

Eviction Day: Foreclosure Crisis



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one homeowner at a time.*



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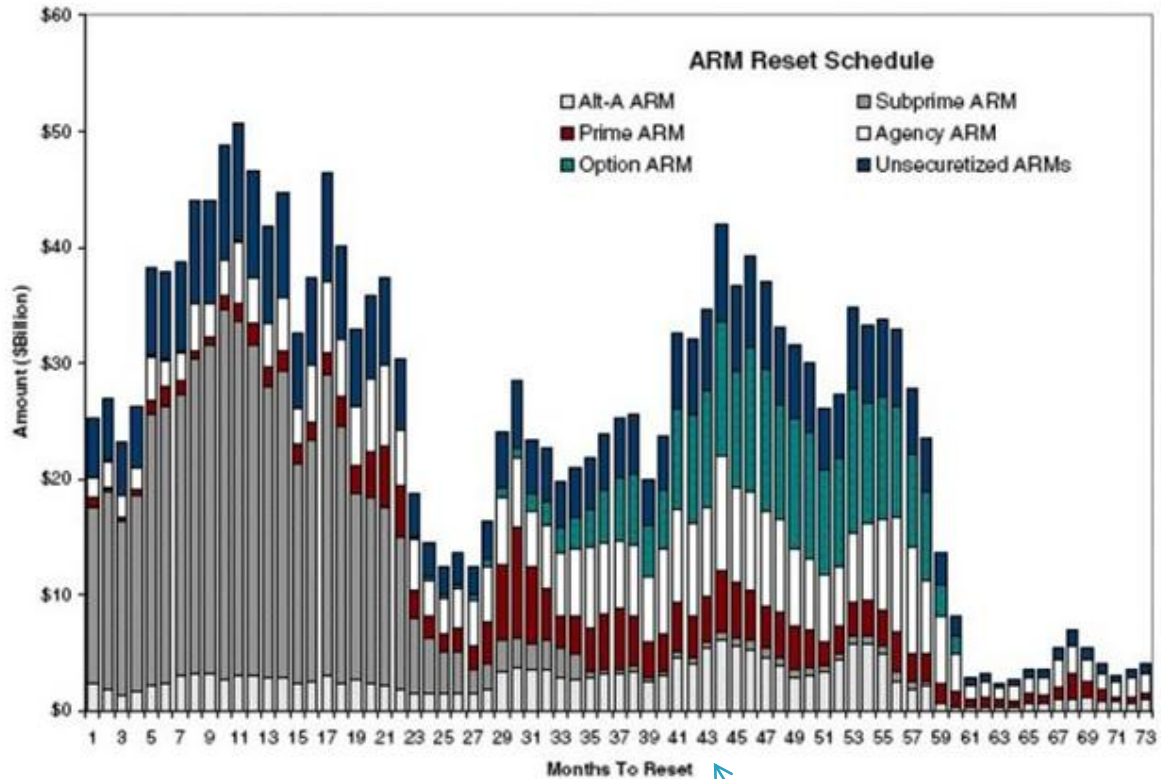
7 of 10
Homeowners
go into foreclosure
without listing their property!

Homeowner Options

- ▶ Re-instatement
- ▶ Forbearance
- ▶ Loan Modification
- ▶ Short Sale
- ▶ Deed in Lieu

ARM Reset Schedule

Exhibit 42: Adjustable Rate Mortgage Reset Schedule



Note: Data as of January 2007.

Source: Credit Suisse Fixed Income U.S. Mortgage Strategy

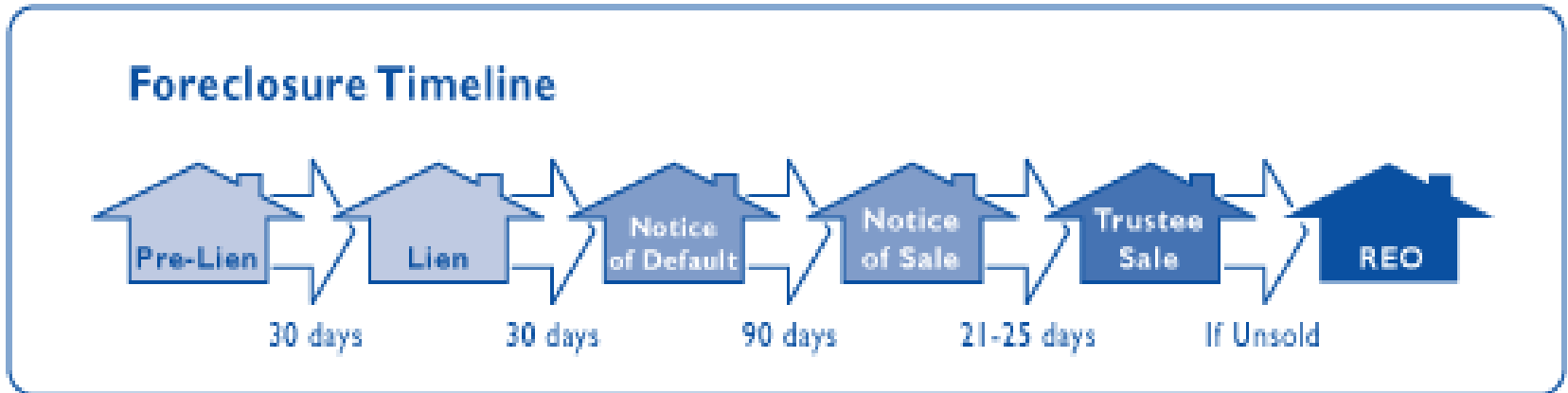
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Timeline for Foreclosure

