

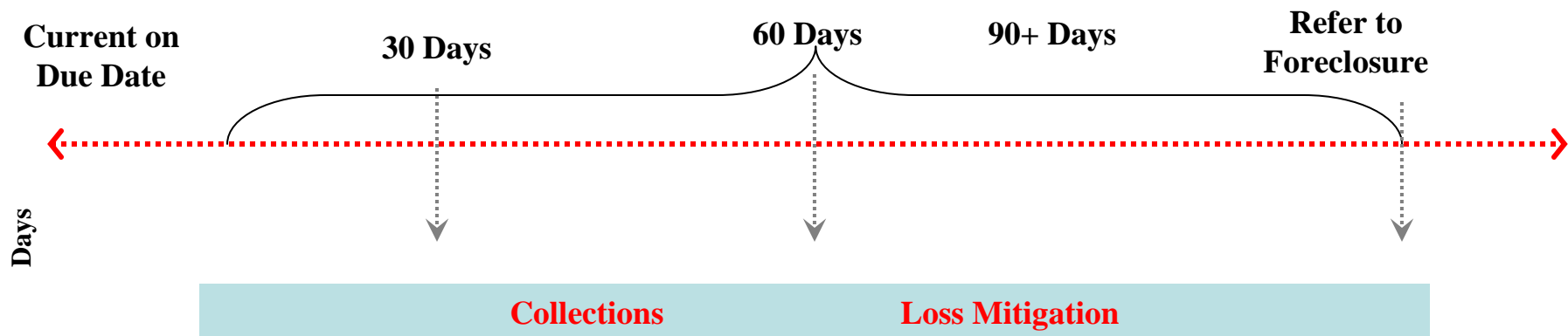
Keys to Preserving Homeownership



Agenda

- **THE PROCESS** - What's going on? Where do I stand in this whole mess?
- **THE LINGO** - What is my lender talking about, anyway?
- **THE OPTIONS** – Can I refinance? How can I save my home? Should I declare bankruptcy? What if I just want to move on?
- **THE BAD GUYS** – How can I tell if someone is trying to scam me?
- **RESOURCES** – Who/what is out there to help me?

