House Interim Committee on Consumer Protection and Government Efficiency
December 10, 2014

Present: Chair Alissa Keny-Guyer, Vice-Chair John Lively, Vice-Chair Dennis Richardson, Rep. Margaret Doherty, Rep. Paul Holvey, Rep. Mark Johnson, Rep. Kim Thatcher, and Rep. Jessica Vega Pederson

Excused: Rep. Greg Smith

Consumer Protection Services and Programs at the Department of Consumer and Business Services

Patrick Allen, Director of the Department of Consumer and Business Services (DCBS), stated the agency strives to provide a positive business environment and a competitive marketplace for goods and services as a means to protect the interests of consumers. The agency relies on three tools to accomplish this: licensing, chartering and examining businesses and occupations; setting and enforcing standards; and educating and advocating for consumers. He described specific activities in each of these three areas. He also talked about a recent initiative in which the Department partnered with banks and credit unions to reach out to the unbanked through the "Bank On Oregon" campaign.

Mr. Allen also discussed consumer protection legislation the agency will introduce in 2015 addressing payday lending and "buy here/pay here" auto loans. Responding to a question, he described efforts to recover and return money lost by consumers in addition to imposing a civil penalty and/or revoking a license of the business that violated trade practices.

Oregon Foreclosure Avoidance Program

Janet Borth, Assistant Attorney General at the Department of Justice, reviewed the 2012 and 2013 legislation that created the Oregon Foreclosure Avoidance (OFA) program (Senate Bill 1552 and Senate Bill 558, respectively). The OFA program became operational August 4, 2013. Prior to initiating the foreclosure process, the lender sends a borrower notification that they can participate in a foreclosure avoidance conference in which they sit down with the lender and a neutral facilitator. If the borrower chooses to participate, they pay a fee, meet with a housing counselor and provide the required documents. A conference is then scheduled, and the borrower is allowed to bring a housing counselor to the conference. In a typical month, 800 to 1,200 notices are sent to borrowers. The participation rate is 31 percent, after adjusting for undeliverable notices and deceased homeowners. Since the program began, agreements have been reached in 980 cases, while 968 cases closed without agreement. About 84 percent of agreements involve the homeowner keeping their home. The vast majority of homeowners, including many of those who ultimately were not able to keep their home, indicated they would recommend the program to others. Also, 86 percent of lenders reported satisfaction with the conference.

Chris Vasquez, vice-president and manager of loan administration at Wells Fargo, described the declining trend in foreclosure and delinquency. Oregon is doing better than the national average but not as well as its neighbors in the Pacific region. He reported that 20 percent of Wells Fargo borrowers choose to participate and that one-third of those were not currently in the bank's internal loss mitigation program. The bank began participating in April 2014, sending out 1,600 notices that month. Since then, they typically mail 250 to 300 notices per month, and they are the lender/servicer with the highest volume of cases in the OFA program. Wells Fargo had to integrate the notices and conferences into their existing process, and he noted that the challenge of doing so may explain why certain other large lenders are not yet participating at a very high volume. He described ongoing conversations he has had with the Department of Justice, the mediation case managers, and the housing counselors to improve the process along the way. He listed three improvements that could be made: develop a more thorough approach to select and train counselors; resolve conference scheduling issues that result in delays of up to six months; and statutorily clarify the role and authority of facilitators, develop a formal appeals process, and clarify what determines when a borrower has opted in to the program.

Emily Reiman, interim executive director at Neighborhood Economic Development Corporation (NEDCO), spoke of the benefits to all parties when the homeowner participates in foreclosure counseling before the conference with the lender and facilitator. All parties agree that counseling helps the homeowner enter the conference with reasonable expectations and with all of the documents required by the lender. For homeowners who go through counseling, an agreement with the lender is reached nearly 70 percent of the time. State funding for counseling is projected to run out in March, as which point there will be a request for an additional $400,000 - $450,000 to continue through the end of the 2013/15 biennium.

Update on Implementation of House Bill 4122 (State IT Initiatives)

Barry Pack, Deputy Chief Operating Officer at the Department of Administrative Services (DAS), and Sean McSpaden, IT analyst with the Legislative Fiscal Office, described the ongoing coordinated effort to implement House Bill 4122 (2014), which requires certain state IT initiatives to have independent performance reviews and ongoing quality assurance (QA) oversight. The measure was designed to bring awareness of IT project risks and the findings contained in QA reports to DAS, the Chief Information Officer, as well as the director and governing body of the contracting agency. DAS is currently updating the policy that agencies must follow with the input from private-sector QA experts; the policy will be reviewed at the Department of Justice before implementation. The Department has finished an inventory and categorization of IT projects. Prior to this effort, the agency was tracking 18 major projects; it is now giving extra scrutiny to about 70 projects.

Update on Implementation of House Bill 4135 (Expanded Duties of CIO)

In his presentation, Barry Pack, Deputy Chief Operating Officer at the Department of Administrative Services (DAS), noted that DAS began work to identify a stronger IT governance structure prior to passage of House Bill 4135 (2014), and that the legislation allowed a pilot project to test different models of governance and oversight. Based upon what is learned during the pilot project, the Department will bring recommendations to the Legislative Assembly in 2015. Each agency will be entering data and marking progress on its IT projects in a portfolio management system that can be accessed by the CIO and the Legislative Fiscal Office. DAS and the CIO envision that eventually there will be a strategic technology officer (STO) assigned to each of the six core functions of state government. Each STO will learn the business needs of the agencies under their purview, translate those needs into technology solutions, and facilitate conversations between partners. The STOs will have the capacity to identify needs that can be met with an existing technology so as to avoid duplication and identify areas where an IT initiative could into a shared services model or become an enterprise utility model.

The CIO and the Legislative Fiscal Office (LFO) have jointly developed a new oversight model referred to as the Stage Gate Process. IT initiatives will be evaluated at each stage before moving forward and the process sets hard deadlines for the incremental delivery of a project. The benefit of developing the process with LFO is that there will be only one process, one set of forms, and one set of expectations for agencies to follow.

The agency will be asking for $2.6 million in additional funds for the CIO to support 12 new positions and increase the capacity of the CIO to provide oversight and quality assurance of IT initiatives and to coordinate strategic investments in technology.

Introduction of Committee Bills

The committee approved eleven LCs for introduction as committee bills. The full text of each LC can be found on the committee’s webpage.