

Saving Homes, Saving Families, Saving Money

Sometimes you have to spend money to save money. Spending money to save a family from foreclosure saves money too.

The Homeowner's Emergency Mortgage Assistance Program (HEMAP) offers loans to homeowners of all income levels. HEMAP is considered a national model in keeping families in their homes when faced with short-term emergencies, such as unemployment, underemployment, or a family or health crisis. With a HEMAP loan, homeowners can pay their mortgage (or back payments) for a short period of time until they can continue making payments on their own.

On average, HEMAP provides roughly \$11,000 in assistance to homeowners who need help paying their mortgages. Participants in the program are required to pay back the money they receive, plus interest. HEMAP requires applicants to undergo an approval process to ensure they have the ability to pay off the loan. If an applicant cannot show the ability to repay, the program rejects the application. If approved, the state holds a mortgage on the property until the loan is paid in full.

This is not welfare. HEMAP provides loans, not handouts.

Because of the economic crisis, demand is stretching the program to its limits. In 2008, there were more than 12,000 applicants to the program, with even more projected for this year. Philadelphia led all counties with just under 2,000 applicants last year. In Pennsylvania, there were nearly 43,000 foreclosure filings in 2008—a 127 percent increase over 2007. In February, 2009 alone, there were nearly 3,700 foreclosure filings in Pennsylvania. At this rate, we will easily match the record number of foreclosures, and applicants to HEMAP, set last year.

Recently, the program needed additional funding to continue its operations. Last month, the Governor approved an additional \$5 million dollars in emergency funding to the program, which had received \$11 million during this fiscal year. This will allow more than 500 families to stay in their homes and communities. However, this additional funding will only allow HEMAP to effectively function through June 30th.

Eleven thousand dollars per recipient is small potatoes compared to the cost of providing other social services these families would need if they are forced from their homes. Easily, these costs can run in the tens of thousands of dollars per displaced homeowner.

And let's not discount the emotional trauma on the families who've lost their homes. The stresses on these displaced homeowners often lead to depression and other desperate and un-wanted outcomes, such as drug or alcohol abuse, theft, domestic violence, or child abuse.

Those who vociferously declare they are tired of paying for other peoples' mortgages should keep this in mind: vacant and unsold homes drive down property values for everyone in the community. Your neighbor's foreclosed property is costing you thousands of dollars in lost property value. You are paying for that foreclosed property twice; in the social services your tax dollars pay for and in the falling value of your own home. Isn't it better to provide help at a critical time, and get paid back - with interest - because it's a loan?

Unfortunately, the budget proposal for the upcoming year, repeats the mistake of the past, with again, only \$11 million allocated for the program. If \$16 million is needed now to keep the program operational, common sense says that more funds are necessary, as demand for HEMAP will only increase until the economy rebounds.

The Governor and the Legislature need to reconsider the budget request for HEMAP, and fund this program to a more appropriate level that reflects the current and anticipated increase in demand.

Similarly, \$2 billion of Federal stimulus money was allocated to HUD's Neighborhood Stabilization Program to assist states and municipalities in purchasing foreclosed or abandoned properties. Regrettably, HUD's guidelines for this program prohibit this money from being spent on *preventing* foreclosures. Members of Pennsylvania's congressional delegation need to work with HUD to change the guidelines to prevent foreclosures in the first place, not after the fact.

Keeping families and neighborhoods stable creates and preserves value and will save money over the long haul. In this case, spending money to save money provides a real and measurable return on investment, and makes good fiscal sense for everyone.

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