forms to complete. They report total hours spent, client demographics and services provided. This is the only data collected consistently on a monthly basis from the agencies.

However, the quality and consistency of the data submitted by the agencies on these forms could be improved to enable the County to better track progress toward expected program outcomes. In an effort to collect more reliable outcome-oriented data, in July 2006, Mark Wiseman sent an e-mail to each of the agencies requesting some additional information:

1. The number of calls received
2. The number of appointments made
3. The number of people actually seen

4. The number of people receiving services
5. List of lenders worked with
6. Number of loan workouts
7. Number of foreclosures averted
8. Number of people unable to help

While useful, this data too is limited. This data was only collected once and it is not clear that all the agencies interpreted the request in the same way and reported comparable data for comparable time periods. Further, not all of the agencies responded.

An effort was also made by the Foreclosure Prevention Program staff to explore the potential of creating a common database for sharing data. This effort identified a number of obstacles including confidentiality issues, problems assimilating data due to inconsistency in data capture and reporting, and agency capacity to both collect and report the data.

- **Funding Level and Agency Capacity.** One of the unstated objectives of the program is to develop and strengthen the capacity of the participating housing counseling agencies to better meet the needs of people in foreclosure. For the most part, agencies have not hired additional staff as a result of their participation in the County program. Two agencies received \$50,000 (ESOP and Community Housing Solutions), three received \$20,000 (Spanish American Committee, Consumer Protection Association and Housing Advocates, Inc.) and three agencies received \$12,500 (Neighborhood Housing Services, Cleveland Housing Network and Consumer Credit Counseling). Legal Aid received the largest contract, \$75,000, which enabled them to hire one attorney with the express purpose of building capacity to do foreclosure cases. Community Housing Solutions (CHS) would have had to lay-off a staff person if not for the County foreclosure prevention funds and was able to hire an intern. ESOP was able to hire an intake specialist and to reassign existing staff.

Most of the agencies reported that they have been reluctant to hire additional staff for a number of reasons. They report that the level of funding is not sufficient to enable them to make a long-term commitment to a new staff person, especially without a longer-term commitment of funds from the County. At the same time, the agencies are happy to be part of the program for the most part because they are being asked to provide an important service and it fits with their other services. Agencies reported that they are able to handle the increased caseload to date. Some have had to provide additional training for staff and to shift focus from pre-purchase counseling to foreclosure workouts and prevention or to adapt the services they provide. For example, Cleveland Housing Network estimates that foreclosure counseling takes 3 to 4 times as long as pre-purchase counseling. CHS has added intake workshops to deal with the increased volume. ESOP has added counseling services to their workout agreements, but has limited the clients

they will see to those who have loans from lenders that have agreements with ESOP.

- **Agency Reimbursement Method.** The Foreclosure Prevention Program reimburses agencies based on the number of hours spent per client. The County chose this method of reimbursement for a number of reasons. Because this was a start-up program the County was uncertain about the exact needs of the clients. This method offered the greatest flexibility to the agencies because it reimbursed them for the actual number of hours spent working with clients, rather than an arbitrary amount per client, which might have proven to be too much or too little. If it was too little, it would have put an unforeseen burden on the agency to service the clients. This method also had the potential to be a useful planning tool for the County and the agencies because it allowed the agencies to serve clients fully, to keep track of the actual amount of time spent per client per service and to estimate the caseload per counselor.

At this point it is not clear that the agencies are tracking and reporting information in this way. Some are reporting the actual number of hours spent per client while others are tracking that information for internal budgeting purposes only and have made the administrative decision to evenly spread their reimbursement requests over a twelve-month period and to bill a certain portion each month.

Accountability is always a concern with public funds. This method provides a certain level of accountability, which is important, but there are other ways in which accountability can be addressed through other means, including other data collection and tracking methods.

This method of reimbursement has also proven to be problematic for the agencies' for a number of reasons as well. Some of the problems are a function of the start-up, pilot nature of the program. At the outset, agencies were reluctant to hire additional staff without knowing how many clients they would see and hence how much money they would receive. Agencies reported that start-up and training costs that were incurred to add or adapt services were not covered, but were none the less necessary to administer the program.

Perhaps most problematic issue is that an hourly reimbursement per client seen does not give the agencies any consistency for budgeting purposes. If they see too many clients at the outset of the program, they are concerned that they could use all their money with no assurance of receiving more. Further, it does not enable them to develop and strengthen capacity or build infrastructure to be true partners in preventing foreclosures.

- **211 Referrals to Agencies and Among Agencies.** From January through September 2006, 211 First Call for Help received 2,380 calls requesting assistance with foreclosure prevention. They made 4,591 referrals for foreclosure prevention services to one or more of the nine agencies. Callers are usually given

more than one referral, in most cases three referrals, based on the type of service needed, geography, and agency capacity. Agencies with more than one office or with suburban locations tend to get more referrals. The largest percentage of referrals for this foreclosure prevention services, 89%, were callers needing mortgage foreclosure assistance, followed by 8% for predatory lending assistance and 3% for loan counseling. (See Appendix C for 211 definitions of these service categories). As the strengths of each agency become apparent through their participation in the program, the 211 referral system has been adjusted and adapted to do a better job of making appropriate referrals (see Appendix D for 211 referral guidelines). For example, no referrals were being made to Spanish American Committee until mid-August because they were not in the system. Mark Wiseman asked that they be added to serve Hispanic clients. Since that time they have had eight calls. People of Hispanic origin are reportedly not comfortable calling 211 and like other clients, their pride often prevents them from seeking assistance at the first sign that they are in financial difficulty.

In total, over the first six months of the program, 712 clients have been seen by the nine agencies. Two of the agencies, ESOP and CHS are seeing 80% of the clients (45% and 35%, respectively). Agency contracts say that counselors should meet with clients within seven days. Most agencies are able to comply with this. However, CHS reported that at times, they have been so busy, that if they cannot see clients within 14 days they refer them to other agencies. From July 17 through October 31, 2006, they made 88 referrals. Housing Advocates has reported seeing no 211 clients for its litigation services, and Legal Aid has reported seeing 11 clients, with 7 accepted as active cases.