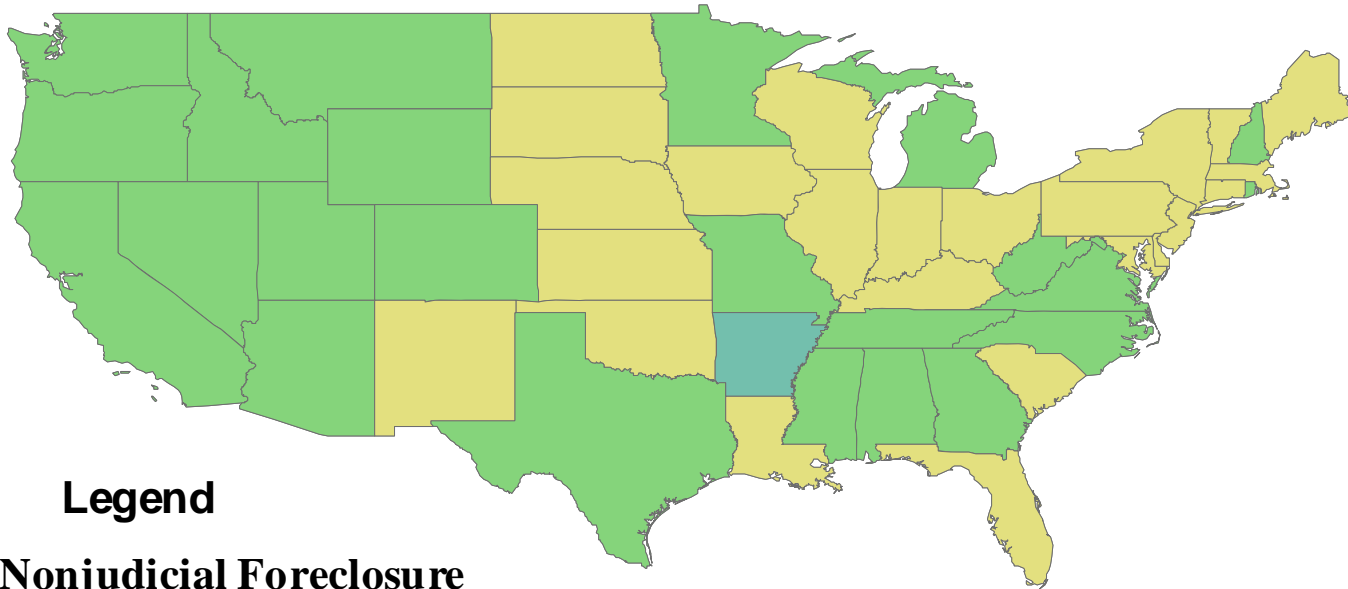
The Process



➤ **Take Action!**
➤ **Call your Lender
for assistance
early!**




➤ **More options may be
available when you ask for
assistance early!**

Foreclosure Countdown



Legend

Judicial / Nonjudicial Foreclosure

-  Equally
-  Judicial
-  Nonjudicial

**In Missouri, a foreclosure
can take place in as little
as 21 days!**

The Lingo

- **Collections**: the process of contacting the homeowner for and receiving delinquent amounts which they are owed
- **Delinquency**: failing to make a timely payment so that it is received on or after the due date
- **Foreclosure**: legal action to force the sale of a home
- **Investor**: the owner of the loan
- **Insurer**: insures the lender/investor in case the loan becomes delinquent
- **Loss Mitigation**: working with the customer to find a permanent solution to resolve the delinquency and preserve ownership
- **Mortgage Servicer**: responsible for customer service, processing payments and working with delinquent customers

Your Options

- **Are you current on your payments?**
 - Refinancing
 - Using retirement savings
 - What to do? I'm current now, but I won't be soon ...
- **Are you behind on your payments?**
 - Repayment plans
 - Forbearance agreements
 - Loan modifications
 - Should I declare bankruptcy?
- **What if I want to move on?**
 - Short sales
 - Deed in lieu of foreclosure



Can I refinance?



- **Standard refinancing**
 - Need good credit plus equity
- **Home Affordable Refinance Program**
 - Help current borrowers unable to refinance due to declining property values
 - Make payments more affordable and/or stable
 - Replace ARM, Option ARM, etc. with fixed-rate mortgage
 - Reduce amortization term
 - **HARP ends in June 2010**

Making Home Affordable - more

Borrower:

- Owner-occupant of a 1-4 unit property
- Is current on the mortgage
- Has reasonable ability to pay the new mortgage payment

Loan:

- Owned or guaranteed by Fannie Mae or Freddie Mac
- 1st mortgage cannot exceed 125% of current market value
- Must improve affordability or sustainability

This product ...

- Opens door for borrowers whose home values declined
- Offers relaxed credit score requirements
- Does not require combined loan-to-value requirement (2nd mortgage does not count toward LTV ratio)
- Provides MI flexibilities for certain loans (with higher LTVs)
- Offers limited cash-out to cover closing costs only; no debt consolidation

Should I use my retirement savings?

- Lenders regard 401K and similar savings plans as “encumbered income” (vs. liquid assets)
 - They **don’t** factor it into a repayment plan
- Look at the “big picture”
 - Your age and ability to recover lost savings
 - Taxes/penalties
 - Need for a good credit score
 - Affordability of the house, given current income

Are you willing to exhaust all your retirement savings and imperil your future for this house, when there may be other alternatives?

Current now, but running out of money?

- Lenders may consider modifying your loan if you are at risk of **“imminent default”**
 - Have a documented, permanent hardship – decrease in income, excessive debt or significant increase in expenses, facing interest rate increase within next four months, etc.
 - Do not have sufficient savings or other liquid assets to make future payments



Repayment/Forbearance Plans

- Used when the borrower has a short-term interruption in his or ability to make loan payments.
- Customers are asked to make (for example) 1 $\frac{1}{4}$ payments or 1 $\frac{1}{2}$ payments per month until the loan is current.
- Does not require a permanent change to the mortgage documents.
- In a few cases, monthly payments are reduced or suspended for a specific period of time (a special forbearance). The unpaid amount is not forgiven, however, but made up later.

Don't agree to a plan that you can't really afford!

Loan Modification

- Permanent changes are made to your existing loan. For example, your interest rate is reduced or the term of your loan is extended.
- Some servicers do a trial period first to ensure you can really make the payments. If you miss or are late on a payment, the agreement is off.
- The changes in your mortgage payment and loan are based on income and expenses.



Be honest about your situation.

Be sure the terms are in your best interests!

Making Home Affordable - Again!

