



**Prepared Testimony of  
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**“Possible Responses to Rising Mortgage Foreclosures”**

**Before the  
House Committee on Financial Services  
United States House of Representatives**

**April 17, 2007**

Good morning Chairman Frank, Ranking Member Bachus, and Members of the House Financial Services Committee. I am Doug Garver, Executive Director of the Ohio Housing Finance Agency (OHFA). Thank you for inviting me to testify today on possible solutions to the national foreclosure crisis.

The state of Ohio has been hit especially hard by home foreclosures in part because of an economy that has suffered a decline in the manufacturing sector and an increase in subprime loans. Last year, Ohio led the nation with 11.32 percent of subprime loans in foreclosure. In addition, according to the Mortgage Bankers Association<sup>i</sup>, the state has the second highest rate of all home loans in serious delinquency, meaning the loan is either in foreclosure or more than 90 days late. This ranking puts Ohio behind Mississippi, which leads the nation in foreclosures, and in front of Louisiana, two states devastated by the 2005 hurricane season. Furthermore, the crisis is not nearing its end in Ohio. At least \$14 billion in Adjustable Rate Mortgages (ARMs) will reset in 2007 and 2008, impacting potentially over 200,000 Ohio homeowners<sup>ii</sup>.

OHFA is a self-supporting housing finance agency, independently governed by an 11 member, Governor-appointed board. Administering both federal and state resources, we strive to fulfill our mission of opening the doors to an affordable place to call home. Keeping those doors open became increasingly important as this crisis unfolded. Late last year, we gathered our stakeholders to develop possible solutions to this growing problem.

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*We open the doors to an affordable place to call home.*

We recognized early on that we could not solve the problem alone but we could be a piece of the solution and prevent many Ohio families from the turmoil that foreclosure brings.

We quickly focused our work on developing a refinancing product to assist those families in mortgages that were no longer suitable for their circumstances.

On April 2<sup>nd</sup>, OHFA proudly unveiled the Opportunity Loan Refinance Program, which makes available affordable, 30 year, fixed-rate financing. Modeled after our successful First-Time Homebuyer Program, this refinancing product will be funded by the issuance of taxable mortgage revenue bonds, which we will issue in response to underwritable demand for this new product.

Opportunity Loan assists those families in Adjustable Rate Mortgages (ARMs), Interest-Only products and those that have had an unplanned life event such as divorce or change in employment. Family income may not exceed 125% of the Area Median Gross Income (AMGI), which varies by county and ranges from \$73,000 to \$84,000 a year. A full appraisal is also required on the home to assure its true value.

In addition, Opportunity Loan offers a 20-year, fixed-rate second mortgage option at an amount up to four percent of the appraised value of the home. OHFA reserves fund this option. The second mortgage offers the flexibility to cover certain eligible costs including payoff of the existing first or second mortgage, closing costs, escrow accounts for taxes and homeowner's insurance, pre-payment penalties and other charges associated with the

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existing mortgage lien. The interest rate on this option is two percent above the rate of the first mortgage.

Education is a key component of the program and is designed to help prevent borrowers from making decisions that could lead to foreclosure in the future. A total of four hours of face-to-face counseling is required. Typically, this includes two hours during an initial interview to assess the borrower's current situation, and an additional two hours of one-on-one counseling. Proof of education must be provided prior to closing. In addition, we require post-purchase counseling in the event a mortgage payment is 30 days late or more.

Our efforts will be complemented by the newly-created Governor's Foreclosure Prevention Task Force. Governor Ted Strickland, seeing the desperate need for solutions to this issue in his first few months in office, formed the task force and charged the group with developing additional strategies to assist homeowners facing foreclosure. This 25-member task force is made up of various stakeholders from federal, state and local governments, the lender community and public advocacy groups. The task force plans to recommend additional options to address Ohio's home foreclosure crisis within two months.

Again, I appreciate the opportunity to address you today and welcome any questions you may have.

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<sup>i</sup> *National Delinquency Survey* (Fourth Quarter 2006), Mortgage Bankers Association

<sup>ii</sup> *Dimensions of Ohio's Foreclosure Crisis*, Bill Faith, COHHIO and Paul Bellamy, J.D., Ph.D.

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