All agencies were clear that they would not turn people away and most provide a range of services from pre-purchase and refinance counseling to foreclosure prevention. ESOP is unique among the agencies in that it has negotiated agreements with Citi Financial, JP Morgan Chase, Fairbanks Capital SPS, Ocwen Loan Services, ACC Holdings (Ameriquest, Argent, AMC Servicing) and Charter One Bank. They also have working arrangements with other lenders including Litton Loan Servicing, Homecomings (GMAC), Countrywide, and Third Federal. At this point, 211 is only referring people to ESOP who have loans with these lenders. However, initially others were being referred to them as well. Other agencies have relationships with lenders although they do not have formal agreements. Consumer Credit Counseling has indicated they will not turn anyone away but they can best serve clients needing early intervention. They have seen two clients. Housing Advocates which offers litigation services has seen no clients.

Some agencies are concerned about the client overload, yet agencies are not drawing down the money they have been allocated. Over the first eight months of the program, agencies have requested reimbursement for \$68,617, or about 25% of the \$272,500 allocated.

- **Hispanics May Be Underserved.** The County contracted with Spanish American Committee to serve the Hispanic community but the requirement that all calls go through 211 coupled with the reluctance of Hispanics to use the 211 First Call for Help limits their ability to serve them through this program. To date, only 3% of all clients served by any of the agencies were Hispanic.
- **Disposition of Vacant and Abandoned Property.** One of the biggest questions is what to do with the growing inventory of vacant and abandoned properties.
- **Potential Management Issue.** The director and staff of the Foreclosure Prevention Program are housed in the Treasurer's office. The program director coordinates the day-to-day response by the various counseling agencies and performs ongoing analysis of their efficiency. However, the contracts and reporting relationships with the participating agencies are through the Commissioners' Department of Development, which also plays a role in advocacy and community interface.

This management arrangement arose out of the particular circumstances of the initiative. While on paper, it seems that this might be problematic, in practice it works quite well due the extraordinary level of communication and cooperation on the part of the all the staff involved. It is raised only as a potential issue, and as such, it should be monitored.

## **Recommendations**

### **Program administration and implementation**

The following recommendations related to the administration and implementation of the Foreclosure Prevention Program are intended to assist in efforts to continue to adapt a very effective program to make it even more effective.

- **Establish explicit and meaningful goals and objectives to guide program activities and to be used in future evaluations.** This program is attempting to address a multi-faceted problem facing the residents of Cuyahoga County. Goals and objectives should be attainable and measurable. It is not clear that there is a formally adopted statement of goals and objectives for the Foreclosure Prevention Program.

As the program enters its second year, a statement of goals and objectives should be formalized and agreed upon by the relevant County agencies and the nonprofit partners. This can be used to guide funding and other program related decisions.

Participating agencies should have a common understanding of the goals and objectives as well as the measures that will be used to track their progress as they work with the County to meet these goals and objectives.

- **Identify program costs and future funding sources.** The total costs of the prevention program were initially estimated at \$1 million per year for three years. Actual costs should be carefully tracked over the remainder of the first year to get a better idea of the costs by task as the program moves forward (start-up, marketing, counseling, staff, outreach, operating, evaluation etc.) For example, for the counseling segment alone, agencies report that they spend an average of 5-6 hours per client in this program and that one full time housing counselor could be expected to serve about 400 clients over the course of a year.
- **Revisit the agency reimbursement method.** If one of the goals of the program is to develop and strengthen the capacity of the agencies to work as partners with the County on all aspects of the Foreclosure Prevention Program, then a method of reimbursement is needed that supports this goal. The reimbursement method should enable agencies to build capacity to effectively and efficiently serve the foreclosure prevention client base and incentives to develop new programming options that focus more on prevention and to compensate agencies appropriately (see concern above).
- **Set standards and provide incentives for service delivery and quality.** Agency contracts state that clients should be seen within seven days, but this is not always the case. Some agencies have a two-week wait before a person can be seen. This is too long. Better coordination with 211 on a weekly or monthly basis regarding agency capacity and referrals would help to alleviate some of this as would cross training of counselors among agencies, so that all (or more) agencies could provide the same type and quality of service. Another option would be to fund the agencies that seem to do the bulk of the work-outs (ESOP and CHS and to some extent NHS and Consumer Protection Agency) at a level high enough to enable them to hire enough counselors to handle the increased workload.

Related to this is the need to address the issue of under-performing agencies. There is a great discrepancy among the agencies in terms of the numbers of clients they see (see concerns above). Adjustments that take advantage of each agency's particular strengths and offer sufficient funding for each agency to provide the level of services needed are recommended.

- **Explore the need for a rescue fund.** Many of the callers to 211 are reportedly seeking financial assistance. These callers are typically referred to other agencies (not one of the nine participating agencies) that have mortgage payment assistance available. However, of the participating agencies, CHN had a small amount of workout money available for its clients and, beginning October 2006, NHS has access to a \$1 million fund for Ohio residents. The seven participating counseling agencies were split on the need for more workout funds. While there is a need for money to pay outstanding debt to help people keep their homes, which was their primary concern, there was also the concern that the bulk of the money would be used to repay fees imposed by unscrupulous lenders and that

public money should not be used for this purpose. Another consideration however, is that a small pot of rescue fund dollars could be made available to the agencies could be used as an incentive to get people to come in for counseling and assistance. A thorough analysis of the pros and cons of a rescue fund should be conducted.

- **Add a public advocate or public defender to the County program.** This recommendation came from some of the agencies that see a need for an advocate position in the Sheriff's office to help people stop the Sheriff's sale. Another suggestion was to hire housing counselors in the Magistrate's office (like the guardian ad litem program).

### **Marketing, Outreach and Early Intervention**

The following recommendations relate to the marketing, outreach and early intervention aspects of the program.

- **Implement a targeted early intervention, education and prevention component.** Prevention and education have been objectives of the program from the outset but the priority has appropriately been to get the counseling component up and running smoothly.

Education is key as well. Agencies suggested that financial literacy be taught in every high school. In addition, banks can play a role in requiring pre-purchase counseling. Hold financial boot camps and take them on the road to all communities. Communicate the message that not everyone needs to own a home.

- **Explore no-cost/low-cost outreach and marketing aimed at prevention.** There are two types of outreach and marketing that can be part of this program. The first is outreach to get the word out about the program so that people in need know where to call for assistance. The second is outreach for the purpose of raising awareness among potential homebuyers, current homeowners and other consumers to warn them about high-risk and abusive loans and to avoid foreclosure.

