



Addressing the National Foreclosure Crisis

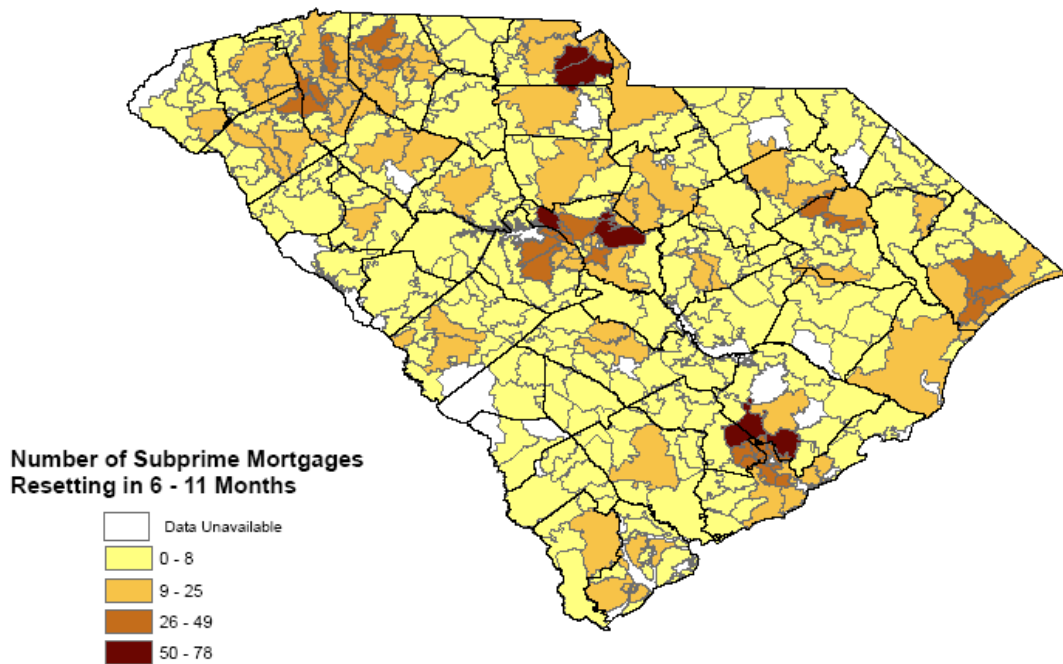
A Presentation to the
National Equity Summit
New Orleans, LA
March 5-7, 2008

Bernie Mazyck, President & CEO
S.C. Association of CDCs

The State of Foreclosures in S.C.



**South Carolina Number of Subprime Mortgages
Resetting in 6 - 11 Months
October 2007**



0 25 50 100 Miles

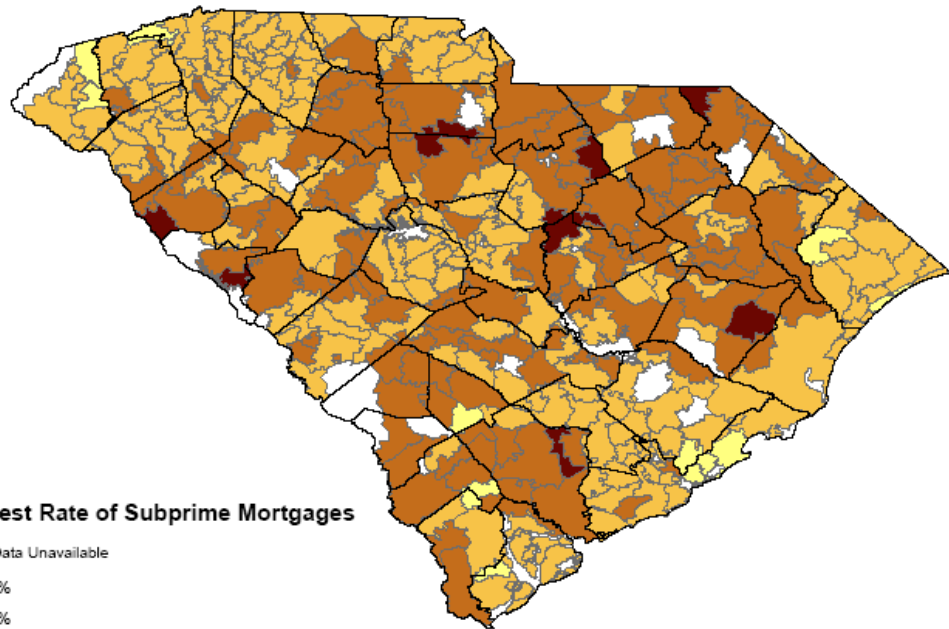
Map created from Federal Reserve Board estimates based on First American LoanPerformance data.

