

**HOLD 'EM, from page 1**

Affordable Housing Trust Fund. The rest went into the state's cash reserves.

The legislature in Virginia is proposing using the bulk of its \$66 million settlement allocation to offset reductions in state aid to local governments, and cover a 3 percent pay raise for state employees.

In Georgia, according to the report, none of the \$99 million of its settlement was allocated for housing. All of it went into two programs that distributes grants for economic development across the state.

In South Carolina, House Republicans voted to give all of its \$31 million to the state's Commerce Department to create incentives for companies to relocate to there; Democrats want some money used for foreclosure assistance programs. The attorney general there is calling for the money to be used for shelters for battered women and homeless veterans.

Wisconsin applied \$26 million of its \$30 million in settlement funds to plug its budget hole, with the rest allocated to investigate mortgage fraud. Likewise, Utah lawmakers voted to keep the bulk of its settlement in its general fund, allocating less than \$4 million out of \$22 million for homeless and mortgage fraud programs.

Those states that have committed to housing programs have applied the funds toward mediation services, like Oregon, down payment assistance and Legal Aid programs.

In Oregon, there are strong opinions about how the money should be spent, and what programs it should be spent on. Some view the \$7.6 million allocation as tepid and are wary of support on the part of lawmakers for a new and untested statewide program.

"Everyone is being cautious and conservative because there are a lot of unknowns," Martin says.

It's not yet clear, she says, exactly how

the mediation program is going to work, or how many people will participate in it.

Ben Pray is the policy advisor and communications manager with the Oregon Housing and Community Services, which manages state housing funds and will operate the mediation program. OHCS intends to have the mediation program up and running by mid-July. But Pray says he does not expect the program to be fully operational and robust until this fall.

The Emergency Board's allocation of the settlement dollars will pay for the mediation program for the next three years. Advocates expect that the program will not need continued funding from settlement funds after that. One of the law's provisions creates a funding stream for the mediation program by collecting a \$100 fee when a notice of default on mortgage payments is filed. The collected fees are expected to make the program self-sufficient within a few years.

(The total cost of mediation services is \$400 for each homeowner, who will pay half the cost).

Critical to ensuring that people participate in the mediation program, advocates say, is an effective outreach campaign that can reach out to as many homeowners as possible. An effective outreach program, Martin and Byrd say, would include canvassers going door to door to reach homeowners, phone banking, community forums, and other activities to reach as many homeowners as possible before it is too late to prevent their foreclosure from happening.

The Emergency Board allocated \$450,000 for outreach efforts. The original request was double that number — \$900,000. Martin credits the reduction with a sour taste left in the mouths of legislators from prior, unsuccessful outreach efforts.

Effectively convincing homeowners to participate in mediation and helping them overcome "five years of learned distrust for

foreclosure relief," she says, will be an uphill battle.

Also critical to the mediation program's success is how knowledgeable homeowners will be about their situation, and how ready they will be to go to bat with their lender. That, Pray and others say, is where housing counselors come in — people, certified by the federal government's Housing and Urban Development department, that typically work for non-profit agencies and sit down with homeowners one-on-one to talk about the homeowner's particular situation, and what options are available to them. They can also help homeowners fill out paperwork and do whatever else to prepare them for a mediation session with the bank.

"It's not the easiest system for people to navigate on their own," Byrd says, speaking to the critical role counselors can play. Currently, there are approximately 20 housing counselors in the entire state. Eastern and rural parts of Oregon don't have any. "The demand for those services is high," Pray says. "It can be a month before you can talk to someone."

Pray says the Oregon Community and Housing Services department expects to at least double the number of housing counselors with the Emergency Board's allocation.

A question still unanswered is how much of the remaining settlement money will be used to directly assist homeowners — help them pay back payments, reduce their principal balance, or other direct forms of financial assistance.

"That is still something up for discussion," Pray says.

"None of those ideas have been thoroughly vetted," among advocates or other groups, Byrd says.

"It's up to us to convince legislators," Byrd says.

Martin admits it's tempting to provide direct assistance to homeowners. But she also says the money would not go as far as creating a program that can help many, with long-term impacts. "Do you help 30 families, or do you help everyone?" she says.

Martin also hopes that the Legislature will continue using the settlement dollars to fund foreclosure prevention programs. If the \$7.6 million is all that will be spent, it's "not what I would call sufficient," she says. "Oregon would be in the column of 'didn't do a great job.'"

But there's another pot of money that could be used for direct assistance — almost \$180 million left from the Troubled Asset Relief Program (TARP) bailout in late 2009. According to Pray, that money is earmarked for direct assistance to homeowners.

And there's yet a third large amount of money that has gotten even less attention. As part of the national mortgage settlement agreement, Oregon loan services have access to \$250 million dollars that can be used for direct assistance to homeowners. But, Pray says, that money is in the hands of the five major banks, which get to decide how and when the money is spent.

"That money is a little nebulous right now about how it's going to work," Pray says. "It's to be determined."

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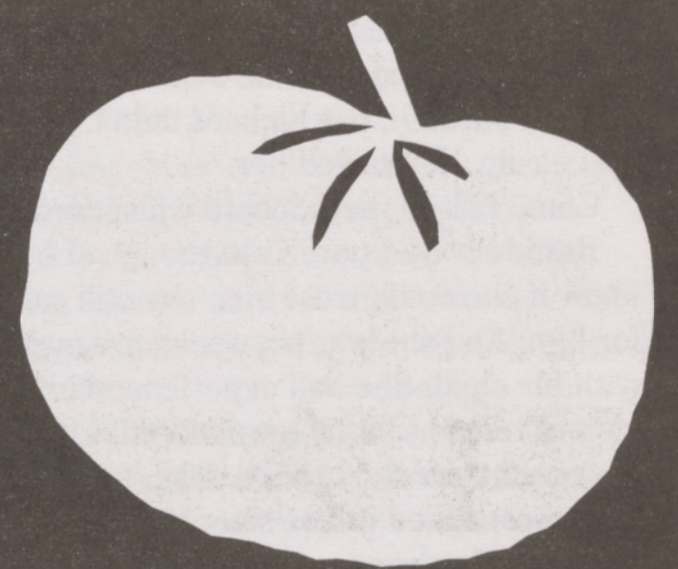
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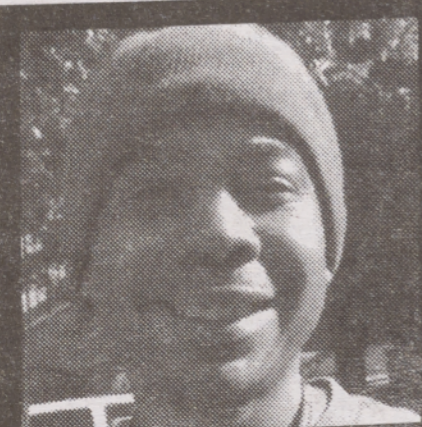


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