To date, the program has focused most of its outreach and marketing on the first type. The program is mailing about 300 postcards a day (20,000 total) to households in foreclosure to let them know about the services available through 211. The County wisely limited advertising the program at first so that agencies and 211 could gear up to meet the increased demand. The balancing act has been between the need to be able to serve clients in a timely manner and the need to get the word out about the program. As the bugs get worked out of the referral and counseling components, the focus should turn to prevention, financial literacy and targeted information campaigns.



As the County steps up the marketing program (in late August, the County began bus advertisements and in November they printed fans with information about 211 to be distributed to churches) it will be important to track 211 calls to see if these outreach efforts have an impact on the number of calls. The advertising campaign, using low-cost but targeted measures such as the fans, the mailings to Tops Supermarket employees when the stores closed, and information distributed in domestic relations court should continue to ramp up as the capacity of the partner agencies increases.

But the second type of outreach and marketing to raise awareness for early intervention is also important. For example, agencies and cities can be partners with the County in carrying out the outreach and creating programming ideas at low or no cost to the County. For example, agencies have many of their own networks that could be resources for an outreach program. All of the suburbs have adult education classes that could include financial literacy, steps to successful homeownership, or other related topics. Several of the first suburbs have initiated orientation programs for renters in their suburbs, in partnership with Cleveland Metropolitan Housing Authority's Housing Choice Voucher Program. This could provide an opportunity for the suburbs to talk about the potential pitfalls of homeownership, the importance of savings, the costs of maintenance, etc. as presumably many of these renters aspire to be homeowners some day. CMHA is another potential partner on this, as it is working to assist some of its Housing Choice Voucher renters to become homeowners.

### **Partnerships and Collaboration**

The Foreclosure Prevention Program is based on a model of effective partnerships and collaborations. While there will always be a need for the type of crisis intervention provided by the counseling agencies, it seems that in addition to the immediate need for foreclosure prevention, one of the County's long term goals for this initiative is successful homeownership. The following recommendations suggest ways the partnerships and collaborations that are part of the foreclosure initiative could be expanded to develop, for example, a "Steps to Successful Homeownership" program for County residents. There is a wealth of expertise among the agencies, the banks and lenders and the municipalities (as well as the Community Development Corporations and others) that could assist in such an effort.

- **Engage banks and lenders as partners in prevention.** The County should invite banks and lenders to the table not just to provide funding but also to be partners in finding a solution. There are a number of ways in which banks can be helpful including working with the participating agencies and the County to do education, pre-purchase counseling, and other special programs for borrowers receiving sub-prime loans. In theory, they should have a stake in the success of these high-risk homebuyers. As a first step, lenders could take a more active role in referring people to 211. For example, Third Federal has a program with Cleveland Housing Network in which CHN clients seeking loans from Third

Federal are asked to sign a release form. Each month, Third Federal sends CHN a list of delinquent borrowers and CHN can intervene.

- **Engage agencies as partners in prevention.** In addition to providing counseling services to clients already in foreclosure, many of the agencies have expertise in financial literacy, budgeting, etc. and do extensive outreach in the community. They can be partners with the County on outreach, running workshops in the community, consumer education and credit counseling, and other areas that would help prevent foreclosures. Many of them have diverse community networks and have working relationships with the banks and lenders. They can also assist in advocacy. All agencies said that they share the County's goals in preventing foreclosures and assisting households to keep their homes. Agencies were in agreement that the people they see are more likely to respond to a familiar community nonprofit, rather than to a bank or a lender. The messenger is just as important as the message.
- **Engage municipalities as partners in prevention, foreclosure and disposition.** This program was developed as a direct response to the needs expressed primarily by the suburban mayors. The County has been very responsive both in making the foreclosure process more efficient and in developing the foreclosure prevention initiative and in checking in with the Mayors as the program progressed to be sure that it was meeting the need. However, the foreclosure initiative is a long-term effort that addresses not only the immediate concerns of helping people stay in their homes, but also the issues of the impact of vacant and abandoned housing on the municipality's and the County's tax base. As the County continues to improve its initiative, efforts should be made to encourage and empower the municipalities to become partners in the effort to address these problems.

For example, the municipalities are well positioned to play a key role in an early warning system. They have "eyes on the street" that can identify problem properties, perhaps even before the homeowner goes into foreclosure. Code enforcement, programs for renters, programs for first time homebuyers, nuisance abatement, and other measures could be taken by the municipalities with assistance from the County, as part of a comprehensive prevention approach. The County recently committed funds to hire an investigator to work in the County prosecutor's office. One of the roles of the investigator is to work with the law departments of the suburbs so that they will be able to identify and help prosecute cases of mortgage fraud and predatory lending.

Municipalities are also well positioned to be partners in addressing the growing number of vacant and abandoned properties. For example, the Mayors have asked the County to work with them to prioritize vacant and problem housing through the foreclosure process so that these houses can be put back on the market quickly. Cities are in the best position to know if a property is vacant. The cities need to bring resources to the table and to work with the County on this issue.

For example, the County Treasurer's Nuisance Abatement loan fund is available to cities in Cuyahoga County to maintain vacant or troubled properties. (To date, only Shaker Heights has taken advantage of the program).

As Cleveland makes improvements in its housing inspections, this might be an opportunity to work toward a more coordinated Cleveland/County effort to address prevention, foreclosure and disposition of property.

Municipalities can also help the County with financial literacy and prevention. They may have marketing ideas and can assist in promoting the program through schools, churches and other more grassroots efforts including facilitating partnerships with organizations in their communities.

