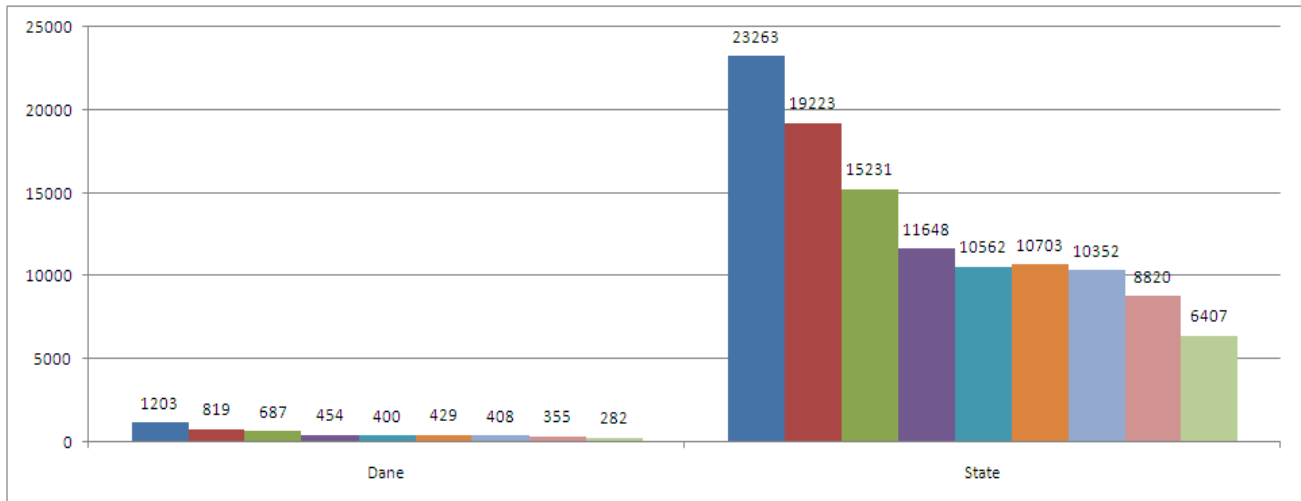
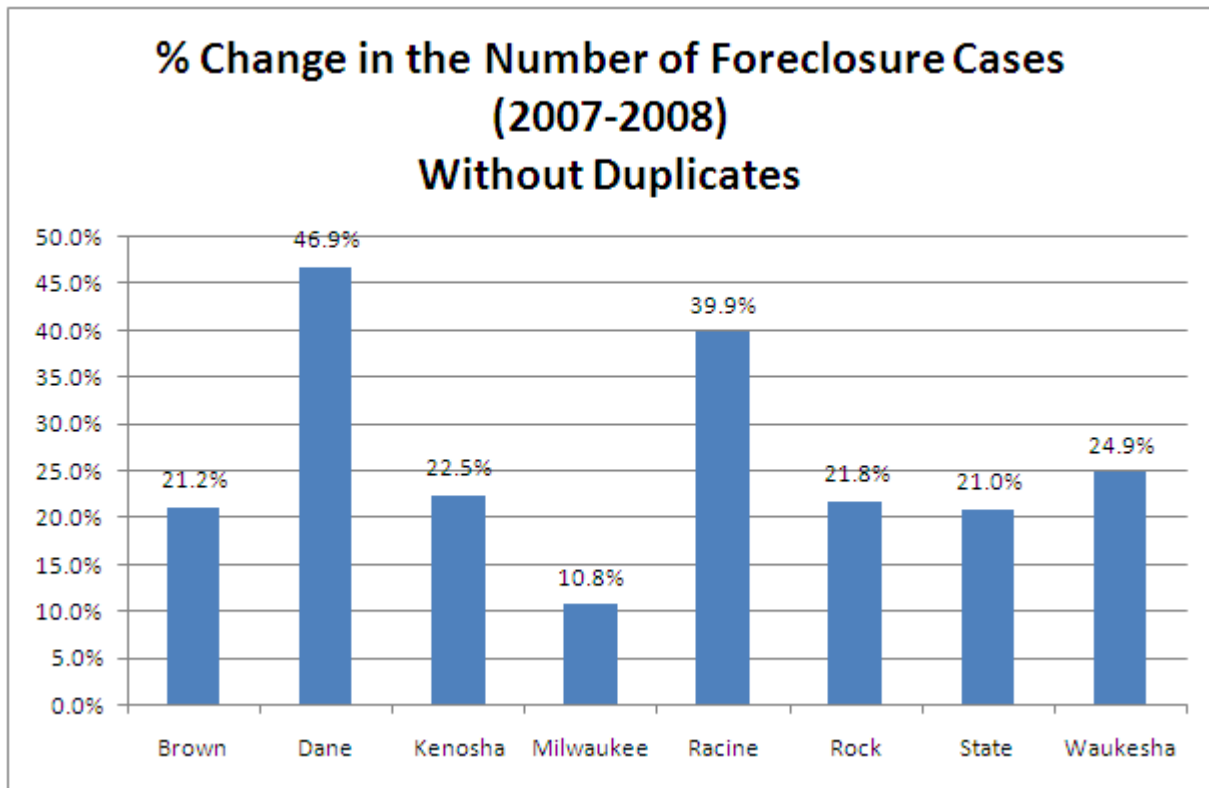