Timeline for Foreclosure





Foreclosure vs. Short Sale

LOAN	FORECLOSURE	SUCCESSFUL SHORT SALE
FUTURE LOANS - PRIMARY RESIDENCES		
Fannie Mae ¹	A homeowner who loses a home to Foreclosure is ineligible for a Fannie Mae backed mortgage for a period of 5 years.	A homeowner who successfully negotiates and closes a short sale will be eligible for a Fannie Mae-backed mortgage after only 2 years.
FHA Loan - Late	A homeowner who loses a home to Foreclosure is ineligible for a Fannie Mae backed mortgage for a period of 5 years.	3 years from the date the FHA insurance claim is paid to the lender - not the date of the short sale closing
FHA Loan - Current	A homeowner who loses a home to Foreclosure is ineligible for a Fannie Mae backed mortgage for a period of 5 years.	No Wait - borrower must be current on all obligations, including installment debt
VA Loan - Late	A homeowner who loses a home to Foreclosure is ineligible for a Fannie Mae backed mortgage for a period of 5 years.	3 Years
VA Loan - Current	A homeowner who loses a home to Foreclosure is ineligible for a Fannie Mae backed mortgage for a period of 5 years.	3 Years
Conventional loan - Late*	A homeowner who loses a home to Foreclosure is ineligible for a Fannie Mae backed mortgage for a period of 5 years.	2 Years
Conventional Loan - Current*	On any future 1003 application, a prospective borrower will have to answer YES to question C in Section VIII of the standard 1003 that asks "Have you had property foreclosed upon or given title or deed in lieu thereof in the last 7 years?" this will affect future rates.	No Wait - borrower must be current on all obligations, including installment debt
FUTURE LOANS - NON-PRIMARY RESIDENCES		
Fannie Mae Loan	An investor who allows a property to go to Foreclosure is ineligible for a Fannie Mae backed investment mortgage for a period of 7 years.	An investor who successfully negotiates and closes a short sale will be eligible for a Fannie Mae backed investment mortgage after only 2 years.
Conventional loan - Late*	On any future 1003 application, a prospective borrower will have to answer YES to question C in Section VIII of the standard 1003 that asks "Have you had property foreclosed upon or given title or deed in lieu thereof in the last 7 years?" this will affect future rates.	7 Years
Conventional Loan - Current*	On any future 1003 application, a prospective borrower will have to answer YES to question C in Section VIII of the standard 1003 that asks "Have you had property foreclosed upon or given title or deed in lieu thereof in the last 7 years?" this will affect future rates.	5 Years

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Foreclosure vs. Short Sale

ISSUE	FORECLOSURE	SUCCESSFUL SHORT SALE
Credit Score	Score may be lowered anywhere from 250 to over 300 points. Typically will affect score for over 3 years.	Only late payments on mortgage will show, and after sale, mortgage is normally reported as 'paid as agreed', 'paid as negotiated', or 'settled'. This can lower the score as little as 50 points if all other payments are being made. A short sale's effect can be as brief as 12 to 18 months.
Credit History	Foreclosure will remain as a public record on a person's credit history for 10 years or more.	A Short Sale is not reported on a person's credit history. There is no specific reporting item for 'short sale'. In most cases a loan is typically reported 'paid in full, settled' or 'paid as negotiated'.
Security Clearances	Foreclosure is the most challenging issue against a security clearance outside of a conviction of a serious misdemeanor or felony. If a client has a foreclosure and is a police officer, in the military, in the CIA, Security, or any other position that requires a security clearance in almost all cases clearance will be revoked and position will be terminated.	On its own, a short sale does not challenge most security clearances. ³
Current Employment	Employers have the right and are actively checking the credit regularly of all employees who are in sensitive positions. A foreclosure in many cases is ground for immediate reassignment or termination.	A short sale is not reported on a credit report and is therefore not a challenge to employment. ⁴
Future Employment	Many employers are requiring credit checks on all job applicants. A foreclosure is one of the most detrimental credit items an applicant can have and in most cases will challenge employment.	A short sale is not reported on a credit report and is therefore not a challenge to employment. ⁵
Deficiency Judgment	In 100% of foreclosures (except in those states where there is no deficiency) the bank has the right to pursue a deficiency judgment.	In some successful short sales it is possible to convince the lender to give up the right to pursue a deficiency judgment against the homeowner.
Deficiency Judgment (amount)	In a foreclosure the home will have to go through an REO process if it does not sell at auction. In most cases this will result in a lower sales price and longer time to sale in a declining market. This will result in a higher possible deficiency judgment.	In a properly managed short sale the home is sold at a price that should be close to market value and in almost all cases will be better than an REO sale resulting in a lower deficiency.