Federal Reserve Bank of Richmond

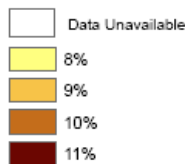
The State of Foreclosures in S.C.



**South Carolina Average Interest Rate of Subprime Mortgages
October 2007**



Average Interest Rate of Subprime Mortgages



0 25 50 100 Miles

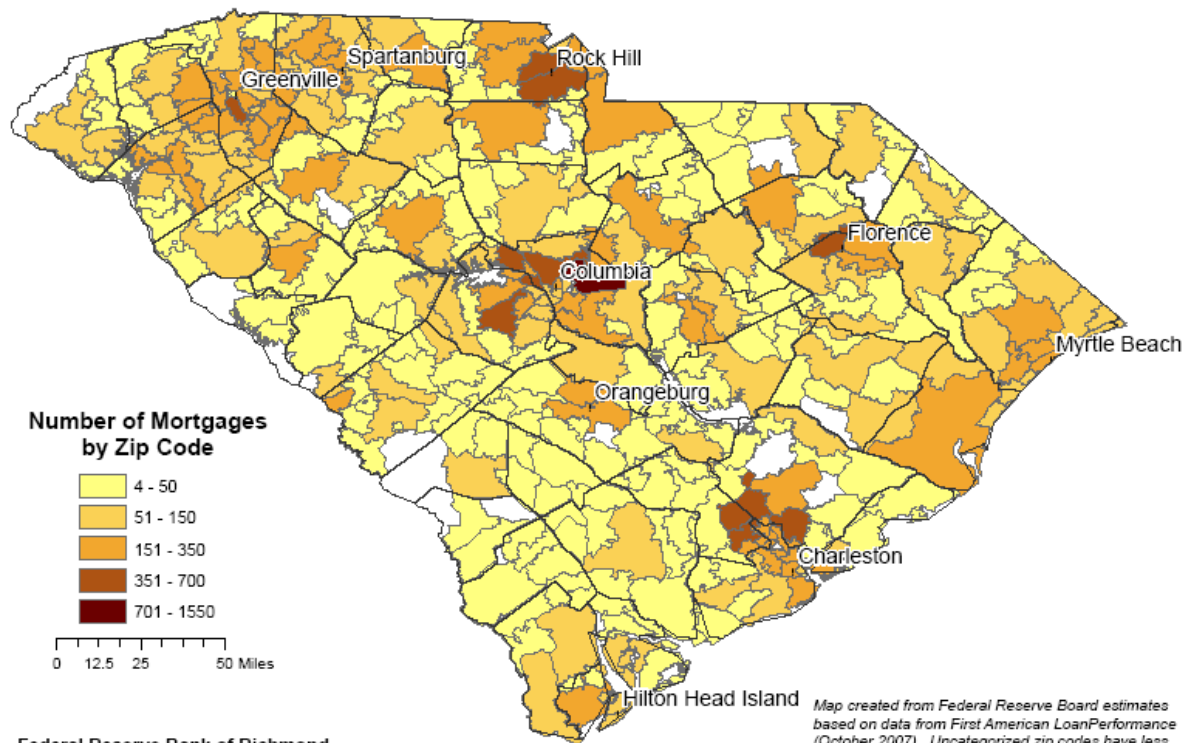
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The State of Foreclosures in S.C.




