

DIVISION OF HOUSING AND COMMUNITY DEVELOPMENT  
CITY OF PHILADELPHIA

**Event:** Public hearing to receive comments on the *Consolidated Annual Performance and Evaluation Report* for the period of July 1, 2015 – June 30, 2016 and to accept testimony on housing and community development needs for CDBG Year 43 (fiscal 2017).

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I submit the following comments:

It is my pleasure to appear today as the Director of Homeownership Rights at SeniorLAW Center. I would like to thank DHCD for funding the third year of the SeniorLAW Center Diversion court project which provides critical help in the courtroom by SLC attorneys to housing counselors and homeowners 60 years and older who are facing mortgage and reverse mortgage foreclosure. Beginning in August 2014, when the number of mortgage foreclosures filed annually was over 4000, DHCD provided funding to SLC to launch a triage program where SLC attorneys appear and represent seniors every Thursday in mediation hearings, and where we act as legal consultants to senior homeowners and their housing counselors. To expand the number of seniors that SLC attorneys are able to assist in the courtroom each week, SLC reached out to the area law schools looking for law students willing to collect demographic information and open Diversion case records for senior appearing in court for the first time. The University Of Pennsylvania is advertising for students and we hope to launch this program shortly thereby freeing up SLC attorneys to represent clients at mediation hearings.

The need for a senior triage program in Diversion Court continues. There were

4,141 mortgage foreclosure actions filed in Philadelphia in 2015, about 20% of which came from neighborhoods in the North and Southwest parts of the City where the percentage of seniors who own their homes hovers between 70 and 80 %. According to data gathered by the Philadelphia Corporation for Aging, in the zip codes experiencing the highest foreclosure rates, namely, 19120 and 19124, between 70% and 80% of the seniors living there are homeowners, and approximately half have mortgages on their homes. Senior homeowners represent a large and growing segment of the Philadelphia foreclosure cases. At the time that demand is increasing, the rules governing forward mortgage modification changed on December 31, 2016 when the Home Affordable Modification Program sponsored by the US Treasury ended. We expect that loan modification applications for senior homeowners may need increasing oversight and advocacy in the coming months. Beginning in January 2017, homeowners whose mortgage payments are less than 90 days delinquent, can contact their mortgage company and request mortgage assistance. The mortgage company is expected to evaluate the homeowner's financial hardship and work with the homeowner to find an affordable resolution. Once the 90-day delinquency period is reached and the homeowner is sued for foreclosure, the only modification option that may be available in many cases may not be affordable for many low income homeowners, such as our senior clients. We anticipate these seniors, once they are sued for foreclosure, will have to use the "Exceptions Process" and advocate directly with the government agency that owns their loan, namely Fannie Mae and Freddie Mac, for an affordable modification based upon their particular hardship. We foresee a great need to provided extended representation to these seniors so that negotiated settlements can be achieved, and these loans can be modified and made affordable. Philadelphia will continue to have the Diversion Court overseeing its mortgage foreclosure process but SeniorLAW Center is

needed to represent seniors in court hearings addressing the new and shrinking world of mortgage modification opportunities.

My second reason for testifying today is to remind DHCD that the needs of senior homeowners for legal services are rapidly expanding as our senior population in Philadelphia grows and ages. According to Philadelphia Legal Assistance, the agency responsible for the Save Your Home Philly Hotline, there were 648 reverse mortgage foreclosure cases filed in Philadelphia from January 2007 through September 2016. The reverse mortgage foreclosures per month in 2014 averaged 11.5, and increased to a monthly average of 12.8 in 2015 and 48.4 per month in the first six months of 2016. Only homeowners age 62 or older are eligible for reverse mortgage so this foreclosure increase is a ***strictly senior problem***. This past year has seen a great changes in the rules and regulations relating to reverse mortgages, which has made it harder than ever for seniors to resolve reverse mortgage foreclosures. In 2015, SeniorLAW Center and the National Consumer Law Center opened a dialogue with the U.S. Department of Housing and Urban Development (HUD), the agency providing the financial guarantees of these reverse mortgages, and we began providing the HUD regulators in Washington, DC with stories of how their regulations resulted in Philadelphia seniors losing their homes for as little as \$3000 in past due property taxes. We convinced HUD to encourage the reverse mortgage servicers to work out affordable repayment plans with senior homeowners thereby saving these homes. We continue to press the case for senior homeowners in Diversion mediations with local counsel for reverse mortgage servicers who are often uninformed of new HUD directives. We must often contact HUD and ask that they intercede directly with the mortgage servicers to ensure that the HUD protections granted to senior borrowers are observed and enforced in Diversion. SeniorLAW Center must continue to play this watchdog role if seniors with reverse mortgages are to keep their homes.

