

Foreclosure Prevention

Presented by

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The Problem – Oakland, Macomb and Wayne County

- o Oakland 2006 Foreclosures 4,856
2007 Foreclosures 8,000+
(projected)
- o Macomb 2006 Foreclosures 8,192
2007 Foreclosures 12,000+
(projected)
- o Wayne 2007 Foreclosures 27,000+
(projected)

Causes of Foreclosure

- o Purchasing too much home, i.e., unaffordable
- o Job loss
- o Medical problems
- o Bad loan product – ARM, option only, interest only
- o Bad financial choices by the home owner

Causes of Foreclosure contd.

- o Decrease in income or loss of income of one of a two wage earner family
- o Bad financial choices by the home owner
- o Divorce/separation
- o Inability to refinance as planned due to decreases in value of the home

What is Foreclosure?

A legal proceeding in which the financier of a mortgage seeks to regain property because the borrower has defaulted on payments.

Usually commences when a homeowner is 90 days or more past due on their mortgage payment.

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Submit Proposal for following options:

A deferment of payments. The lender agrees to defer the collection of monthly payments and/or the arrearage for a predetermined length of time.

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1. PAYMENT PLAN

A formal or informal agreement between the borrower and the mortgage servicer to make normal monthly payments plus partial payments at regularly scheduled intervals until the past-due balance is paid.

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2. LOAN MODIFICATION

A written agreement between the borrower and the lender to change one or more of the terms on the existing loan

- o Modify interest rate
- o Add past due amount to balance

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3. PARTIAL CLAIM

- o A secured loan made to the borrower to bring the loan current.
- o The partial or advance claim is an interest-free, deferred loan.

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At any point before the sheriff sale the borrower may pay the past due balance and any fees associated with the default to bring the loan current.

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At any time before the sheriff sale, the borrower may sell the property. The borrower may sell the home. If the home sells for more than the amount owed to the mortgage servicer, the borrower is entitled to the difference.

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A short sale is a sale in which the property is sold for a dollar amount that is less than the debt owed to the mortgage servicer.

- o The borrower must list the property with a real estate agent
- o If unable to sell the property, borrower may

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IF A HOME GOES TO FORECLOSURE

Relinquishment of title back to the mortgage servicer in exchange for cancellation of the mortgage debt.

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IF A HOME GOES TO FORECLOSURE

- o In the State of Michigan, the homeowner is allowed to stay in the home for six-months from the date of the foreclosure.
- o This six-month period is known as the REDEMPTION PERIOD. During this time, the borrower may pursue one of three courses of action.

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Option 1

During the redemption period, the borrower may also refinance the home.

Option 2

The borrower may also stay in the home free of charge for six-months and save money to transition to his/her next living situation.

Option 3

Homeowner may sell the home



Be careful of foreclosure rescue scams

- Take advantage of people
- Charge a fee for their services
- Foreclosure listings are public information so homeowners are flooded with solicitations from finance companies, attorneys, and investors.

Foreclosure Impact

A single mortgage foreclosure affects several distinct parties, including:

- the homeowner
- the investor
- the municipality
- the neighboring homeowners.

Foreclosure Impact

Cumulative

The average cost to society of a single mortgage foreclosure is \$22,330.

COSTS	Low (3 months)	High (18 months)
To Homeowner	\$ 7,200	\$ 7,200
To Investor	\$ 4,700	\$ 58,000
To Municipality	\$ 430	\$ 34,200
To Neighbors	\$10,000	\$159,000
Total	\$22,330	\$258,400

Lighthouse Statistics

For Lighthouse Community Development:

- The average cost of helping a client avoid foreclosure through this program is \$910.
- 73% of participants who completed our program avoided foreclosure.
- 1st-Time contacts have increased 80% since this time last year.

Lighthouse Statistics

o Foreclosure Counseling Program

Began August 2001

o Number of client contacts

- o 1110 clients called
- o 688 completed our program
- o 340 homes saved
- o 62% success rate in the past two years with clients who have completed our program

Lighthouse Assistance

- o \$10,000 form Private Bank to assist residents of Pontiac only - \$500 cap
- o DHS - rarely due to the fact that a client in Oakland and Macomb County must have a scheduled foreclosure
- o Churches
- o Social Service Agencies
- o Grant request for \$10,000 to a local church submitted in late Nov.

Federal and State Programs

- o FHA Secure
- o Fannie Mae
- o MSHDA
- o Loan modification programs by lenders

Problem in Michigan with many of the proposed programs is that they require the borrower to owe less than the value of the home. In many areas of Michigan, this is not the case. Borrowers owe more than the value of the home and can't refinance.

From where will additional assistance come?

- o Federal government?
- o Lenders using loan modifications?
- o Lenders using short payoffs?
- o Creation of creative rescue fund programs?
- o Funding for counselors?

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