¹ Fannie Mae Announcement 08-16: Michael A. Quinn, Senior Vice President, Single-Family Risk Officer

² Fannie Mae Announcement 08-16: Michael A. Quinn, Senior Vice President, Single-Family Risk Officer

³ Short sales are currently not explicitly reported on a credit report.

⁴ Short sales are currently not explicitly reported on a credit report.

⁵ Short sales are currently not explicitly reported on a credit report.

*Availability varies by lender

**Does not offer second-property loans

SOURCES:

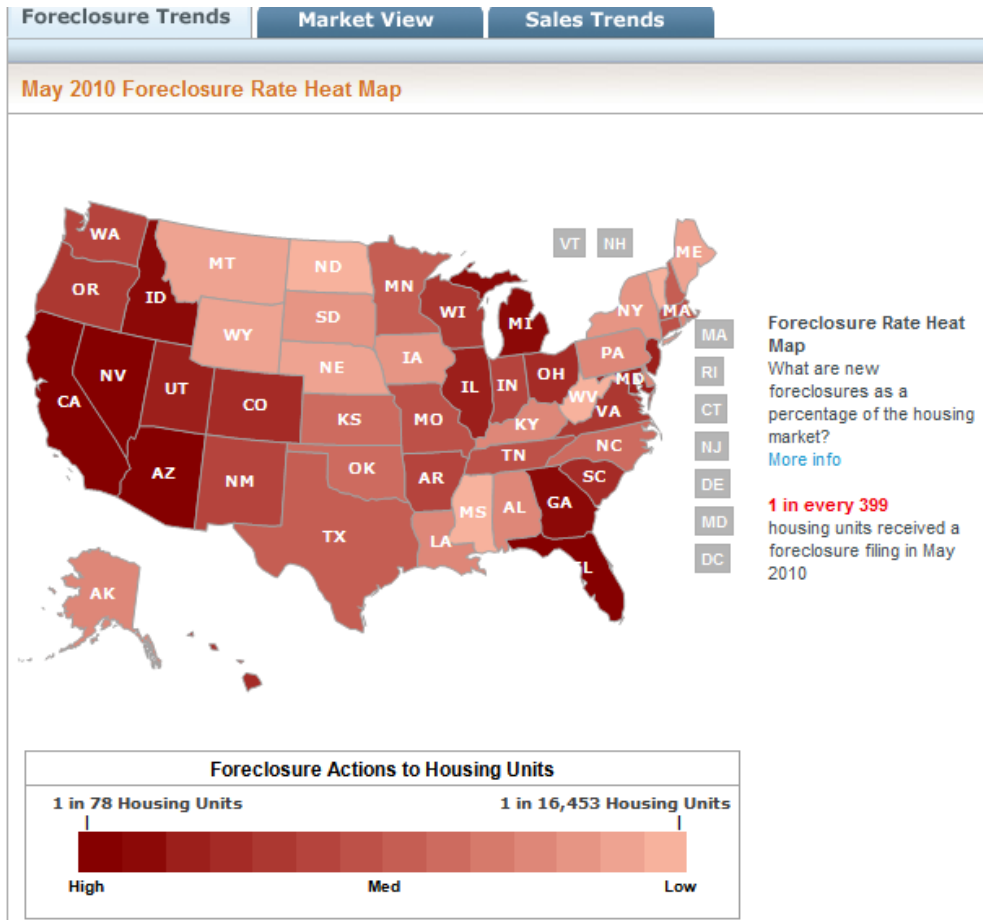
MORTGAGEE LETTER 09-52, 4155.1 CHAPTER 4.C.2 effective date Dec 16 2009
<http://www.hud.gov/offices/adm/hudclips/letters/mortgagee/2009ml.cfm>