In March 2016 SLC was invited to testify before the Finance Committee of Philadelphia City Council to explain reverse mortgages and offer our insights into why the number of reverse mortgage foreclosures had increased so dramatically. We began by noting that a clear majority of older Philadelphians – approximately 74% -- own their homes. Seniors over the age of 65 in Philadelphia account for 28% of the total homeowners in the city. Of the 127,000 Philadelphia properties inhabited by someone over the age of 65, 63% have no mortgage. That's 80,000 homes sitting atop a mountain of equity and this make these homeowners an irresistible target for reverse mortgage lenders. Half these homes owned by seniors, approximately 63,500, were built before 1950 and can be presumed to need significant repair and upkeep. When surveyed by Philadelphia Corporation for Aging, 75,300 Philadelphia seniors reported that their home is in need of major repair. When we take into account that 1 in 5 older Philadelphia homeowners live in poverty, the challenge of how to maintain their homes in a safe and habitable condition comes into focus. Many turn to reverse mortgages as a way to finance needed home repairs.

On March 16, 2016 we testified that the number one reason why seniors were getting into trouble with their reverse mortgages and were being sued for foreclosure was because the loan was not explained to the homeowner in terms they understood by the mortgage broker. Homeowners misunderstood their obligations under the loan; namely that they must pay their property taxes and keep their home insured against loss from fire. When either condition is broken, the homeowner can be sued for foreclosure. The second reason for the rise in reverse mortgage foreclosures: widows, widowers and heirs were needlessly losing the family home when the borrower died because the servicer preferred to foreclose the loan rather than assist the survivors with refinancing. Also, mortgage servicers are not using their HUD authorized discretion to evaluate reverse mortgage borrowers for repayment plans when real estate taxes

or homeowner insurance premiums become delinquent, preferring instead to call the mortgage due and payable and sue for foreclosure. Lastly, repair contractors and reverse mortgage lenders often working together confuse seniors and convince them to give up the equity in their homes in order to finance home repairs which are often not completed or shoddily performed. We presented the testimony of one SLC client who was ripped off by a home repair contractor who convinced the senior to finance shoddy home repairs with a reverse mortgage reverse after telling the senior she would not have to pay anything for the repairs.

We made some recommendations to City Council and several were immediately acted upon. First, SLC worked with DHCD to launch a community education campaign warning senior consumers of the risks involved with a reverse mortgage. Second, SLC is working with HUD, the Philadelphia Law Department and Philadelphia Revenue to convince reverse mortgage servicers to refrain from bringing foreclosure actions against Philadelphia seniors who are paying their property taxes in city approved installment agreements. We also suggested, and remain hopeful, that City Council will work with the new PA Attorney General to enforce the Home Improvement Consumer Protection Act against unscrupulous home repair contractor who take money and do no work or perform shoddy repairs.

Most notable, we asked City Council to increase Home Retention Funds to permit more seniors sued for foreclosure arising from unpaid taxes and insurance premium,s to apply for grants from the City to pay their delinquency which is usually between \$3000 and \$5000. I believe this money became available in September 2016 and was used up by the end of January, 2016 but during the time funds were available SLC was able to save 13 homes and many, many more homes were saved through efforts of the housing counselors.

SLC is well positioned to play the role of watchdog for senior homeowners since these seniors are the precise clients and communities that SeniorLAW Center has been serving for the

past 38 years. Our knowledge and understanding of this community, along with our established neighborhood presence, is the reason that we were able to dive into the reverse mortgage issue and advocate nationally on behalf of these seniors. In addition to the Diversion court project, SLC operates the statewide SeniorLAW HelpLine, creating an aging services network that effectively responds to the wide-ranging legal needs of seniors in many areas of law, including housing, in all Philadelphia neighborhoods and throughout the Commonwealth. We have established our reputation with the public and with our aging services colleagues as the legal service agency that saves seniors' homes from mortgage foreclosure, that represents senior borrowers in negotiating with reverse mortgage companies to allow seniors to remain in their homes, that sues home repair contractors for providing shoddy work, or no work at all despite being paid, because these contractors think they can take advantage of seniors living alone, who are isolated and vulnerable. We go to the bedsides of homebound seniors in order to help them execute documents they need to modify mortgage loans or to untangle the title to their homes or to write a will. We are called upon by State Representatives, City Council members, Philadelphia Corporation for Aging, clergy, and even DHCD itself to conduct community education on senior issues because we are recognized as the expert in Philadelphia.