### **Research and Advocacy**

- **Need research to inform services.** In the August 25, 2006 County Commissioners report, one of the recommendations was to conduct a comprehensive study of foreclosures in Cuyahoga County for use in planning, for precise targeting of prevention and remedial programs, and for evaluating the effectiveness of those programs (p. 11). Research into the needs of the clients and the reasons that they are in foreclosure would give the County a better understanding of the problem for low income households and would enable the County and the agencies to tailor programs and services accordingly. For example, the data show that the majority of 11-12,000 people in foreclosure in Cuyahoga County are concentrated in minority, high poverty neighborhoods on the east side of Cleveland. But there is very little data about whether they are first time homeowners, whether they are clustered on certain streets, how long they have lived in their homes, whether there is a pattern in terms of the mortgage originator, and what programs would best address their needs. Are the needs of suburban residents in foreclosure similar, different, etc. from city residents? Another research question is what happens to people who cannot be helped by the program and lose their homes. Do they become homeless? Where do they live? The NEO CANDO system can provide a rich database for conducting this type of research.
- **Continue advocacy at federal, state and local level.** The high incidence of foreclosure is in large part the result of loose federal regulations for the financial services industry, efforts by the federal government to stop subsidizing low-income renters by giving them greater opportunities and incentives to become homeowners, and other tax and policy decisions. These policy and regulatory changes have the potential to have the largest impact on the number of foreclosures.

Appendix A



**FIRST SUBURBS  
CONSORTIUM**

COUNCIL OF GOVERNMENTS

Kenneth Montlack Chair.  
NEOFSC

Mayor Daniel Pocek  
Bedford

Mayor Debora Mallin  
Bedford Heights

Mayor Mark Elliott  
Brook Park

Mayor Ed Kelley  
Cleveland Heights

Mayor Louif Bacci  
Cuyahoga Heights

Mayor Bill Cervenik  
Euclid

Mayor Eileen Patton  
Fairview Park

Mayor Thomas Longo  
Garfield Heights

Mayor Thomas  
Lakewood

Mayor Michael Ciaravino  
Maple Heights

Mayor Dean DePiero  
Parma

Mayor Judy Rawson  
Shaker Heights

Mayor Georgine Welo  
South Euclid

Mayor Beryl Rothschild  
University Heights

Mayor Marcia Fudge  
Warrensville Heights

May 5, 2005

Commissioner Tim Hagan Cuyahoga  
County 1219 Ontario Street Cleveland,  
OH 44113

MAY 12.2005

OFFICE OF"  
COMMISSIONER TIMOTHY F. HAGAN

Dear Commissioner,

As you are aware, the Northeast Ohio First Suburbs Consortium was contacted in January, 2005 by Jim Sassano, an attorney with Carlisle, McNellie, Rini, Kramer & Ulrich. Jim is tremendously concerned with the length of the foreclosure process and has enlisted the help of the First Suburbs Consortium. At a recent Housing Forum held on Thursday, March 30 at the Shaker Heights Community Center, Jim spoke about next steps needed to bring a more timely process about for foreclosure proceedings in Cuyahoga County. We, the mayors of the fifteen-member cities and the NEOFSC Chairman, are extremely concerned about the effects of the lengthy process on our communities and are ready to take the next step to find a solution to this problem that is slowly but surely destroying Cuyahoga County housing stock.

It is our understanding that you also find the foreclosure process in Cuyahoga County to be a concern and that you will be hosting a meeting on Tuesday, May 24 to bring this problem to the forefront. It is our hope that this meeting will serve as the first step in correcting the problem.

Please understand that we are completely committed to providing any assistance you may require along this process. We thank you in advance for your assistance in this matter.

Sincerely,

*[Handwritten signatures of the following individuals:]*  
Gergine Welo, Mark Elliott, Thomas Longo, Judy Rawson, Lou Bacci, Debora S. Mallin, Eileen A. Patton, Bill Cervenik, Beryl E. Rothschild, Marcia Fudge, Daniel S. Pocek, Kenneth Montlack

## **Appendix B**

### **Cuyahoga County Foreclosure Initiative Interview Participants**

#### **Consumer Protection Association:**

John L. Jones, Jr., Supervisor  
Robert Bonner, Administrative Assistant

#### **Spanish American Committee:**

Rose Rodriguez-Bardwell, Executive Director  
Delisha Little, Bilingual Housing Counselor

#### **Legal Aid Society of Cleveland:**

Julie Robie, Attorney at Law  
Harold Williams, Attorney at Law

#### **Cuyahoga County Foreclosure Prevention Program:**

Mark Wiseman, Director

#### **Consumer Credit Counseling Services:**

Jay Seaton, President, Northeastern Ohio

#### **Cuyahoga County Engineer:**

Thomas Snezek, Chief Surveyor

#### **Cuyahoga County Office of Budget & Management:**

Alexandra (Sandy) Turk, Director

#### **Neighborhood Housing Services of Greater Cleveland, Inc:**

Lou Tisler, Executive Director  
Paula Miller, Loan Officer  
Mahria Harris, Housing Counselor

#### **Cuyahoga County Administrator's Office:**

John Nolan, Administrator's Office  
Dennis Madden, County Administrator

#### **Cuyahoga County Prosecutor's Office:**

Michael E. Jackson, Assistant Prosecuting Attorney, Economic Crime Unit  
Paul M. Soucie, Assistant Prosecuting Attorney, Supervisor, Economic Crime Unit  
Colleen Majeski, Assistant Prosecuting Attorney, Supervisor, Tax Foreclosure

#### **Cuyahoga County Department of Development:**

Paul Oyaski, Director  
Sara Parks Jackson, Program Officer  
Dorinda Ivory, Program Officer

**Board of Cuyahoga County Commissioners:**

Tim Hagan, Commissioner  
Cathy Boyle, Executive Assistant

**Cuyahoga County Treasurer:**

Jim Rokakis, Treasurer  
Michael Sweeney, Administrator, Tax Department

**Cleveland Housing Court**

Ray Pianka, Judge

**Community Housing Solutions**

Andy Nikoforovs, Executive Director  
Jay Bagdasovan, Associate Director

**Housing Advocates, Inc.**

Ed Kramer, Executive Director  
Tony Stevenson, HOAP Program Manager and Staff Attorney

**First Suburbs Consortium**

Ken Montlack, Chair First Suburbs Consortium  
Georgine Welo, Mayor, City of South Euclid  
Jim Sassano, Attorney, Carlisle, McNellie, Rini, Dramer and Alricht

**Cuyahoga County Information Services Center**

John Hunter, Network Engineering Manager  
Cathy McKenna, Project Manager  
John Kable III, Project Manager, Michael Baker Jr., Inc.

