

N.J. Mortgage Foreclosure Mediation Program

Excerpted from Starledger, August 23, 2009

New Jersey's Mortgage Foreclosure Mediation Program started last year in Middlesex County and went statewide in January. As of June, 52 percent of cases were settled with 281 people keeping their homes, said David Wald, a spokesman for the attorney general.

Through its hotline and website, 2,028 residents have connected to a network of low-income legal services, financial advisers and mediators who work for them free of charge.

The cases can take a significant amount of time because homeowners must produce all their financial documents, said Kevin Wolfe, chief of the Civil Practice Division in the Administrative Office of the Courts.

"When a housing counselor is involved, the success rate is higher, and that's primarily because the lenders need financial data to make a decision as to whether or not they're going to grant the modification," said Wolfe.

Every homeowner has a different situation, said Wolfe. But the state agencies and nonprofits running the program maintain there's a positive solution for anyone who participates.

Housing counselors are advocates for homeowners and can help them work out mortgage arrangements with payments they can afford. Mediators are neutral go-betweens for banks and homeowners who may have difficulty coming to an agreement. And without either a counselor or mediator, homeowners in foreclosure are out of luck, said Shavar Jeffries, counsel to the attorney general.

"They're going to be kicked out, and they're going to have that on their credit," said Jeffries. "It's the worst-case scenario for everyone."

Those running the program, which is available to residents of all income levels, said no other state uses the same comprehensive approach to provide shelter from the flood of foreclosures. A similar program in Connecticut does not require homeowners to have financial counseling. A program in New York is offered only to subprime borrowers.

Resolutions may not come quickly and easily in a crisis of this scale, said Wolfe, but for homeowners in the program, they look like this:

Reducing mortgage interest rates can keep monthly payments down, enabling someone to stay in their home longer. Late fees and other charges may be forgiven so the bank does not acquire the property. In cases when mediators cannot save the home, they can preserve the homeowner's credit by convincing lenders to sell it for less than the previous mortgage value so the home can be sold. There's also incentive for a bank to get rid of a homeowner's bad mortgage when it can be sold for more than the value of a loan.

They are creative ends to a common problem, said Wolfe. But they're possible because some banks want to avoid foreclosure as much as homeowners do.

"There really is a common interest," said Eric Max, director of the state's Office of Dispute Settlement. "The banks really do not want to own additional homes, and the homeowner really does want to stay in the home."

Those interested in the program may reach housing counselors through its hotline, 1-888-989-5277 or its website, <https://www.lsnjlaw.org/foreclosure/>.