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May 2010 Foreclosure Rate

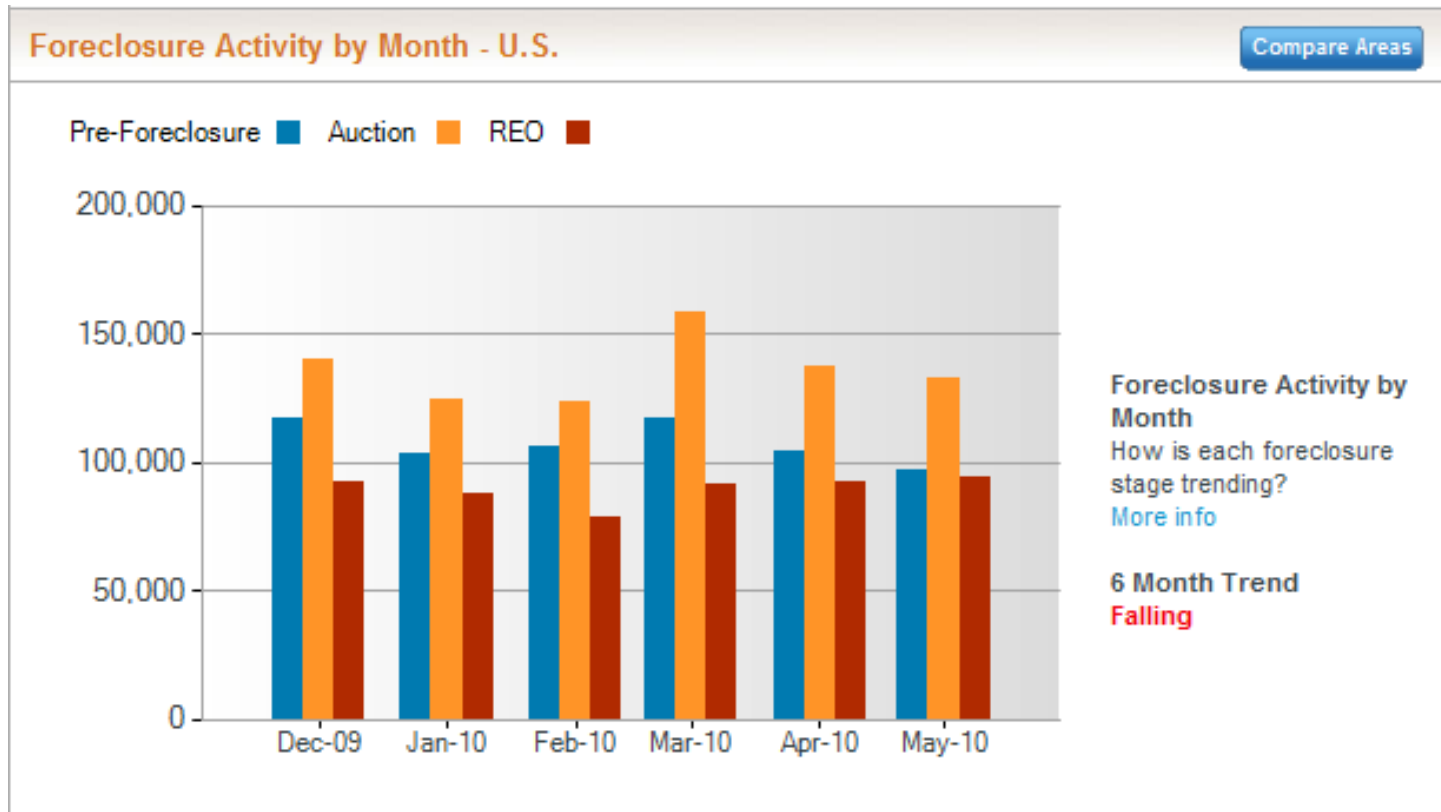


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