Borrower:

- Owner-occupant of 1-4 unit property that is primary residence
- Has sufficient, documented income to support the modified payment
- Has a financial hardship and is delinquent or at risk of imminent default

Loan:

- Amount owed on first mortgage equal to or less than \$729,750
- Mortgage originated on or before January 1, 2009
- First mortgage payment (PITI + homeowner association/condo fees) is greater than 31% of gross income
- Can modify 1st and 2nd loans

Making Home Affordable - more!

Ineligible:

- Mortgage has already been modified once under this program
- Mortgage is secured by investment properties, secondary residences or condemned properties
- Monthly payment is already less than 31% debt-to-income ratio

Etc:

- Servicers determine eligibility
- To cut loan payment to 31%, servicer will apply a “waterfall” of steps, for example:
 - Interest rate could be reduced to as low as 2%
 - Extend loan term up to 40 years
- Modification is not final until borrower completes 3-month trial period
- **Ends December 2012**

What Your Lender Needs

- Letter explaining your circumstances (hardship letter)
- Your financial information:
 - Pay stubs
 - Tax returns and W-2 forms
 - Bank Statements
 - Debts and obligations
 - Assets
 - Unemployment compensation (in some cases)
 - Other Documentation as requested



This process takes time and patience!

Should I declare bankruptcy?

- **Bankruptcy is not a panacea for your problems!**
 - Temporarily stops foreclosure
 - You could lose the house anyway if you can't make your payments
 - You will pay court costs and attorney's fees
 - Laws have made process more complicated
 - Court chooses your plan (Chapter 13 vs 7)
 - Counseling and education are required
 - Seek competent legal advice
 - On your credit report for seven to 10 years

Pre-Foreclosure/Short Sale

- **Pre-Foreclosure:** Sell the property at fair market value
- **Short Sale:** Lender agrees to accept the proceeds of the sale, even though it is less than the full payoff amount, in order to avoid foreclosure
- Plenty of paperwork
- Seek an experienced real estate agent



Deed-in-Lieu of Foreclosure

- The lender must agree that the homeowner can voluntarily sign the deed over to the lender to avoid the foreclosure process.
- The Homeowner is required to vacate the property at the time the documents are signed or other negotiated date.
- Some lenders may be willing to do a “cash for keys” arrangement, giving the homeowner some funds with which to move. It’s good to ask!

What about my taxes?

There may be tax implications from loan modifications or foreclosures.

- Although laws have changed recently, there are some cases in which cancelled debt may have to be counted as income for tax purposes
- Lender must send borrower a 1099-A or 1099-C at year's end
 - **Be sure to give your lender a forwarding address, if you are moving!**
- Applies also to abandoned properties
- Check Publication 4681
- Get a reputable tax preparer



The Bad Guys - Scams to Avoid

- **Phantom Help-** The “rescuer” charges high fees for work the homeowner could do themselves or charges for strong representation that never materializes
- **Bailout-** Includes various schemes where homeowners surrender their title to the house thinking they will be able to remain as renters and buy the house back
- **Bait and Switch-** Homeowners think they are signing documents for a new loan to make the mortgage current, but sign away the home and are left holding the mortgage on a home they no longer own
- **Equity Stripping-** A buyer purchases the home for the amount of the arrearage and flips the home for a quick profit