**South Carolina:
Number of Owner-Occupied
Homes with Subprime Mortgages**



The South Carolina Foreclosure Prevention Initiative

It affects your whole community
1-888-995-HOPE





National Foreclosure Mitigation through NeighborWorks® America

**Having Trouble Paying
Your Mortgage?**

888-995-HOPE

www.995hope.org

**National
Foreclosure
Mitigation
Counseling**



HOPE HOTLINE

Through our 888-995-HOPE hotline, the Homeownership Preservation Foundation has a single mission: to help homeowners avoid foreclosure. We are an independent nonprofit that provides HUD-approved counselors dedicated to helping homeowners.

The help we offer is free.

Our counselors are experts in foreclosure prevention and trained to set up a plan of action designed just for you and your situation. When you talk to us, you won't be judged and you won't pay a dime. That's because we don't just offer general advice - we help you take action. Counselors will arm you with education and support that assists you in overcoming immediate financial issues...at no cost to you.

Delivery of Counseling

Telephone counseling:

- ◆ Most common
- ◆ Lower cost to provide
- ◆ Standardized call center with quality control
- ◆ Convenience for stressed borrowers is important
 - offered 24 hours a day
- ◆ Less time available; not in the community




Delivery of Counseling

Face-to-face counseling:

- ◆ On the ground — deal with property issues
- ◆ Manage and review documents
- ◆ Seniors or special needs clients
- ◆ Ability to spend more time per session
- ◆ Higher cost; less convenient
- ◆ Ability to resolve hardest cases





Guidelines for Effective Mortgage Default Counseling

Not an Advocate

- ◆ Provide information that borrowers need to make an informed decision about their home.

Be Fully Informed on All Options

- ◆ Understand industry structures and limitations.

Make Referrals

- ◆ If the borrower wants something beyond your expertise or scope of service, try to make a referral if possible.

Facilitate Dialogue with Servicer

- ◆ Not mediator or legal expert – encourage conversation and provide information/feedback

Intervention Timeline

Time

slow pay

- **Preventing** problems with targeted counseling, phone calls, workshops

15-30 days

late

- Making **contact** with delinquent borrowers (sooner is better)
 - Hotlines are helpful, but not enough for long-run

30-90 days

late

- Managing **expenses** to pay mortgages
 - Often consumer just needs help prioritizing
- Restructuring consumer **debt**
 - Debt management plans can help free up cash flow for mortgages

60-120

days

- **Repairs** to the home
 - Unexpected costs of repairs are frequent problem
- **Modifying** the loan
 - If partnership with lender is in place, mods are possible and very helpful