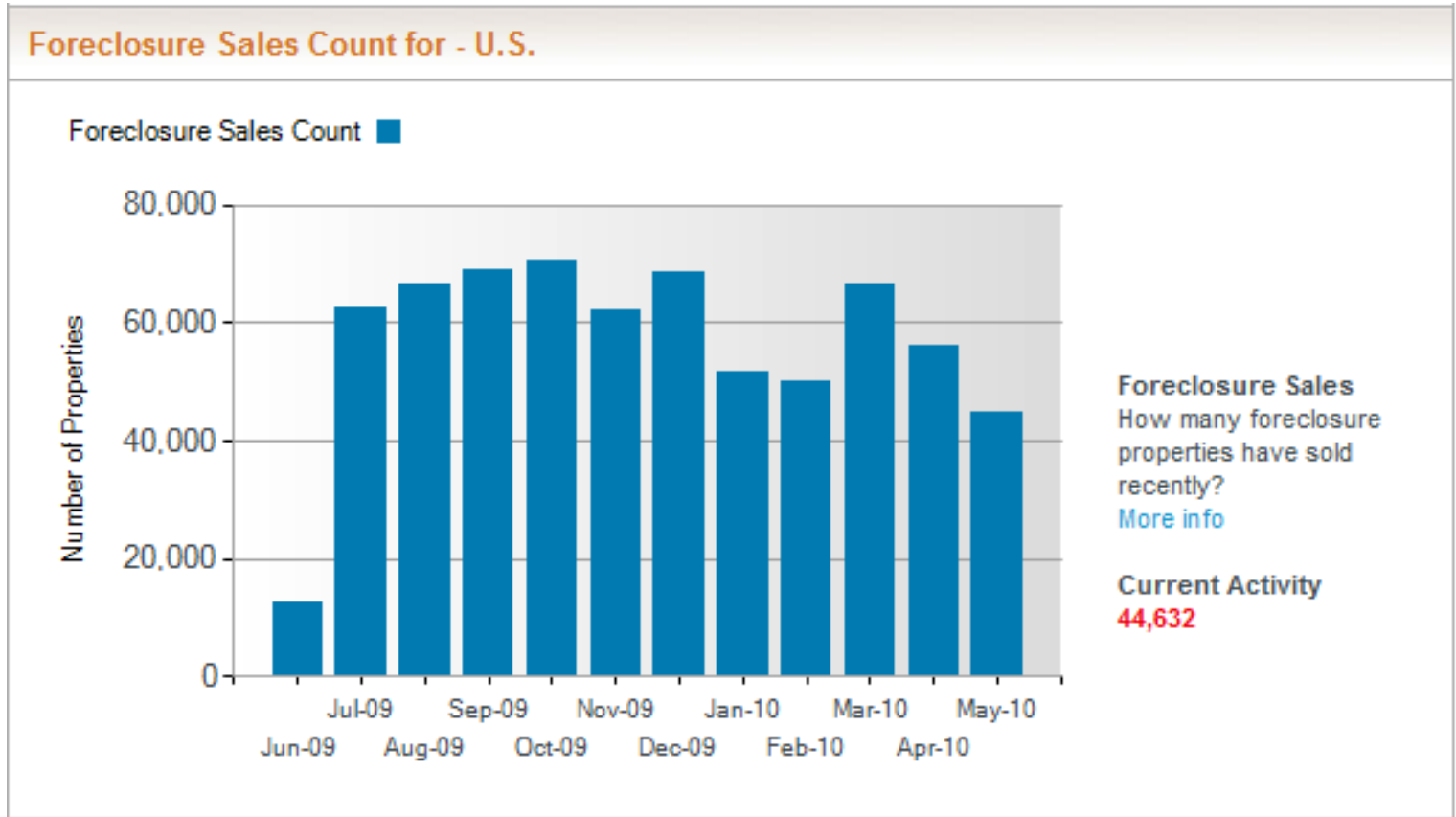


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Foreclosure Activity by Months



Foreclosure Sales Count for U.S.



