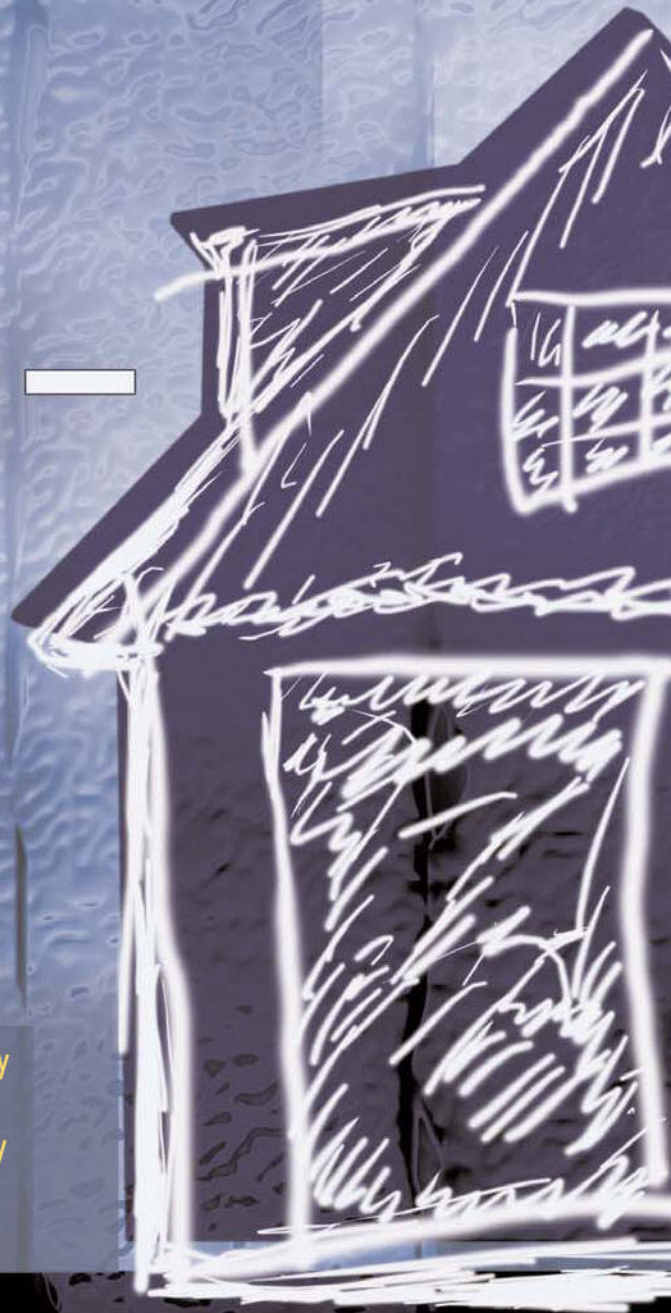


Avoiding Foreclosure — Without Bankruptcy

By John Lyons and Cynthia Witman Daley

Many homeowners in Pennsylvania are now facing foreclosure and may be considering bankruptcy to save their homes. Although bankruptcy may be the only option for those with a very high debt burden, for many there may be another route. Homeowners may be able to receive assistance from the Homeowners Emergency Mortgage Assistance Program (HEMAP), created by the General Assembly in 1983 with the passage of Act 91. (35 P.S. § 1680.401c — 1680.408c (2006))



HEMAP, administered by the Pennsylvania Housing Finance Agency (PHFA), provides assistance in the form of loans to pay mortgage arrearages as well as ongoing mortgage assistance for a total of 24 months. The program provides temporary assistance so homeowners can remain in their homes while they regain their financial footing.

Since its inception, HEMAP has helped more than 38,000 families save their homes. The program may be an attractive alternative to bankruptcy for those who are facing temporary hardships and need help bringing their loans current. Families needing ongoing monthly assistance can also qualify.

The two main requirements for HEMAP approval are that a homeowner is in default due to circumstances beyond his or her control and that he or she has “reasonable prospects” of being able to resume regular payments within 24 months of the

default. Although many different situations will make a homeowner a candidate for HEMAP, the most common are when a homeowner has had a decrease in income (due to unemployment, divorce/separation) or has had unexpected expenses (medical/home/auto expenses) and is unable to pay both his or her bills and the mortgage. The individual has to have reasonable prospects for resuming regular mortgage payments, given more time. Reasonable prospects can be demonstrated in many ways, including having a new job, good prospects for finding a new job or participating in budget counseling to help manage finances better in the future.

If you have a client who cannot pay the household expenses and the mortgage due to circumstances beyond his or her control but has reasonable prospects for resuming payment, then the HEMAP program may be a viable alternative to bankruptcy.



Filing a HEMAP application is a straightforward process. Homeowners must be in foreclosure, usually evidenced by receipt of an "Act 91" letter from their lender. They need to meet with housing counselors who will help them complete their applications. HEMAP provides a decision within two months, during which time the foreclosure is stayed.

Although the process itself is simple, there are pitfalls. For example, when many applicants complete the description of the circumstances that led to their default, they reflect on how desperate they feel, with no vision for recovery. This may make them ineligible for HEMAP assistance because they have not

shown reasonable prospects for resuming mortgage payments within 24 months of their delinquency.

There is now a resource to help HEMAP applicants complete their applications and avoid many common pitfalls that result in denied applications. The HEMAP Help Center (www.hemap.org), a project of Regional Housing Legal Services (RHLS), offers free critiques of any application. RHLS is a nonprofit legal aid program providing legal and technical assistance to community-based organizations throughout the commonwealth and focusing on various aspects of affordable housing, including mortgage foreclosure. At the HEMAP Help Center, homeowners can find information about HEMAP, the HEMAP application and links to useful information. Although applications cannot be submitted online, the help center does help homeowners who are preparing to meet with housing counselors to submit applications to PHFA.

The help center has experienced reviewers who provide Internet-based assistance to homeowners preparing to apply for HEMAP. The homeowner may complete a draft of the description of circumstances online and send it to the help center for review and comments prior to finalizing the application. The help center assists applicants in describing their situations in response to HEMAP's requirements. Surveys conducted in the past year show that 40 to 50 percent of individuals who sought assistance with their applications through the HEMAP Help Center were approved by PHFA, a significantly higher number than the roughly 30 percent overall approval rate for HEMAP. HEMAP is a proven program that has helped thousands of Pennsylvanians save their homes. It may be a viable alternative to bankruptcy for clients whose homes are in foreclosure but have reasonable prospects for regaining their financial footing. Since its inception more than 24 years ago, 85 percent of Pennsylvanians

who have received HEMAP assistance have been able to remain in their homes. Hopefully, some of your clients will join this group. ☺



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For more information about the HEMAP Help Center, contact Regional Housing Legal Services at (717) 236-9486, Ext. 205, or cindy@rhls.org. Additional information about HEMAP is available from the Pennsylvania Housing Finance Agency at (717) 780-3800 or www.phfa.org/consumers/homeowners/hemap.aspx.

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