**Cuyahoga County Sheriff's Department**

Patricia Kresty, Chief of Staff

**Clerk of Courts**

Keith Hurley, Chief Deputy

**Cuyahoga County Court of Common Pleas**

Nancy McDonald, Presiding Judge  
Jeff Hastings, Judge  
Dick Ambros, Judge  
Elieen T. Gallagher, Judge  
Bridgette McCafferty, Judge  
Timothy McGinty, Judge  
Thomas Pokorny, Court Administrator  
Stephen Bucha, Chief Magistrate  
Gail Baker, Foreclosure Magistrate

Paul Lucas, Foreclosure Magistrate  
Marybeth Varukievic, Magistrate

**Cleveland Housing Network**

Jeanne Morton, Center Manager  
Kate Monter Durban, Assistant Director

**East Side Organizing Project (ESOP)**

Mark Siefert, Executive Director

**211 First Call for Help, United Way of Cleveland**

Stephen Wertheim, Director, 211 First Call for Help

**Cuyahoga County Auditor's Office**

Barbara Boyd  
Jessica Vezina

**Foreclosure Attorneys**

Robert Young, Weltman, Weinberg & Reis, Co., LPA.  
David Douglass, Douglass & Associates

**Cleveland Marshall College of Law**

Kermit Lind, Assistant Director and Clinical Professor of Law

Agencies, Offices, Departments and Organizations Interviewed for this evaluation include:

**Community:**

Foreclosure Attorneys from 3 different firms  
First Suburbs Consortium  
211 First Call for Help, United Way  
Cleveland Marshall College of Law

**Counseling Agencies:**

ESOP  
Spanish American Committee  
Cleveland Housing Network  
Community Housing Solutions  
Consumer Protection Association  
Consumer Credit Counseling  
Neighborhood Housing Services  
Legal Aid Society of Cleveland  
Housing Advocates, Inc.

**Cuyahoga County Departments and Agencies:**

Cuyahoga County Court of Common Pleas  
Cuyahoga County Court of Common Pleas, Magistrates  
Clerk of Courts  
Cuyahoga County Sheriff's Department  
Cuyahoga County Information Services Center  
Cuyahoga County Foreclosure Prevention Program  
Cuyahoga County Administrator's Office  
Cuyahoga County Board of Commissioners  
Cuyahoga County Engineer  
Cuyahoga County Office of Budget & Management  
Cuyahoga County Auditor  
Cuyahoga County Treasurer  
Cuyahoga County Department of Development  
Cuyahoga County Prosecutor's Office

**Other:**

Cleveland Housing Court



## **Appendix C: 211 First Call for Help Definitions of Service**

### **Definitions:**

#### PREDATORY LENDING ASSISTANCE

Programs that provide direct advice and guidance and/or legal representation for people who believe that they are victims of unscrupulous lending institutions that have pressured them into signing a loan agreement they cannot afford putting them at risk of losing their homes. Predatory lending tactics include high pressure sales techniques; misleading or fraudulent direct mail campaigns; failure to disclose unusually high interest rates, hidden transaction costs, excessive fees and punitive penalty clauses such as balloon payments; and loan agreements that are based on home equity rather than a realistic ability to repay. Predatory lenders frequently target the most vulnerable consumers including older adults, low-income individuals, minorities who are struggling financially, and people residing in communities underserved by traditional banking institutions.

#### MORTGAGE FORECLOSURE ASSISTANCE

Programs that provide information and guidance and/or legal representation for people who are unable to make their mortgage payments and are at risk of losing their homes through foreclosure or for people who are already in the foreclosure process. Services may include information about the foreclosure process, legal timelines and how to contact and negotiate with a lender; assessment of a homeowner's financial situation and development of a plan to address homeownership and financial issues; in-depth financial counseling regarding foreclosure avoidance options and/or options that involve leaving the home; advocacy with lenders, when necessary; and referrals to foreclosure prevention resources. Also included are programs that provide mediation services to negotiate a compromise between the individual and the financial institution that holds their mortgage in order to avoid foreclosure.

#### MORTGAGE ASSISTANCE

Programs that make mortgage payments for people who are at risk of losing their homes without assistance and who meet age, income, disability, need or other requirements.

#### LOAN COUNSELING

Programs that provide information and guidance for people who are in the process of obtaining a loan to ensure that they understand the terms and conditions of the document they are about to sign and, where relevant, prevent them from being victimized by predatory lending practices.

#### UTILITY BILL PAYMENT ASSISTANCE

Programs that pay all or a portion of the utility bills of people whose utilities have been or are at risk of being shut off and who meet age, income, disability, need or other requirements. In some cases, the utility company itself will match payments of customers who are in arrears as long as they commit to and follow a regular payment schedule. Also included are non-emergency programs that provide utility assistance for low-income households, usually once per calendar year; programs that arrange for balanced payment plans in which utility billing amounts are stable throughout the year despite seasonal fluctuations and increases and decreases in energy use; and programs that help people negotiate manageable utility bill payment plans in situations where there are some resources available for this purpose.

## FORECLOSURE PREVENTION PROGRAM SEARCH TIPS

### **If callers mention FORECLOSURE, ask them:**

Do you have a mortgage on your home?

YES – Who is your lender?

If the lender is one of the following: Citifinancial, JP Morgan Chase/Bank One, Third Federal S&L, Charter One Bank, Homecomings, Litton Loan Servicing, Ocwen Financial, Select Portfolio Servicing (Fairbanks), Ameriquest Mortgage, and Argent Mortgage, then refer to ESOP under Foreclosure Assistance. If not, search under Foreclosure Assistance and refer to any agency listed.

NO – Did you receive a letter stating that you are behind in your property taxes?

If YES - search under TAX FORECLOSURE ASSISTANCE

If NO – search under FORECLOSURE ASSISTANCE

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### **If callers mention being behind in their MORTGAGE, that they missed a MORTGAGE payment or are in danger of missing a payment, ask them:**

Are you more than one month behind on your mortgage?

YES – search under FORECLOSURE ASSISTANCE

NO – search under MORTGAGE ASSISTANCE **and** FORECLOSURE ASSISTANCE.