We train DHCD funded housing counselors and the Judges Pro Temp who serve in the Diversion court on matters effecting senior homeowners. In July 2016 I was invited to present on the topic of reverse mortgage foreclosures in Philadelphia at a regional conference sponsored by the Philadelphia Reserve Bank. In November 2016 I spoke on reverse mortgages in Harrisburg at the Homes Within Reach Conference. We also conduct community trainings about Senior Citizen Tax Freeze, the Property Tax Rebate, and other tax advantages for seniors and how tax planning can help save homes that are sued for foreclosure. On many occasions, we have enrolled seniors in tax programs over the phone while they are in Diversion court,

thereby lowering their real estate taxes and making it more likely they can afford a monthly mortgage payment that will permit them to remain in their home. We appear on panels in senior centers and in the community presenting information in English and Spanish on the Pitfalls of Reverse Mortgages, How to Protect Yourself from Deed Fraud and How to Hire a Home Repair Contractor.

Many are aware that the number of real estate tax foreclosure cases has skyrocketed in Philadelphia. In 2010 the city filed 338 tax foreclosure cases, in 2011 the number of filings jumped to 1825 and in 2015 the number of filings exploded to 6841! SLC was instrumental in creating the Philadelphia Legal Services Tax Manual currently in use by persons involved in handling property tax foreclosures. SLC attorneys represent seniors sued for property tax delinquencies but the demand for our service greatly exceeds our capacity. The neighborhoods with the highest number of real estate tax delinquencies are 19143, 19132 and 19140. SLC conducts a monthly intake clinic at the Mann Older Adult Center in the 19140 zip code where the percentage of seniors who own their homes is between 70% and 80%. With increase funding, we would like to double our intake days at the Mann clinic and sponsor community education forums telling seniors what to do if their property taxes are delinquent.

Unfortunately, with our current level of funding, SLC is hampered in its ability to visit seniors in their homes in order to evaluate homebound, disabled and chronically ill seniors sued for tax and mortgage foreclosure to determine their mental competency and whether they are eligible for city tax benefits. Court procedures are being reviewed to make sure all homeowners with delinquent property taxes are provided due process and an opportunity to work with the tax collector to arrange for an affordable payment plan. With additional funding from DHCD, SLC will create a triage program for the tax collection court and represent clients facing property tax foreclosure, helping them negotiate payment plans with the city, so they can pay their

delinquent taxes in affordable monthly increments while also paying current year taxes and their ongoing living expenses. We will conduct a “property tax check-up” for all interested senior homeowners, to ensure that these seniors know their rights and how to lower their taxes. Educated eligible seniors are able to take advantage of special tax programs designed to take into account their long time occupancies, fixed income parameters, and the effects of neighborhood gentrification. We will also conduct outreach programs throughout Philadelphia about these crucial property tax issues, partnering with the aging network, legislative leaders and communities.

Our legal staff meets seniors where they live. We go into the community and conduct legal triage each month in eight senior centers throughout the city, and bring these legal problems back to our Center City office for possible legal representation. And for those seniors unable to travel to meet us, our SeniorLAW HelpLine is available to every senior throughout Pennsylvania. Our HelpLine is a lifeline for seniors who are isolated and alone. They are able to call and get legal advice, information and referral on the phone on how to handle their critical problems affecting their safety and shelter. Our wide-ranging services enable us to respond to the attendant needs of senior homeowners, including financial exploitation, protection from abuse and violence, advance planning needs which affect their health care and economic security, consumer protection, veterans’ issues, help for grandparents raising grandchildren in multi-generational homes, and so much more.