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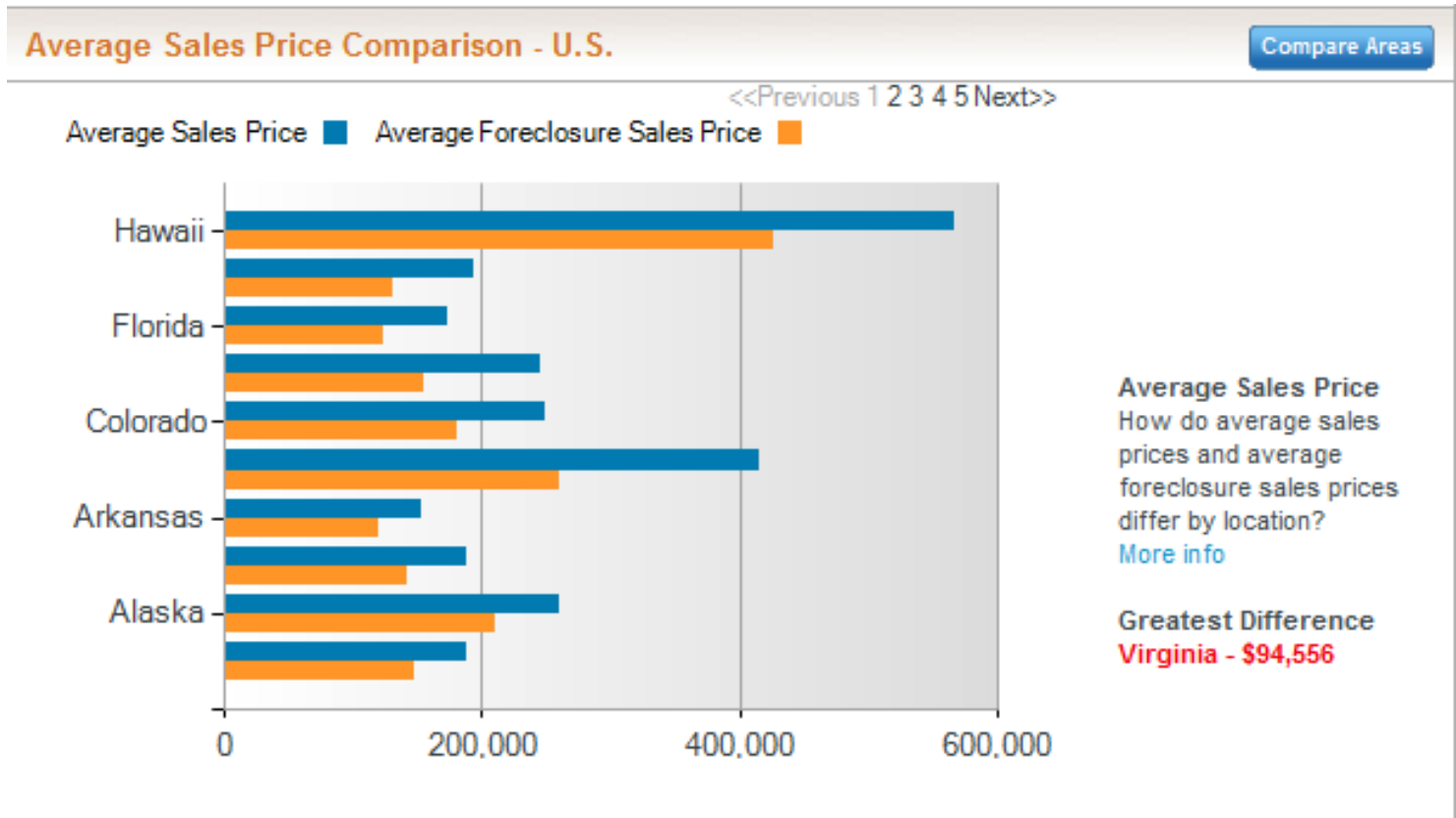


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Greatest Numbers of May 2010 Foreclosure Filings

▶ California	72,030	1 in every 185
▶ Florida	48,384	1 in every 173
▶ Michigan	20,322	1 in every 223
▶ Arizona	16,097	1 in every 169
▶ Illinois	15,061	1 in every 350
▶ Nevada	14,346	1 in every 78
▶ Georgia	13,778	1 in every 292
▶ Texas	11,137	1 in every 861
▶ Ohio	10,379	1 in every 489
▶ Virginia	6,242	1 in every 529
▶ Hawaii	1,055	1 in every 486
▶ Vermont	19	1 in every 16,453

Average Sales price to Foreclosure price



Honolulu MLS Listings as of June 23rd

SF	2007
<u>C/TH</u>	<u>2525</u>
<u>Totals:</u>	<u>4532</u>

Realty Trac figures Honolulu County as of June 23rd

Defaults	335
Auction	1201
<u>Bank Owned</u>	<u>1090</u>
<u>Totals</u>	<u>2626*</u>

***Shadow Listings (Not
Listed in the MLS)**

In April 2010, Hawaii was the 4th fastest growing foreclosure state in the U.S.

- ▶ 1. Kapolei
- ▶ 3. Ewa Beach
- ▶ 6. Waipahu
- ▶ 9. Mililani

What is HAMP?

Home Affordable Modification Program: Overview

- ▶ Home Affordable Modification Program designed to help as many as 3 to 4 million financially struggling homeowners avoid foreclosure by modifying loans to a level that is affordable for borrowers now and sustainable over the long term.
- ▶ Clear and consistent loan modification guidelines for the entire mortgage industry
- ▶ More than 2 million applied & 900,000 successful

To be Eligible for HAMP:

- ▶ Borrower is delinquent on their mortgage or faces imminent risk of default (Hardship)
- ▶ Property is occupied as borrower's primary residence
- ▶ Mortgage originated on or before Jan. 1, 2009 & unpaid principal balance no greater than \$729,750 for one-unit properties.