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### **If callers mention that they were ripped off on a mortgage LOAN or that their LOAN was PREDATORY:**

Search under PREDATORY LENDING ASSISTANCE

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### **If callers are thinking of REFINANCING, need help understanding home loans or want someone to look at their LOAN DOCUMENTS:**

Search under LOAN COUNSELING

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**If callers want information about nonprofit or government agencies that offer HOME PURCHASE LOANS, HOME REPAIR LOANS or LOANS FOR FIXING HOUSING CODE VIOLATIONS:**

Search under HOME PURCHASE LOANS or HOME IMPROVEMENT LOANS  
AND  
LOAN COUNSELING

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**If callers mention they need to CONSOLIDATE THEIR DEBT, need help managing DEBT or want to develop a BUDGET:**

Search under PERSONAL FINANCES/BUDGET COUNSELING

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**If callers mention that they need help with managing CREDIT, need help with BAD CREDIT or need CREDIT COUNSELING:**

Search under CREDIT COUNSELING

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**If calls mention getting a free copy of their credit report:**

Search under CREDIT RATING REPORTS

Appendix E  
Cuyahoga County  
Foreclosure Initiative

Timeline of Events

A Call To Action

January 2005	Feb	March	April	May	June	July	Aug	Sept	Oct	Nov	Dec	Jan 2006	Feb	Mar	Apr	May	June	July	Aug	Sep	Oct	Nov	Dec
Jim Sessano letter to First Suburbs January 12, 2005	Ohio Foreclosure Prevention Stakeholder's Meeting February 3, 2005			First Suburbs letter to Commissioners May 5, 2005	Cleveland at the Crossroads report released June 14, 2005	Commissioners hold public meetings	County issues "Commissioners report & recommendations on foreclosures"	OH SB 185 introduced into legislature	County issues "Commissioners report & recommendations on foreclosures" supplement Oct 6, 2005	Ohio Vacant properties Forum Held Oct 24, 2005	Tom Ott PD article Rebuild Ohio is created as a result of the Ohio Vacant properties Forum	Resident's Letter to Ohio Supreme Court	Mayor Welo's Letter to Ohio Supreme Court						Policy Matters Ohio Foreclosure Growth in OH report 2006	OH HB 294 becomes effective			
Cleveland resident sends all Common Pleas Judges letter regarding foreclosed property - 8 yrs.				Mayor Welo presents at first public meeting May 24, 2005	Policy Matters Ohio Foreclosure Growth in OH report	Formation of Early Intervention Taskforce	Efficiency Process Taskforce Formed	Aug 25, 2005 Early Intervention Taskforce report to Paul Oyaski															
					HB 294 Introduced into legislature			Vacant Properties Coordinating Council is formed????????															

January 2005	Feb	March	April	May	June	July	Aug	Sept	Oct	Nov	Dec	Jan 2006	Feb	Mar	Apr	May	June	July	Aug	Sep	Oct	Nov	Dec	
	ISC Contract started with GIS project				* Sandy Turk meetings start										ISC brought to meeting to introduce the GIS project	ISC purchased Oracle software	Decision to use foreclosure as the pilot project	Interviews with Co. depts begin to determine their database capacities						

Sept	Oct	Nov	Dec	Jan 2006	Feb	Mar	Apr	May	June	July	Aug	Sep	Oct	Nov	Dec
	Mark Wiseman hired		Design of 211 program			Kick Off 211						Bus Adm by fall over start	20,000 post cards have gone out to residents	Kick Off Foreclosure prevention month	

January 2005	Feb	March	April	May	June	July	Aug	Sept	Oct	Nov	Dec	Jan 2006	Feb	Mar	Apr	May	June	July	Aug	Sep	Oct	Nov	Dec						
	Number of cases from the Clerk's office to the Sheriff's Office begin to spike				Sheriff's Office began exploring ways to improve office efficiency		Sheriff's Office begin investigating ways to move an automated system	Sheriff's Office meets with court to coordinate data sharing efforts	Fast track for abandoned & abandoned properties initiated	Tax Foreclosure Prosecutor's case management systems goes into effect	Magistrates start Vacant & Abandoned properties docket	Nov 1, 2005	Magistrates start Vacant & Abandoned properties docket	1st letter from Magistrates sent to municipalities requesting list of priority properties	New foreclosure cases indexed by per. Parcel #	Increase in filing fee takes effect Dec 19, 2005	Clerk of Courts begins hiring first phase of new staff	New Magistrates hired	Sheriff's Department staff added	6 new staff added to Clerk's office	Common Pleas Foreclosure Comm. appoints co-chairs	Common Pleas Foreclosure Comm. begins holding meetings on Certificate of Readiness	Common Pleas passed motion to create system of assigning magistrates to foreclosure cases	Records by permanent parcel number available on court's website	Auditor hires 3 new staff	New Common pleas case mgmt effective approved	Auditor's office creates department to collection vacant & abandoned property information from municipalities	Sheriff's Office now receiving up to 370 orders of sale per week	New Tax Foreclosure staff attorney hired

- Community
- County Coordination
- Foreclosure Prevention
- Streamline Foreclosure Process
- Prosecution

Sept	Oct	Nov	Dec	Jan 2006	Feb	Mar	Apr	May	June	July	Aug	Sep	Oct	Nov	Dec
								M. Jackson hired					M. Jackson establishing multi-jurisdictional taskforce		
													Approval to hire foreclosure investigator		