The majority of Philadelphia senior homeowners live in row home structures – many built early in the 1900s. These homes hold enormous value to an elder’s independence. As these houses age, they create an increasing demand for repairs. 75,300 seniors in Philadelphia report that their home is in need of major repair. As the need for repairs grows so does financial exploitation by repair contractors often teamed up with overly aggressive marketing efforts by



reverse mortgage lenders. Adding to the problem is the fact that more than 75,000 Philadelphians age 65 and older live alone, adding to their detachment and exposure to poverty and exploitation. SeniorLAW Center leads the effort to inform seniors about free home repair programs offered by the City and the low cost Renovate & Repair Loan Program sponsored by Pennsylvania Housing Finance Agency. But we don't stop there. Seniors frequently contact us after they have taken out a reverse mortgage to pay for home repairs and are not satisfied with the repair work or when they have paid thousands of dollars for work that was never performed. Right now SeniorLAW Center is supervising 8 teams of volunteer attorneys at private law firms which SeniorLAW Center recruited and trained to handle contractor fraud litigation.

SeniorLAW Center contributes our expertise and time to evaluate monthly requests to the Tangled Title Fund Committee, an DHCD-funded group, providing grants to low income homeowners to clear title to their homes so that they can apply to free repair and tax assistance programs. We petition the committee for funding for our senior clients, presenting, on average, four applications per month. At the request of the Department of Records, we joined the Fraudulent Deed Conveyance Committee and we serve on the Steering Committee for the Diversion Court and on the Save Our Homes Coalition. SeniorLAW Center co-chairs the Delivery of Legal Services Committee, serves on the Pennsylvania Access to Civil Justice Coalition and Philadelphia Civil Gideon and Access to Justice Task Force, is an appointed leader and only legal services provider of the groundbreaking Pennsylvania Supreme Court's Elder Law Task Force and the Supreme Court's new Elder Justice Advisory Council, is a member of the First Judicial District's Elder Court Committee to create one of the few elder courts for victims and litigants in the country, is a leader of the Landlord/Tenant Legal Help Center leadership collaborative, and

chairs the National Association of Senior Legal Hotlines and HelpLines, among many other roles we play in the aging network and senior housing communities.

So why should DHCD continue to fund and increase support of SeniorLAW Center's efforts to save seniors' homes? Because our efforts bring tangible results and SeniorLAW Center needs the financial support of DHCD so we can continue to help people in the communities where they and we live so that seniors are kept safe and independent in their life long communities, stabilizing neighborhoods and preventing additional vacancies and stopping blight. And the demand for these services is not decreasing – we receive thousands of requests for advice and representation every year.

Let me end with a story that typifies the kind of result SLC achieves for its clients. A 70-year-old reverse mortgage borrower receiving \$1200 per month Social Security came to SeniorLAW Center after she was released from the hospital, returned home and was served with a mortgage foreclosure complaint. She had fallen behind on her property taxes and homeowner's insurance premium while in the hospital and the amount she owed was \$6372. The mortgage servicer was demanding payment in a lump sum; no installment arrangement was permitted. The litigation was in the Diversion court and we explained at a hearing before Judge Robinson our plan for repaying the \$6372 with a \$3000 grant from Home Retention Funds, \$870 down payment from senior, and the balance paid in monthly installments of \$70 which we demonstrated she could afford. Judge Robinson ordered the servicer to review our offer. In the meantime, I sent the servicer a Notice of Error pointing that the senior was being charged for insurance coverage purchased by the mortgage company at a time she had her own coverage and therefore was entitled to a credit of \$567.78. The servicer acknowledged their accounting error and issued the credit. The servicer also agreed to accept our offer and permit repayment

of \$70 per month for 18 months. Unfortunately, getting to this winning result took 45 hours of time between November 2015 and June 2016 to achieve the result.

We are a small and nimble agency which makes a large impact and we hope to do much more for the seniors of our community in partnership with OHCD in the future. We are well-positioned to respond to crises as they develop in the senior community in Philadelphia and this is why I am here making this appeal for continued funding for SeniorLAW Center and for a specific focus on the needs of senior homeowners in our great City. Housing is the #1 issue facing Philadelphia seniors and the ideal of *aging in place* becomes not a dream but a nightmare if those houses become uninhabitable after seniors are defrauded by shoddy or dishonest home repair contractors, or if these homes are foreclosed upon due to delinquent real estate taxes or delinquent mortgages or if they are stolen through fraudulent deeds. Our City and state had the foresight to create programs and protections for seniors, but funding for legal services is critical and essential if seniors are to be able to access these protections. Meanwhile SeniorLAW Center struggles to meet the increasing legal needs of seniors. We ask that OHCD recognize the special needs of senior homeowners, including the critical role of legal services in protecting their rights. OHCD's support and partnership is tremendously meaningful and appreciated by the elders of our community, to whom we all owe our respect, attention and gratitude.

Thank you for giving me the opportunity to testify today.

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