



Home Repair Services

Resources for Home Owners



State Predictions

- 91,000 families could face foreclosure in the next 2 years
 - \$3.8 billion projected loss from tax base
- "Defaulting on the Dream: States Respond to America's Foreclosure Crisis." Pew Charitable Trust. April 2008

Home Repair Services



MSHDA Certified



HUD Certified






Understand Foreclosure




Mortgage Basics

- 🏠 Departments: Make sure you are talking to people who can assist you. Explain who you are.
 - 🏠 Customer Service
 - 🏠 Collections
 - 🏠 Loss Mitigation
 - 🏠 Foreclosure
- 🏠 Clients must communicate with the lender at all times!



Mortgage Basics

-  Servicer: The company that manages the loan and all day to day activity (Ex: Chase, Dovenmuehle...etc)
-  Investor: The owner of the loan, who sets the guidelines for the servicer (Ex: Fannie Mae, Freddie Mac...etc)
-  Insurer: The company that pays the claim if the loan is foreclosed on (Ex: FHA, VA, MGIC)




Collection Basics

-  **First Month: Phone Call or Letter**
-  **Second Month: Definite phone call from collection dept. Usually still accept one payment, but there will be pressure for both.**
-  **Third Month: More Phone calls. Client receives a letter that warns of 30days until foreclosure. Will not accept less than total due without arrangements**

Foreclosure Basics

-  **Fourth Month:** Near the beginning of the month, if not at the end of the third month the letter will expire. The mortgage company will review the loan for foreclosure.
-  **Foreclosure Referral:** A referral to the attorney places the loan in official foreclosure. All attorney fees become part of the client's delinquency. Average cost \$1200-1500. All loss mitigation options are still available.

Foreclosure Basics



-  **Sheriff Sale:** Scheduled by the attorneys about 4-6 weeks after they receive the file. Actual date foreclosure takes place.
-  **Deficiency :** A deficiency is created at the time of sheriff sale.
-  **Redemption Period:** The redemption period is the time allotted to the borrower after sheriff sale, where they can remain in the home. 30-360 days, majority of cases will have 6 months.


Foreclosure Basics

New Legislation

- New notice must be sent to the borrowers advising them that they have 14 days to contact a housing counselor, who then has 10 days to contact the mortgage company. This contact initiates a 90 day delay on the scheduling a sheriff sale while a loan modification is being reviewed

Loss Mitigation

-  **Loss Mitigation:** The options available within a mortgage company to assist clients with preventing the foreclosure.
-  **Two Types of Options:**
 1. Those that work to help keep the home.
 2. Those that don't keep the home.

Both prevent foreclosure.
-  Options will depend on who owns or insures the loan and the reason for default

Loss Mitigation



Long-Term: Crisis that caused the mortgage to fall behind is on-going with no clear resolution.



Short-Term: Crisis that caused the mortgage to fall behind has passed or has a clear resolution date.



Have clients be honest with themselves and the lender.

Loss Mitigation

1. Options to keep the home







Special Forbearance: This allows for the suspension or reduction of payments for a set period of time so the borrower may recover from a short term crisis. The delinquent amount is not forgiven and the borrower must be prepared at the end of the allotted time to reinstate or pursue another workout option.



Re-Payment Plan: The amount that the client is delinquent is spread out over a set period of time and added to the regular monthly payment, usually 3-18 months.

Loss Mitigation

1. Options to keep the home

-  **Loan Modification:** The amount that the client is delinquent is added onto the principle balance of the loan and amortized out over the rest of the life of the loan.
 -  May see a variation of this with subprime or second mortgages, called a deferment.
 -  Pres. Obama payment reduction 31% gross income
-  **Partial Claim:** (FHA or PMI insured loans only)
The insurer may grant an interest free loan for the delinquent amount to bring the account current. (MSHDA has the HELP Loan)

Loss Mitigation

1. Options to keep the home

Moratorium (RHS Direct Loans):




Centralized Servicing Center, borrower may be able to receive a suspension of payments for up to 2 years. At the end loan is reamortized and payments are expected to resume

HomeSaver Advance (Fannie Mae Loans)

Fannie Mae will advance funds to bring a mortgage current through and unsecured loan. It is a 15 year, 5 % interest with 6 months deferred payments.

Loss Mitigation

2.Options to not keep the home

-  **Pre-Foreclosure Sale:** Mortgage company can postpone the foreclosure to allow client time to sell the property.
-  **Short Sale:** Mortgage company may let the client sell the home for fair market value, as a settlement of the debt.
-  **Deed-In-Lieu:** If the client has been unable to sell the mortgage company may allow the client to “give back” the home, preventing the foreclosure.

Loss Mitigation Package

What does a Loss Mitigation Package Include:

1. Financial Analysis: Income, expense, and asset information
2. Authorizations and Disclosures: Permission to check credit report and acknowledgement that the foreclosure process does not stop while the package is being reviewed
3. Letter of Hardship: Explanation of delinquency

Loss Mitigation Package

4. Documentation of Income: Pay stubs, social security statements
5. Tax Returns: One to Two Year with all attachments and W-2's
6. Bank Statements: One to Two months

Thank-You!