HAMP ELIGIBILITY

- ▶ After determining eligibility, servicer will take a series of steps to adjust the monthly mortgage payment to 31% of a borrower's total pretax monthly income
- ▶ Reduce interest rate to as low as 2%
- ▶ If necessary, extend the loan term to 40 years
- ▶ Finally, if necessary, forbear (defer) a portion of the principal until the loan is paid off and waive interest on the deferred amount

Home Affordable Foreclosure Alternatives (HAFA) Program



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Foreclosure, Deed in Lieu or Short Sale



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HAFA : A Quick Overview

- ▶ Took effect April 5, 2010
- ▶ Aids eligible homeowners by pre-approving short sales before listing and releasing them from future liability of mortgage debt
- ▶ 1st Lien Non-Fannie or Freddie Mortgages Apply
- ▶ Used as a follow up if HAMP modifications are not possible

Requirements - HAFA

- ▶ Loan is eligible if all the following conditions are met:
 - Property is borrower's principal residence
 - Loan is a 1st lien mortgage
 - Originated before Jan 1, 2009
 - Mortgage is delinquent or default is reasonably foreseeable
 - Current unpaid balance is equal to or less than \$729,750
 - Borrower's total monthly mortgage payment exceeds 31 percent of borrower's gross income

Incentives -HAFA

- ▶ \$3,000 to Borrowers for Relocation Assistance
 - Will be deducted from gross sale proceeds at closing
 - May classify as taxable income
- ▶ \$1,500 to Servicers for administration and processing fees
 - Servicer may not charge borrower any processing fee and MUST pay all out-of-pocket expenses
- ▶ \$2,000 to Investors for subordinate lien holder payoff
 - For every three dollars spent to release liens buyer or investor is reimbursed one dollar - capped at 6,000

Highlights -HAFA

- ▶ Lender waives rights to deficiency judgment
- ▶ Servicer must assess the property value and cannot charge the borrower in advance
 - May be added to outstanding debt if transaction is not completed
- ▶ Servicer must review title and cannot charge the borrower in advance
 - May be added to outstanding debt if transaction is not completed

Participating Lenders - HAFA

- ▶ Lenders and loan servicers participating in HAFA must sign a servicer participation agreement with Fannie Mae to participate in HAMP by October 3, 2010
 - For a full list of servicers participating in HAMP, visit Making Home Affordable's [Participating Servicers List](#).