90+ days

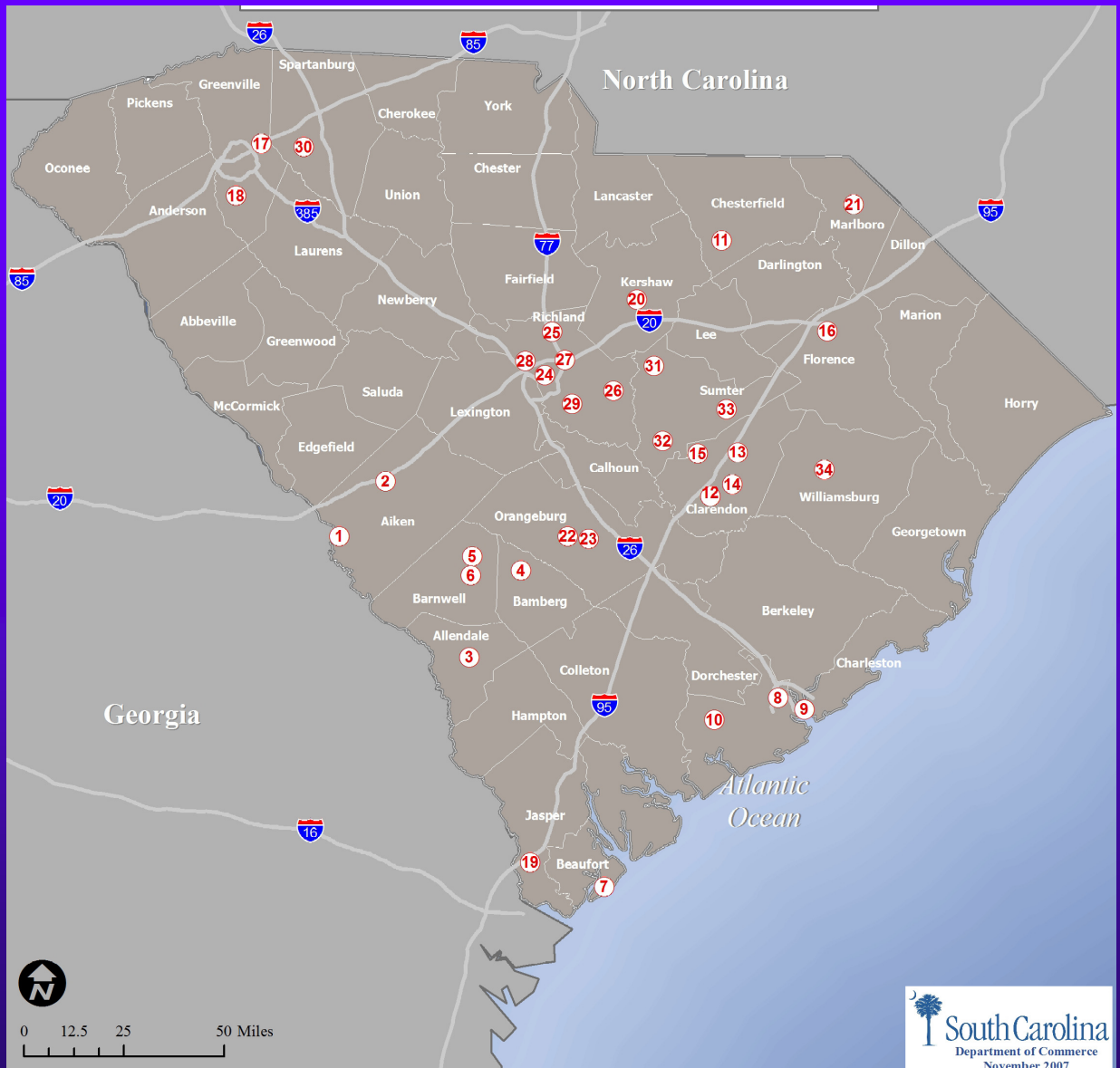
- Bridging an **income** shortfall (short-term)
- Exit strategies if ownership is **unsustainable** (e.g. health crisis, divorce)

180 days+

- Managing REO properties to avoid **vacancies**
 - Maintaining a stable neighborhood
 - Turning over homes to new buyers

Source: Policy Lab Consulting Group

Delivery System for Foreclosure Intervention in South Carolina (35 sites)





DEFAULT CLINIC SET UP

- ◆ The purpose of the default clinic is to streamline the default counselors time
- ◆ Generate income by utilizing the HOPE line more efficiently
- ◆ Assist more homeowners currently experiencing default issues

EFFICIENT USE OF TIME



BEFORE – 20 clients a week
@ 1.5 hours of counseling =
30 hours of one-on-one
counseling time

NOW – 20 clients attending
a default clinic one time for
2.5 hours

TIME SAVED = 27.5
counseling hours

KEEP IT SIMPLE



- ◆ Explain the purpose of the default clinic.
- ◆ Review the file documentation and the purpose for the information collected.
- ◆ Review the foreclosure process and what to expect next...



KEEP IT SIMPLE..cont...

- ◆ Explain what will be expected from the client;
 1. Must agree to spend time on the HOPE line to review budget.
 2. Return counselors calls in a reasonable time frame.
 3. Complete all paperwork and follow through with requested documentation.