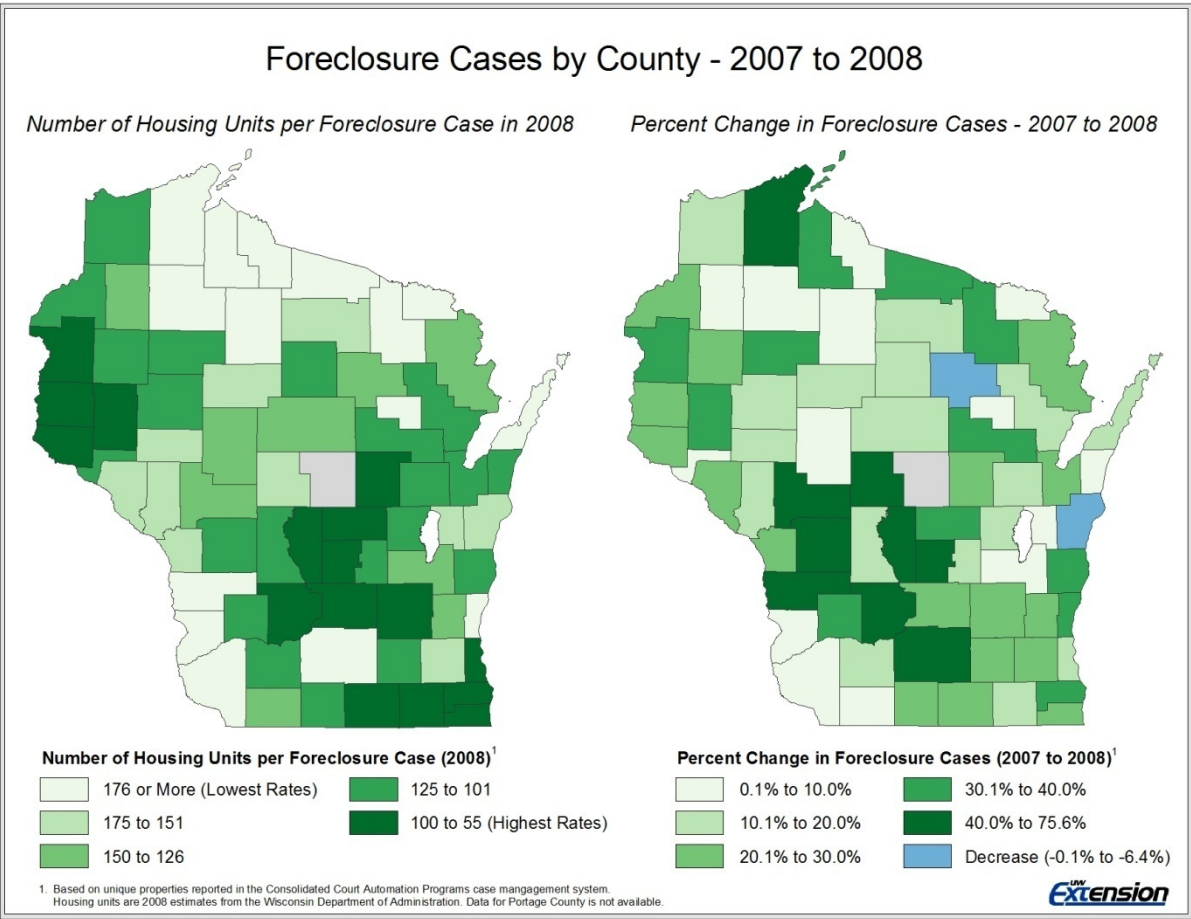
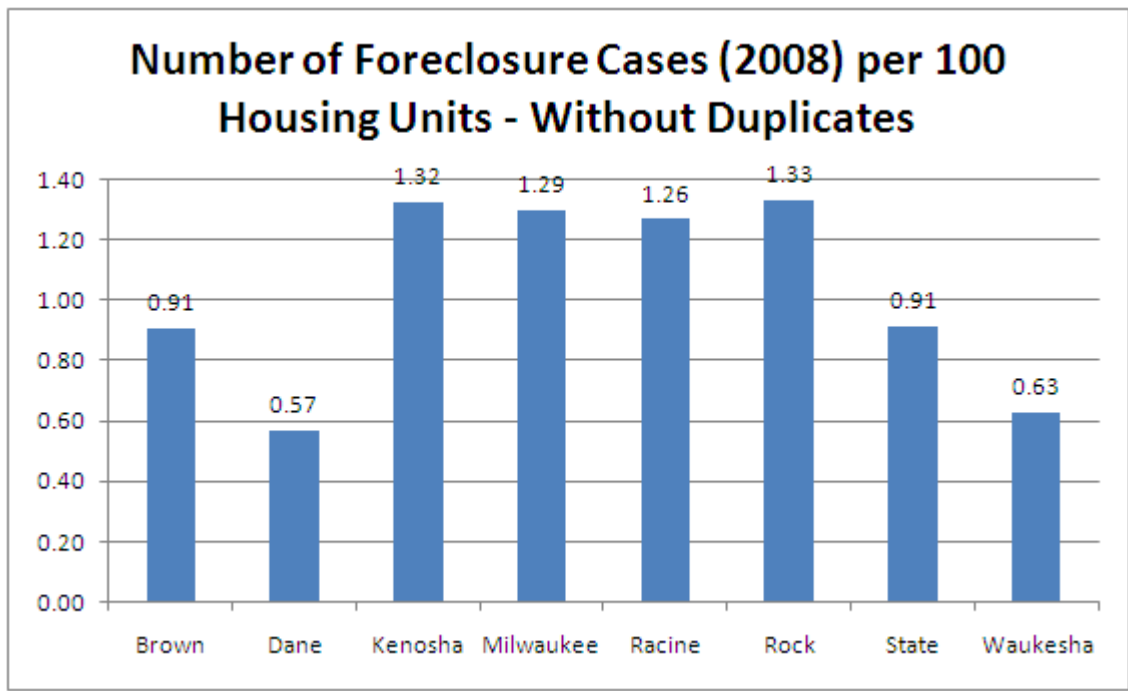
Of Civil Foreclosure Cases (2000-2008): Dane County/State of Wisconsin