**PROPOSED STANDING CASE MANAGEMENT DIRECTIVE  
(Foreclosure Action)**

1. REFERENCE TO THE MAGISTRATE - Upon the filing of a Complaint for Foreclosure the case shall be referred to a Magistrate. The Magistrate shall make Findings of Fact and Conclusions of Law and report to the assigned judge without delay.
2. FORECLOSURE PLEADING -
  - A) PROMISSORY NOTE - If the debt involves a Promissory Note, Pursuant to Civil Rule 10(d), the Complaint, Counterclaim or Crossclaim must have attached to it a legible complete copy of the Promissory Note, Mortgage, and all assignments of the note and mortgage up to the date of said pleading.
  - B) LEGAL DESCRIPTION - The Complaint, Counterclaim, or Crossclaim, or any amendment thereto, or an exhibit thereof, must evidence an accurate legal description of the property.
3. SERVICE OF SUMMONS - Absent a showing of good cause, service must be perfected within 6 months of the date of filing the Complaint or a Supplemental or Amended Complaint. Pursuant to Civil Rule 3, service shall be completed within twelve months, or the case shall be dismissed without prejudice.
4. CASE MANAGEMENT CONFERENCES/PRETRIALS - No Case Management Conference or Pretrial will be set for a foreclosure action unless deemed appropriate by the court. If an oral hearing or pretrial has been scheduled, failure to appear may result in default judgment or an adverse judgment against the party not appearing, and any other sanction against a party or attorney the court deems appropriate.
5. MOTIONS FOR DEFAULT JUDGMENT - All motions for default judgment shall be set for hearing within thirty days. The hearing shall be held no later than 60 days from the date the hearing was set. Movant shall meet all the necessary legal requirements for foreclosure prior to said motion for default judgment being granted. Magistrates may dismiss the case without prejudice if the above referenced requirements are not satisfied, or in the alternative a magistrate may grant counsel an allotted amount of time to comply with the above referenced requirements as set forth by law.
6. VACANT AND ABANDONED PROPERTY DOCKET - Subsequent to a case being filed on the court's docket, a municipality may File an Affidavit of Vacancy averring that the property is vacant. All parties shall be notified by the magistrate of said assignment and shall have an opportunity to object in writing to the property designation. If no objections are filed and the case is not otherwise contested then the magistrate shall set all motions for default judgment for Hearing. Movant shall meet all the necessary legal requirements for foreclosure prior to said motion for default judgment being granted. Magistrates may dismiss the case without prejudice if the above referenced requirements are not met, or in the alternative a magistrate may grant counsel an allotted amount of time to comply with the above referenced requirements as set forth by law.
7. CONTESTED CASES - In the event foreclosure action becomes contested, a Pretrial or Case

Management Conference will be set.

8. TRIAL CONTINUANCES - No continuance of a trial date will be granted without filing a written motion with supporting affidavits or other appropriate documentation.
9. TRIAL BRIEFS, WITNESS LISTS AND EXHIBITS - If the matter is appropriate for trial, the Court shall establish deadlines to submit Trial Briefs, Witness Lists and Exhibit Lists by separate order.
10. BANKRUPTCY AND MILITARY STAYS - If it is necessary for the case to be stayed because of a Bankruptcy filing or because one of the parties is on active duty in the military, any party may notify the Court. When the reason for the Stay is no longer applicable, any party may move the Court for reinstatement of said case.
11. REACTIVATED CASES-Upon reactivation of a foreclosure action, any claimant wishing to pursue foreclosure shall have the time pursuant to Civil Rule 4e and Civil Rule 3 to complete service and 45 days to proceed thereafter by filing a motion for default judgment or the case may be dismissed without prejudice. The time to perfect service of summons and the response period to a pleading or motion shall be tolled from the day the court stays an action until the court reactivates the case.
12. SETTLEMENT - Plaintiffs counsel shall notify the court of any payment plan or Forbearance agreement entered into on a pending case agreement entered into on a pending case within seven days of said agreement. The court may dismiss the case without prejudice upon said notice, in order to enable plaintiff to re-file the case should the debtor fail to make payments pursuant to said agreement.
13. FILING OF THE DEED: At the time of the sheriffs sale, the purchaser shall provide the sheriff with the name, address and phone number of the party responsible with the care and upkeep of the property. The sheriffs deed shall be executed by the sheriff and delivered to the purchaser upon the payment of the full purchase price and interest, if any. The deed shall thereafter be filed for record with the Cuyahoga County Recorder by the purchaser, or on the purchaser's behalf, at the purchaser's expense, including but not limited to the payment of all applicable transfer taxes, filing and recording fees.
14. JUDICIAL AUTONOMY - The foregoing directive does not preclude any judge from taking any file assigned to their docket to preside over in their courtroom. . Said directive is a guideline to the magistrates department.

Appendix G

TRANSITION  
Development

January 5, 2006

JAN 9 2006

Chief Justice Thomas Moyer  
The Supreme Court of Ohio  
65 South Front Street  
Columbus, Ohio 43215-3431

OFFICE OF  
COMMISSIONER TIMOTHY F. HAGAN

Dear Justice Moyer:

My name is Shelley Freed. My husband, Dave Smith and I live in North Collinwood at 18 Lakefront Walk in Cleveland. Since we took possession of our house in 2001, the neighboring property located at 16 Lakefront Walk, about 12 feet from our house, has been abandoned AND HAS BEEN IN FORECLOSURE SINCE MARCH OF 1998. Do the math, it is almost EIGHT years that this property has been in foreclosure and there has not been a Sheriff's sale yet.

The house is in severe disrepair inside and outside; gutters and portions of the building are hanging loose. At intervals, a family of raccoons, several skunks and many beautiful birds have lived next door to us at 16 Lakefront Walk. Via the City of Cleveland Building and Housing Department I have desperately but unsuccessfully tried to make the owners of 16 Lakefront Walk accountable for minimal maintenance of the house, if only for the safety of my family which includes five children.

Since we purchased our house in September 2001 we have since invested over \$40,000 in home improvements, but our property value is depressed because of the house next to us.

During the foreclosure, the case, Cuyahoga County Common Pleas case # 351217, has been shuffled across the desks of at least three different magistrates. In the last round of shuffling, the case was in the possession of a new Magistrate, Amy Cuthbert, who has thankfully taken some initiative.

However, the most troubling part of this is that the judge assigned to this case refused to take responsibility for this case. After several telephone messages to the judge, her bailiff and staff attorney were not returned, I finally was able to get Judge Shirley Strickland Saffold's staff attorney on the telephone. Her name is Katie Zvomuya. She told me that the foreclosure cases were the responsibility of the Magistrate and that I had no recourse. When I asked her to put herself in my shoes and asked her what she would do in my situation, this was her response: "Well I am an attorney and I would understand that I have no rights." After that comment, I asked her to spell her name for me and she promptly hung up the phone.

I was absolutely dumbfounded by this response. How can an elected judge just blatantly ignore one of her cases FOR EIGHT YEARS? She and the rest of the judges of the Cuyahoga Court of Common Pleas can ignore their foreclosure cases, because, I have learned, they are not being reported to the Ohio Supreme Court. How and why is it that by simply referring foreclosure cases to Magistrates, who are unelected, the judges can

avoid all accountability? This is intolerable. I do not know how the reporting system works,



but it must be being abused by the Cuyahoga County judges. Therefore, you must intervene now to make these judges accountable to the residents of Cuyahoga County.

