

Michigan Community Development Association Winter Conference 2008
Battling Foreclosures through Legislative Efforts
December 5, 2007

MSHDA *Save the Dream* Program (HB 5443 – 5447)

On Tuesday, December 4, 2007, the House of Representatives passed HB 5443 – 5447, MSHDA's *Save the Dream* program. *Save the Dream* will assist Michigan homeowners facing mortgage foreclosure by offering two new refinancing options to protect their home ownership:

- The Adjustable Rate Mortgage (ARM) Refinance Program will assist homeowners, who have an ARM, in refinancing to a lower-interest, fixed-rate loan; and
- The Rescue Refinance Program will assist individuals who have a delinquency on their mortgage and who are at risk of losing their home.

Michigan Home Loan Protection Act (HB 5294 – 5310)

The MHLPA would crack down on predatory mortgage-lending practices and strengthen consumer protections in the face of the collapsing subprime mortgage market. Nearly a dozen other states including Minnesota, North Carolina, New Mexico and Ohio have enacted anti-predatory lending legislation. Specifically, the MHLPA would:

- Ban predatory lending practices, such as making loans without requiring borrowers to prove their ability to repay the loan, encouraging borrowers to default, charging excessive late fees and charging fees for a payoff statement;
- Protect homeowners' equity by prohibiting home refinancing to generate fees for the lender unless there is a tangible net benefit to the borrower;
- Protect consumers from being steered toward high-cost loans when they would otherwise qualify for a traditional loan;
- Prohibit the financing of any points and fees that hide the true costs of the loan.
- Prohibit prepayment penalties;
- Require vulnerable borrowers to receive independent counseling from a certified third-party, non-profit counselor; and
- Give injured and aggrieved homeowners legal recourse so they can independently enforce these consumer protections against unscrupulous lenders.

Mortgage Brokers, Lenders, and Servicers Licensing Act (SB 826-833, HB 5287 – 5291)

The MBLSLA would require registration and licensing of loan officers in the state of Michigan. Currently, 24 other states have licensing requirement for loan officers. This package would require loan officers to become registered within 90 days after beginning employment with a mortgage broker, mortgage lender or mortgage servicer. The MBLSLA would also prohibit loan officer from engaging in fraud, deceit or material misrepresentation in connection with any transaction, and establish penalties for violations.

Mortgage Appraisal Fraud (SB 342, 343, 356 and HB 4054 - 4055, 4083, 4409 - 4411)

These bills would prohibit appraisers from setting, developing, or communicating an appraisal based on certain outcomes; prohibit coercing or inducing appraisers to inflate the value of real property offered as collateral for secondary mortgage loans; prohibit coercing or inducing appraisers to inflate value of mortgaged property; and set penalties for violations.