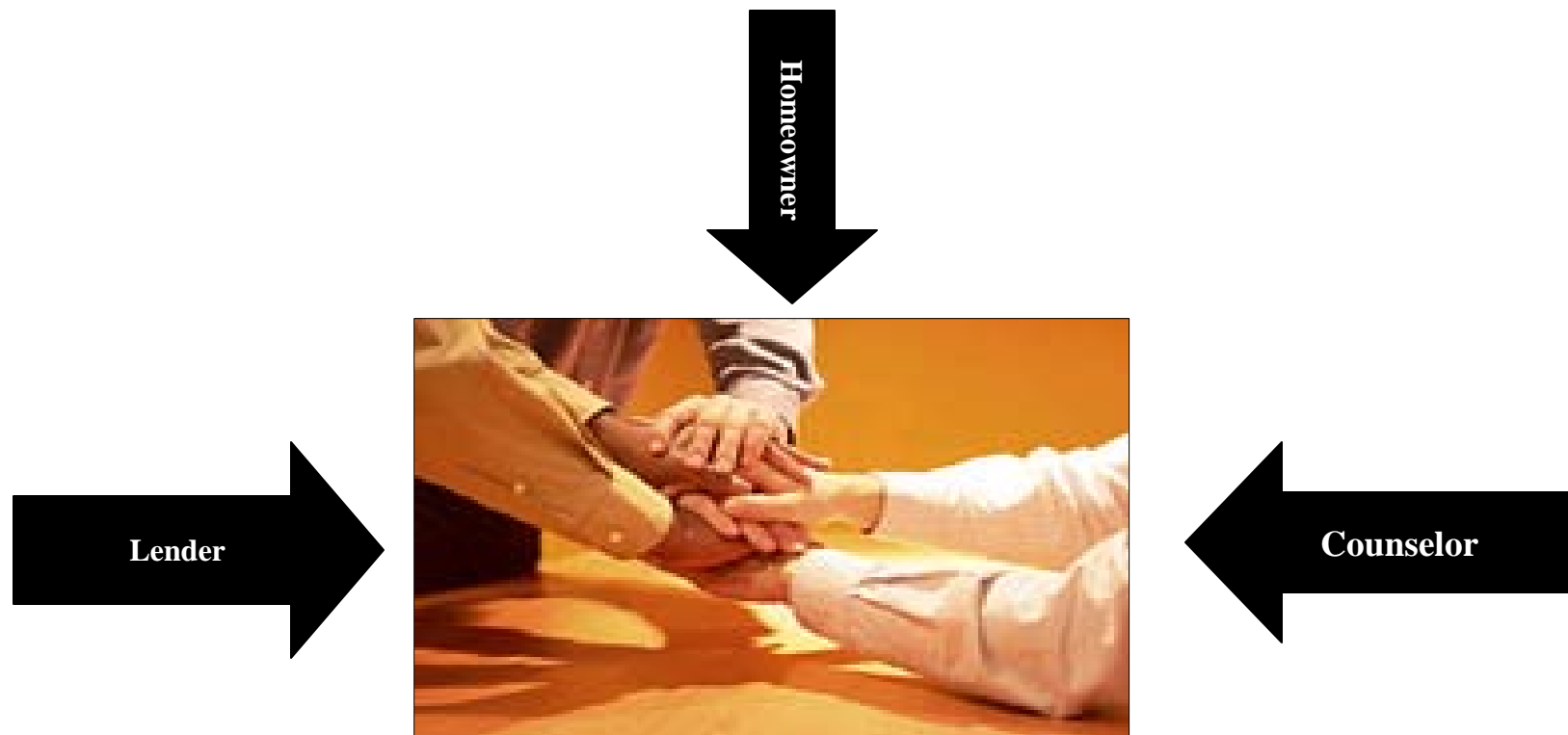
Protect Yourself!

- Don't panic
- Talk to your lender
- Never sign a contract under pressure
- Never sign away ownership of your property
- Don't make payments to anyone other than your lender
- Beware of a home-sale contract where you aren't formally released from your mortgage
- Don't sign anything with blank lines or spaces
- If you don't speak English, use your own translator
- Beware of those offering to pay your arrearage and take the house off of your hands (equity stripping)

Call the attorney general's office to report a suspicious activity

Role of the Counselor

- Partnering for a Workable Solution



Helpful Web Sites

- **Making Home Affordable**
 - www.makinghomeaffordable.gov
- **HOPE NOW Alliance**
 - www.hopenow.com
- **U.S. Department of Housing and Urban Development**
 - <http://www.hud.gov/offices/hsg/sfh/hcc/hcs.cfm>
- **Fannie Mae**
 - www.fanniemae.com/loanlookup
- **Freddie Mac**
 - www.freddiemac.com/mymortgage
- **Metro St. Louis Foreclosure Intervention Task Force**
 - www.foreclosurehelpstl.org
- **KETC/Channel 9 “Facing the Mortgage Crisis”**
 - www.stlmortgagecrisis.org
- **Federal Reserve Bank**
 - www.federalreserveconsumerhelp.gov

Local Resources

- **United Way's "211"**
- **Local HUD-certified housing counseling agencies**
 - Catholic Charities Housing Resource Center
 - 314-802-5444
 - Beyond Housing
 - 314-533-0600
 - Urban League of Greater St. Louis
 - 314-615-3600
 - Better Family Life
 - 314-367-3440
 - Legal Services of Eastern Missouri
 - 314-534-4200

And Now ...



BREAK