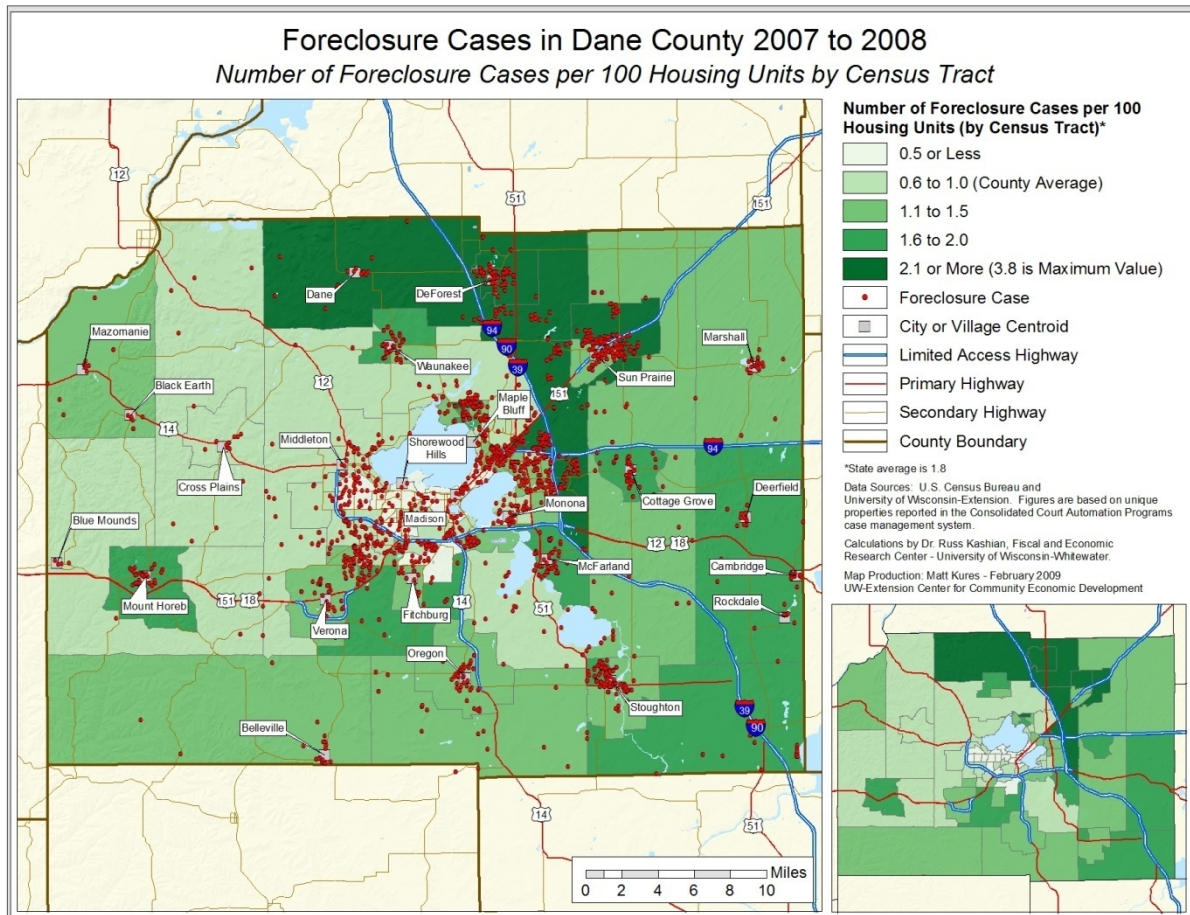


In the last two years, nearly half of the foreclosures in Wisconsin were in 7 urban counties. Of those 7 counties, Dane County showed the largest percent increase (2007-2008).