PURPOSE OF TRIAGE

- ◆ The purpose of the triage session is to quickly assess the clients situation and a possible resolution.
- ◆ The triage counselor may or may not be the counselor who will ultimately be working with the client. Therefore it is important the assigned counselor be able to pick up the folder, read the triage notes and immediately be able to get to work on a resolution.



TRIAGE

- ◆ Counselor should spend no more than FIVE minutes with each client before they leave the clinic.
- ◆ The counselor will QUICKLY assess the default situation.
- ◆ Client should be given the name of the counselor that they will be working with or at least a generic business card to follow-up within the next few days.




TRIAGE...cont..

- ◆ Counselor should write the following notes on the note page in the front of the file.
 - How many months delinquent?
 - Is the reason for default resolved?
 - How much does the client owe?
 - How much does the client have to contribute?
 - Equity position?
 - Suggested resolution(s) for the situation.



THE DAY AFTER THE CLINIC

- ◆ Foreclosure Coordinator receives all clinic files the next day.
- ◆ Coordinator will then log files into data base and spreadsheets.
- ◆ Coordinator will connect all clinic attendees to the HOPE line via a 3rd party call.
- ◆ Coordinator will fax all authorization forms to appropriate parties, I.e. lender, attorney, realtor, investor....



CLIENT CASES ASSIGNED

- ◆ After the Foreclosure Coordinator has connected the client to the HOPE line and has faxed all authorization forms the lender, the case is then assigned to a counselor.
- ◆ The client is informed of the name of the counselor, phone number and email address in a follow-up letter.



COUNSELOR'S WORK BEGINS

- ◆ Default counselor now begins the hard work.
- ◆ The initial triage and administrative work is already complete. The counselor reads the triage notes, familiarizes themselves with the file and immediately begins working with the lender on a resolution.
- ◆ When a positive result is achieved the HOPE data worksheet is updated and inputted into the CCRC system by the foreclosure Coordinator.



Reimbursements to Local Sites

- ◆ Local Foreclosure Sites are reimbursed \$50.00 per household for those attending the Foreclosure Clinic.
- ◆ Local Sites are reimbursed \$500.00 per positive workout of client.



South Carolina is a Judicial Foreclosure State

- ◆ Process begins by filing a lawsuit in Circuit Court in the county where the property is located.
- ◆ All parties must be listed.
 - they can be found by doing a title search
 - anyone with an interest will be listed



South Carolina Foreclosure Process

Sue Berkowitz, Director

SC Appleseed Legal Justice Center

P.O. Box 7187

Columbia, South Carolina 29202

803-779-1113 x101


sberk@scjustice.org

When should I send someone to an attorney?

- ◆ Whenever someone gets served with papers it is advisable to either
- ◆ 1. Get an attorney involved
or
- 2. Advise the consumer of the need for attorney and/or to file a response in court.



This is especially true if you think there are violations of legal requirements or there is a problem with the paperwork in general. **Failure to do so could cause the consumer to lose his or her day in court.**



Why would legal issues matter if negotiating a work out?

- ◆ Legal issues can give you leverage
- ◆ While you may be able to help someone with current arrearage could there be problems in the next few years?
 - For example: ARM that will make it impossible to repay?
 - Current health problems that could get worse



State Laws

- ◆ There are a number of state laws that could provide the consumer with protection and leverage;
- ◆ If the state law is enforced, then it may make a workout easier to develop but more important, easier to keep up with.





Federal Laws

- ◆ HOEPA: High Cost and Consumer Home Loan Equity Protection Act;
- ◆ Truth in Lending;
- ◆ Debt Collection;
- ◆ Fair Credit Reporting Act



What if consumer has been served

- ◆ Check for your local legal services office and have the individual call immediately
- ◆ <http://www.sccej.org/locations.htm>

The South Carolina Foreclosure Prevention Initiative

It affects your whole community
1-888-995-HOPE



Building Wealth...
One Community at a Time



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