

Chairmen Greenleaf and Leach, and members of the Senate Judiciary Committee, thank you for the opportunity to appear before you to speak about improvements to the civil justice system. My name is Lesa Gelb and I have been a member of the Luzerne County bench since 2012. I am the Administrative Judge of the Civil Section. I am deeply appreciative of you taking the time to hear from my colleagues and me.

My remarks before the committee today are in connection with matters about which I have acquired knowledge and expertise in the course of my judicial duties. Opinions and thoughts expressed in the remarks, and in response to any questions, are my own and do not reflect the views of the Supreme Court, the Court of Common Pleas of Luzerne County or the Administrative Office of Pennsylvania Courts.

I intend to speak to you about two topics, housing court initiatives through a mortgage foreclosure diversionary program and a consumer debt collection diversionary program. I will also speak to the impact they have had on case management.

### ***HOUSING COURT INITIATIVES***

A program I became involved with as soon as I became a judge is the Mortgage Foreclosure diversionary program, established in August 2010 by Administrative Order, and of which I have been the Supervising Judge since I took the bench.

This program helps homeowners who have difficulty paying their mortgages. This program helps the banks and other lenders. This program is instrumental in preserving neighborhoods and communities.

Everyone in this program has a longing and need for a home. We all know shelter is a basic human need, but sometimes life's unexpected struggles interfere with otherwise solid plans to be a homeowner.

People are in this program because of some kind of disruption in their life whether it be disability, divorce, death of one bread earner, because of the economy or losing a job. Some are short term and some are long term problems.

Banks and other lenders are hurt by these same forces. What was once a solid loan, made after appropriate due diligence, is all of a sudden a non-paying burden, weighing down the bank and our economy. Taxes are not paid, hurting our schools and other government entities. Further, banks are ill-equipped to own or manage real estate – they need this type of a program too.

The diversionary program is a way for us to get homes back on the tax rolls and lenders back to the more traditional role of collecting on a loan from homeowners residing in their home, rather than as landlords evicting folks from their homes. When that happens, everyone loses. Our program creates light at the end of the tunnel.

The mortgage foreclosure program puts delinquent borrowers in the same room with lenders to see if they can work out some form of loan modification. Lenders have an incentive to participate and consider modification because otherwise they must maintain and market an ever increasing inventory of foreclosed properties.

For years we had approximately 250 to 275 property owners participate in the program in Luzerne County each year. We have a success rate of approximately 50%.

Luzerne County, like all of your counties, does not need blight. We don't need empty homes. It's bad for everyone. If we can keep homeowners in their homes, our program is a win-win.

It is actually a "win-win-win" – homeowners/borrowers win and banks/creditors wins. But the community also wins by avoiding empty houses and blight – resulting in decreasing property values –

children torn from school districts in which they are comfortable and increases in tax collection.

While Mortgage foreclosure filings have decreased, the housing crisis in Northeast Pennsylvania has not gone away. The Luzerne County Diversionary Program has been a ray of hope for many homeowners and I cannot thank some of our partners – our unsung heroes – enough: pro bono lawyers, non-profits – especially the Commission for Economic Opportunity (CEO) and Legal Aid lawyers.

Each program participant is required to meet with a housing counselor. Previously, two agencies locally served as counselors, but we are now down to one. The agency and its dedicated people do yeoman's work, but each year they struggle to find funding to keep themselves afloat.

Each housing counsellor is at its maximum-plus caseload. Debtors must meet with counselors, however, to make sure that the packet that bank participants require is completed properly and expeditiously. Failure to have a complete packet within 60 days means that the entire packet has to be refiled, creating frustration for all involved. The counselors are the glue that holds the program together.

North Penn Legal Services covers a 20 county area and the local office covers four counties – Luzerne, Lackawanna, Wyoming and Sullivan – with only eight lawyers. Last year this office handled almost 1400 cases and turned away nearly 2000 other cases due to not having enough personnel to handle the cases. Many eligible people are turned away due to the simple lack of manpower. In Luzerne County the population that qualifies for these services is 14.6% or 46,332. Funding for Legal Aid at the current levels means that people who could use help are literally left out in the cold. This hurts struggling homeowners; it hurts the banks; it hurts the communities; and it strains limited social safety net resources.

Unfortunately the reality is we are not able to help everyone. If all fails and the loan modifications are out of reach for the property owners, we still find that they are at least more at peace and more prepared for the inevitable move because they know that they worked along with the banks and the Court to achieve loan modifications, but they simply were not financially feasible. In time, most come to realize a house is just brick and mortar and they're ready to move on, but we strive to assist and reach a resolution with as many folks as possible.

### **CONSUMER DEBT COLLECTION DIVERSIONARY PROGRAM**

I recently initiated a new case management protocol for Consumer Credit Card/Debt Collection Actions through which all cases will be scheduled for an initial conciliation conference. Consumer debt cases constitute approximately 15 to 20 percent of the Court's civil docket.

As part of this program, the Court provides volunteer attorneys to represent *pro se* defendants at conciliation conferences, held one day per month.

We require debtors to meet with Advantage Credit Counselling Services (ACCS) to review the debt involved in the litigation. If the debtor chooses, all debt can be reviewed. The debtor enters the program with an action plan created by ACCS and develops with the lender a consent judgment for repayment of the debt in an equitable fashion for all parties. This has been a successful program, but ACCS is only assured of funding for the project through November 2018.

The goal of both the Mortgage Foreclosure and the Consumer Debt diversionary programs is to work toward financial literacy in our county. We are very fortunate that local lawyers have agreed to

participate in this program *pro bono*. Their participation is a credit to the county Bar.

## **CASE MANAGEMENT**

A huge part of the Courts' docket was traditionally consumed by mortgage foreclosure and debt collection actions. These cases took substantial judicial and governmental resources – judges, clerks, deputy sheriffs and other staff. As a result these government-paid employees were struggling to devote their full energies to other, equally important matters.

The programs I have described have, with some effort and modest resources (and we need more resources), helped to trim the Court's docket of open cases. This permits other cases – civil and criminal – to be decided at a high level.

The results of the programs have been good for all – litigants, county government and taxpayers. Coupled with an efficient and effective judicial system, it's also proven good for business and the economy.

I said "win-win-win." Actually, with the Courts and their ability to operate at a high level by more effective case management, add a fourth win: "win-win-win-win."

Thank you for the opportunity to appear before you today. I will be happy to answer any questions.