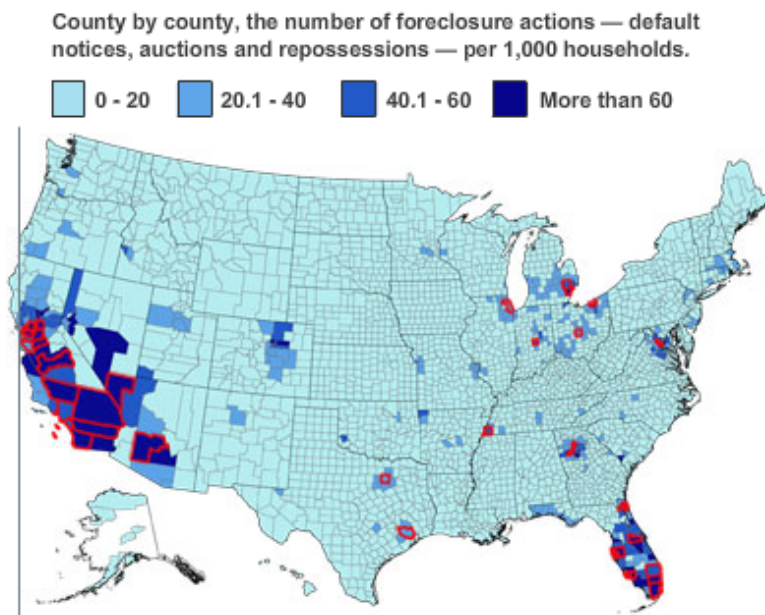


While Dane County may be starting to catch up with the other 6 urban counties, Dane County still has the lowest number of foreclosures per 100 housing units and has a rate almost half of the state average.





More than half of the foreclosure filings in 2008 took place in 35 counties concentrated in a few states (Milwaukee is not one of the 35). Source: USA Today, 3-6-09



Where Do We Send Consumers?:

- *To their lender/servicer - hold times over an hour are common; check the lender website first*
- *888-995 HOPE. This is the first line of triage - we need to be clear this is not detailed counseling or a way to work around a lender. It is just a first step.*

HUD Approved Wisconsin Housing Counselors. See:

<http://www.hud.gov/offices/hsg/sfh/hcc/hcs.cfm?webListAction=search&searchstate=WI>

- **Borrowers will need:**
 - *Documentation of gross monthly income of all borrowers*
 - *most recent income tax return*
 - *information about any mortgages on the house – not just the one in question*
 - *statements for credit cards with balances*
 - *statements on other loans such as student loans and car loans.*

Foreclosure Prevention Options

There are several foreclosure prevention options available to a delinquent homeowner and a mortgage loan holder, also known as a servicer. These options are divided into two major groups: *retention workout options* and *non-retention options*. Retention workout options allow a borrower to retain possession of the home. Alternatively, non-retention options result in the borrower giving up their home, but avoiding the expense and stigma of the foreclosure process. In addition, homeowners are encouraged to seek legal advice and/or work with a HUD-approved housing counselor to help determine their best option.

Retention Workout Options

Early Contact Discussion of Alternatives: For loans with upward adjusting payments (such as certain ARMs – Adjustable Rate Mortgages), some servicers have begun contacting borrowers before their scheduled payment increase to notify them of their new payment amount. If the homeowner cannot afford the new payment and is reasonably likely to default, the servicer may be able to modify the loan to create longer-term affordability. In some cases, lenders are offering to refinance ARMs into lower cost, fixed rate loans.

Repayment Plan: An agreement in which the homeowner promises to make up any missed payments by sending their regular monthly payment PLUS a pre-agreed additional amount each month until they are caught up. Typically, the payment period extends over a two- to six-month

period. The homeowner needs to be in a position to afford the higher payment before agreeing to this plan.

Loan Modification: A mortgage loan can be modified in a written agreement between the homeowner and servicer that changes one or more of the original loan terms. This modification could include lowering the interest rate, reducing the outstanding balance on the loan, extending the term of the loan, establishing escrows for taxes and insurance, or adding the delinquent interest amount to the unpaid principal balance, thus lowering the monthly payment amount.