Bank of America



citibank

CHASE



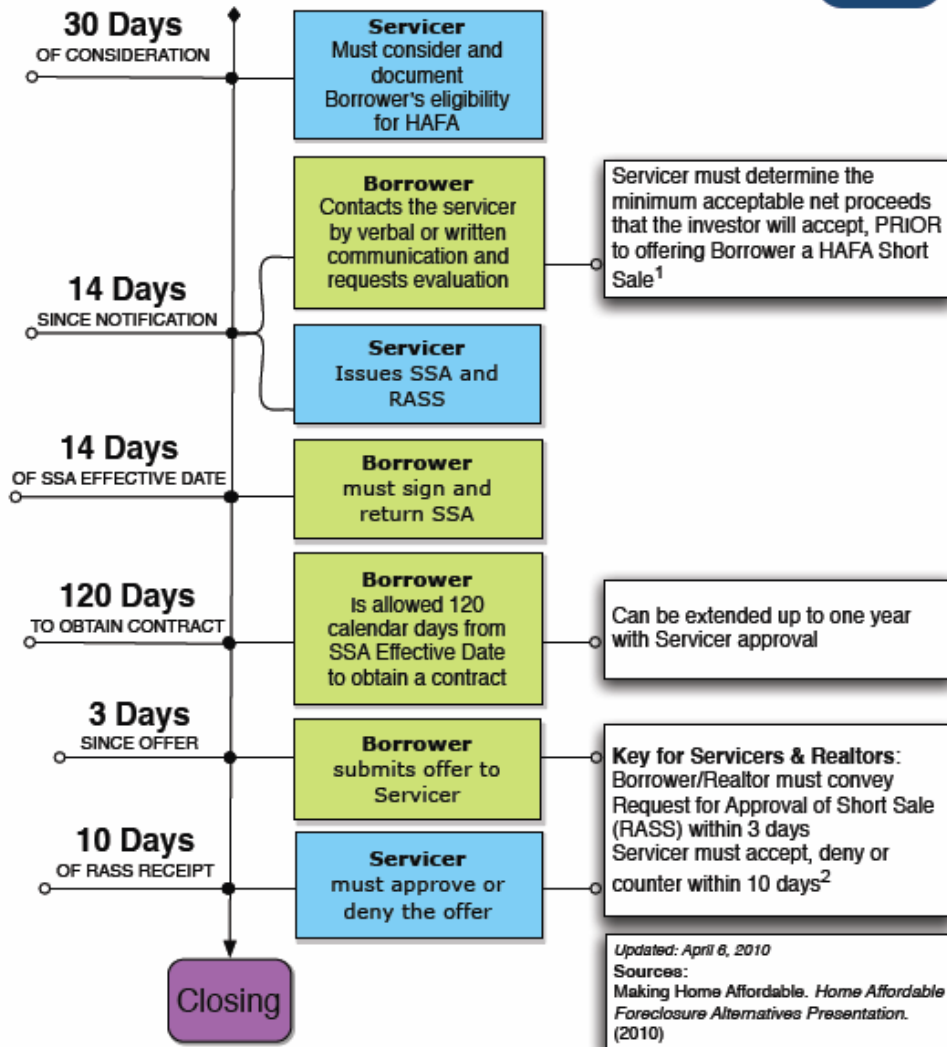
WELLS
FARGO

GMAC

HAFA Timeline



BORROWER ELIGIBILITY



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HAFA PROGRAM SUMMARY:

- ▶ Allows the borrower to receive pre-approved short sale terms prior to the property listing.
- ▶ Real estate commission paid as agreed upon in the listing agreement
- ▶ Releases the successful HAFA borrower from future liability for the debt
- ▶ Uses standard processes, documents, and timeframes
- ▶ Provides financial incentives to borrowers, servicers and subordinate lien holders.

Fannie Mae HAFA

- ▶ Effective August 1, 2010
- ▶ Servicers encouraged to implement the Fannie Mae HAFA ASAP

Fannie HAFA Program Summary

- ▶ Simplifies and streamlines the use of short or "pre-foreclosure" sale and deed-in-lieu of foreclosure (DIL)
- ▶ Complements HAMP providing alternatives for borrowers who are HAMP eligible (including borrowers facing imminent default);
- ▶ Utilizes verified borrower financial and hardship information collected in conjunction with HAMP & eliminating the need for additional eligibility analysis

Fannie Mae HAFA Servicer Incentives

- ▶ Short sale - \$2,200 incentive fee
- ▶ DIL - \$1,500 incentive fee
- ▶ No incentive paid for short sales on Fannie 2nd lien loans

<https://www.efanniemae.com/sf/servicing/hafa/>

Fannie Mae HAFA Borrower Incentives

- ▶ Short sale or DIL - \$3,000 to help borrower w/relocation expenses
- ▶ Paid at closing of short sale or w/in 5 days after the servicer's acceptance of a DIL provided property is vacant and left it in acceptable condition.

Freddie Mac and HAFA

Freddie Mac Servicers may begin offering HAFA to eligible borrowers immediately

Initiative must be incorporated into their operations no later than **August 1, 2010.**

Expires on December 31, 2012.

Freddie Mac Eligibility -HAFA

- ▶ First-lien mortgages, owned, guaranteed, or securitized by Freddie Mac originated on or before January 1, 2009
- ▶ Eligible properties are single-family 1-4 unit primary residences, including condos, manufactured homes, and negotiated conforming jumbos
- ▶ Property can not be abandoned, condemned, or vacant (without an applicable exception)

Freddie Borrowers Eligibility Requirements

- ▶ Borrowers must be more than 60 days delinquent
- ▶ Have cash reserves less than the greater of \$5,000 or three times their current monthly mortgage payment
- ▶ Must have first been considered for a HAMP modification and then for other Freddie Mac home retention options under Guide Chapter B65, but was either ineligible, did not complete, or declined the modification.

Freddie Borrowers Eligibility

- ▶ Borrowers may be in foreclosure, in pending litigation involving the mortgage, or in active bankruptcy
- ▶ Borrowers must be able to convey a clear, marketable title to the mortgaged property.
- ▶ Other mortgage and borrower eligibility requirements apply as noted in Guide Section D65.3.

Freddie Mac HAFA Borrower Incentives

- ▶ \$3,000 paid to help with relocation expenses after a completed HAFA Short Sale or HAFA Deed-in-Lieu

Subordinate Lien Holder Incentives

- ▶ 6% unpaid principal balance of each subordinate lien in order of lien priority w/aggregate total of \$6,000 to all lien holders offered in exchange for releasing liens & satisfying the underlying debts.

<http://www.freddiemac.com/singlefamily/service/hafa.html>

Freddie Mac - HAFA Servicer Incentives

- ▶ \$2,200 for each successfully completed HAFA Short Sale.
- ▶ \$1,500 for each successfully completed HAFA Deed-in-Lieu

We can help!

To review this information, visit...
www.AvoidHawaiiForeclosure.com

call...

John Riggins, Realtor 523.7653