The Cuyahoga County foreclosure process is broken and it needs a complete overhaul. The solution needs to happen immediately, because with each additional dollar we spend to maintain and upgrade our property located next to a dilapidated, abandoned house, my property value actually wanes. Would you like to buy my house or any other house next to a rat hole? How about raising your kids next to that house?

My situation is not an isolated event. This past summer The Plain Dealer reported that there are thousands of home owners in the city of Cleveland alone with this exact dilemma. There are thousands of Cuyahoga residents living near abandoned houses that are stuck in foreclosure. How many millions of dollars of property values (and lost money for public schools) are lost countywide because of Cuyahoga County's inefficient foreclosure process, not to mention the tremendous health and safety risks of these properties? These abandoned houses are crime magnets and the longer they stay in foreclosure the more harm is done to the community.

I have one final note to include. Our house is one often houses that is part of a small community in Beulah Beach Park. Each homeowner in this community is working against the tide of dilapidation that pervades North Collinwood. The process of neighborhood improvement is damaged and delayed by a single abandoned home.

If there is any hope of keeping and attracting responsible homeowners, the leaders of the City of Cleveland and Cuyahoga County need to develop a strategy for protecting its investors, that is, the tax payers. I would appreciate a response to my comments.

Sincere!



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Cleveland, Ohio 44110  
216-738-0087

Cc:

Douglas Stephens, Director  
The Supreme Court of Ohio  
Judicial and Court Services Division  
Ohio Judicial Center  
65 South Front Street, 6<sup>th</sup> Floor  
Columbus, Ohio 43215-3431

# CITY OF SOUTH EUCLID



**Georgine Welo**  
Mayor

February 28, 2006

Chief Justice Thomas J.  
Moyer Ohio Supreme Court  
65 South Front Street  
Columbus., Ohio 43215 3431

Dear Chief Justice Moyer:

You are, no doubt, aware of the problems in our neighborhoods caused by vacant and abandoned properties that languish, in foreclosure in the Cuyahoga County Court of Common Pleas. I understand that the Supreme Court is investigating the issue of the reporting of the foreclosure cases in the Cuyahoga court system, The Supreme Court is to be commended for taking quick and serious action. It is my hope that all of the pending foreclosure cases as well as the new filings are reported by the judges.

There is, however, another issue that demands your immediate attention. The Cuyahoga County Foreclosure Magistrates, with the approval of the judges, require that a party pursuing foreclosure complete and file a Certificate of Readiness before the Magistrate will set a Default Hearing. I have enclosed a copy of the Certificate. As you can see, noncompliance with any item, no matter how insignificant to the case, is grounds for a dismissal.

The Magistrates and the court have offered a poor excuse for the Certificate by blaming the creditors' attorneys. They say that the creditors' attorneys would come to Default Hearings not having met their requirements to allow a case to proceed to judgment Magistrate Bucha was quoted in an article in the Cleveland Plain Dealer on May 21, 2005 as saying that sloppy work by lawyers forced the dismissal sanction of the Certificate of Readiness. This is a very interesting and unfortunate comment. The Magistrates are known across the nation for their extremely stringent review of each foreclosure action as they apparently consider themselves to be the guardians of real estate titles for Cuyahoga County, These same lawyers who Mr. Bucha says does sloppy work file foreclosures in all of the other 87 counties of this state, so you would think that there are title issues or defects on those properties that go to Sheriff's sale in the other counties. But that is not the case. The title insurance industry will tell you that the titles for properties that have gone to Sheriffs sale in the other 87 counties are no less insurable than the titles of the properties that go to Sheriffs sale in Cuyahoga County. There are people in the title business with far more knowledge of and experience in the law and real estate titles than the

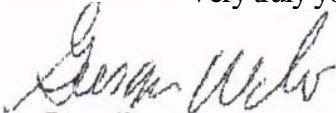
Magistrates, but the Magistrates' and the courts' have chosen to ignore there, resulting in a foreclosure process wrought with unnecessary delay.

Here is a prime example of the Certificate of Readiness inflicting harm on our community: Cuyahoga County Common Pleas case number 523917. The property being foreclosed, 1988 Hayden Avenue in East Cleveland is abandoned. The lender's attorney, from a law firm that has a sterling reputation as the best in the foreclosure business in Ohio, attended the Default Hearing before the Magistrate who dismissed the case because the address on the Preliminary Judicial Report showed "Cleveland" instead of "East Cleveland." This typographical en-or had absolutely no effect on the coverage offered by the title report and caused no confusion as to the identification of the property. The attorney has prepared a Magistrate's Decision showing the correct address and could have filed a corrected, title report the next day. On March 8, 2005 the attorney filed a Motion to Vacate the Dismissal and requested a Hearing with Judge Judith Kilbane-Koch. Instead of having a hearing herself, Judge Koch punted it back to tie Magistrate who held a Hearing on May 27, 2005, three days after at least 10 inner ring suburban mayors testified at a public meeting held by Commissioner Timothy Hagan to impress upon the Commissioners the blight of vacant and abandoned properties delayed in foreclosure. At the Hearing the attorney presented the Magistrate an Affidavit from a court-appointed, special process server who said in the Affidavit that the property is vacant. **NINE MONTHS LATER AND THE COURT HAS YET TO RULE ON THE MOTION TO VACATE THE DISMISSAL.** The most unfortunate part of this is that I am sure there are many, many more vacant and abandoned properties in foreclosure that have met a similar fate.

Our communities cannot stand for this from the court. I know I speak for the other inner ring suburban mayors when I say that as mayors we are out on the front lines where residents living near these properties continually express their frustration with the foreclosure process and look to us to remedy the problem. I am not an attorney but I have read your Rules of Superintendence and Rule 1(B) of the Rules of Civil Procedure and cannot believe that dismissals under the Certificate of Readiness are something the Supreme Court would allow. From a laypersons perspective this seems like a gross miscarriage of justice.

The public has a right to know how the court's policies negatively affect their standard, of living, but it is my hope that we can soon tell the public that this a problem they will no longer suffer from. Thank you for your time and I look forward to your reply.

Very truly yours,



Georgine Welo,  
Mayor, South Euclid, OH