The lender or mortgage servicer could also use a modification to bring a delinquent mortgage current by adding the missed payments to the current loan amount. Homeowners need to be cautious, though, since this could increase their monthly payments. As with a repayment plan, the homeowner would need to prove they could handle the higher payment without defaulting again.

Forebearance: This is an agreement by the lender to allow the homeowner to skip or reduce one or more monthly payments and make them up later through a payment plan or loan modification. A forbearance is usually in writing and for a specific period of time, usually not to exceed three months. The homeowner must have a good reason why they can't make their payment(s), such as serious illness, injury, or other temporary loss of income. The homeowner also needs to prove that they will be able to make payments again at the end of the forbearance period.

Partial Claim: If the homeowner has private mortgage insurance (PMI), the insurance company may lend them the money to bring their loan current. The insurance company would take a second mortgage on the property, usually at low interest. Often the payments on the second loan don't start until the homeowner has had time to recover from the hardship. Again, the homeowner needs to prove that they have solved their financial problems and are able to make their full mortgage loan payment in the future.

Non-retention Options

There are some situations in which the borrower will be unable to keep their home and foreclosure is inevitable. In these cases, quick action is needed to reduce the financial hardship on the borrower and to limit any losses to the lender.

Sale of the House: Homeowners are encouraged to sell their house and pay off the mortgage in full. Each lender has different requirements for pre-foreclosure sales. Most mortgage servicers require that the homeowner pay all or part of their mortgage payments while the house is being sold. Mortgage servicers might assist in the marketing and sale of the home, or they might insist that the homeowner list the property for sale with a realtor.

If the homeowner makes more money on the sale than they owe, the homeowner keeps the profits. If the homeowner gets less from the sale than they owe on the loan, the lender will sometimes forgive the difference and report the amount to the IRS. The IRS considers the money you don't have to repay to be a gift or unearned income. The mortgage Forgiveness Debt Relief Act of 2007

generally allows taxpayers to exclude mortgage income from the discharge of debt on their principal residence between 2007-2012. Debt reduced through mortgage restructuring as well as mortgage debt forgiven in connection with a foreclosure, qualify for this relief. Some exceptions may apply so homeowners are advised to talk to a tax advisor before a pre-foreclosure sale.

Short Sale: The mortgage loan holder or servicer agrees to accept the proceeds of a pre-foreclosure sale in satisfaction of the loan, even though the proceeds may be less than the amount owed on the mortgage. This costs the lender less than a foreclosure and is better financially and emotionally for the homeowner than being forced out by a court order.

Deed in Lieu (DIL) of Foreclosure: This is an agreement where the homeowner gives the lender the deed and the keys and moves out. In exchange, the lender agrees to forgive the loan. Lenders are not required to agree to a DIL and there are some legal reasons why it is sometimes not a good idea for them. This is generally used when the home has been listed for sale for a period of time and continues to go unsold.

Other things to consider:

Sometimes tax refunds can be used to bring mortgage loans current. In addition, borrowing money to bring the mortgage current is an option to preventing foreclosure. However, if the homeowner is having trouble paying current bills, borrowing money may just make things worse instead of better.

In the foreclosure timeline, there's a redemption period where the homeowner has the right to buy back their house by paying the amount of the highest bid at the foreclosure sale, plus interest. But once the foreclosure sale is filed with – or confirmed by - the courts, the redemption period ends.

Sources: "Foreclosure Prevention: Improving Contact with Borrowers." Community Development Insights, June 2007. Comptroller of the Currency Administrator of National Banks, US Department of the Treasury.

"Saving Your Home from Foreclosure." National Consumer Law Center, September 2007.
www.consumerlaw.org

Homeowner Affordability and Stability Plan

Many Provisions, See: <http://www.ustreas.gov/index.html>

Two Key Parts

- 1. Refinancing GSE loans
- 2. Modifications of other loans

1. Refinance “Underwater” GSE Loans

- Fannie Mae and Freddie Mac (GSEs) will refinance their own loans using a streamlined program
 - "under water borrowers" (loan-to-value ratios above 80 percent up to 105 percent).
 - For “responsible homeowners” generally not in default
- Reduces the homeowner’s monthly payments.
 - No income ceiling for beneficiaries
 - Mortgages must be held by or guaranteed by Fannie Mae or Freddie Mac
 - Cannot owe more than 105% of the current value of home.

2. Comprehensive \$75 Billion Homeowner Stability Initiative

- Applies only to owner-occupied homes with borrowers who have a high combined mortgage debt to income levels AND who owe more on their home than it is worth. Borrowers will not have to be in default, but should be “at risk.”
 - first lenders reduce interest rates on mortgages so that the borrower’s monthly mortgage payment is no greater than 38% of his or her income
 - the program will match further reductions in interest payments dollar-for-dollar with the lender, down to a 31% debt-to-income ratio for the borrower.
 - lenders will keep the modified payments in place for five years.
 - After that point, the interest rate can be gradually stepped-up to the conforming loan rate in place at the time of the modification.
 - lenders may reduce mortgage principal as an alternative to lowering interest rates. The program will share the costs principal reduction, up to the amount the lender would have received for an interest rate reduction.
- Most banks and financial institutions receiving Financial Stability Plan assistance will be required to modify mortgages under these guidelines.
- Borrowers with total “back end” debt (including mortgages, auto loans, credit cards, etc.) equal to 55% or more of their income will be required to agree to enter a HUD-certified counseling program as a condition of modification.
- Fees to Mortgage Services and Holders:
 - Servicers will receive an up-front fee of \$1,000 for each modification
 - Also receive ‘pay for success’ fees – awarded monthly as long as the borrower stays current on the loan – of up to \$1,000 each year for three years.
 - Incentive payments of \$1,500 to lenders and \$500 for servicers for modifications made while a borrower at risk of imminent default is still current

- Monthly balance reduction payment that reduces the principal balance on the mortgage loan as long as the borrower stays current, up to \$1,000 each year for five years or \$5,000.
- Available for home owner-occupants "at risk of imminent default"
 - even if they are current in making mortgage payments, as well as those already delinquent
 - applies to mortgages at or below \$729,750.
- Borrowers will have to sign affidavits attesting to their financial hardships.
 - documenting 'hardship' which clearly intends to avoid 'undeserving' borrowers from getting help
 - 1-strike and you are out for re-default.
- Interest rates could be lowered to 2%
 - Emphasis on using the FHA Hope for Homeowners loan program to refinance underwater loans
- Second mortgage plan coming?

Also:

- HUD will award \$2 billion in competitive Neighborhood Stabilization Program grants for innovative programs that reduce foreclosure.
- \$1.5 billion to provide renter assistance, reducing homelessness and avoiding entry into shelters

Scams:

Beware of any organization charging an upfront fee or advising homeowners to skip mortgage payments.

- No fees in HAS
- Intentionally not paying never a strategy

Help for Borrowers:

The "counseling" piece is simply a referral requirement to a HUD certified agency and **ONLY** if payment ratios are > 55% (very high!)

- Unclear how will be implemented.
- "Every potentially eligible borrower who calls or writes in to their servicer in reference to a modification must be screened for hardship."
 - The borrower must help the servicer document income and assets, and current expenses as well as the specific circumstances relating to the claimed financial hardship.
 - change in circumstances that causes financial hardship (income reduction or loss)
 - facing a recent or imminent increase in the payment (payment shock).

Basic budgeting and review of debt is important.



UW Extension's Response

WHPE - Wisconsin Homeowner Preservation Education

1. Understanding the issues and monitoring the market
2. Homeowner Preservation Education workshops (HPE workshops)
3. Homeowner Preservation Events

Contact Information:

Dane County - UW Extension

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For links to the data on pages 1-3, See also:

http://www.uwex.edu/ces/cced/economies/communityindicators/Indicators_Links.cfm#foreclosures2

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