

Foreclosure: Strategies for Saving the Neighborhood

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What Does a Residential Mortgage Servicer Do?

- Collects monthly mortgage payments from borrowers
- Remits principal and interest to the investors in those loans
- Pays property tax and hazard insurance bills from escrow funds collected from borrowers in their monthly mortgage payments
- Performs collection, loss mitigation and foreclosure activity with respect to delinquent borrowers
- The servicer is guided and controlled by the servicing agreement, which set outs requirements for servicing performing and non-performing loans
- Fannie Mae, Freddie Mac, Ginnie Mae, and the Federal Housing Administration (FHA) servicing guidelines direct the servicer's collection and loss mitigation activities

How Loan Servicers Can Help

Loan servicers exhaust all home retention options:

- Starting the month of a missed payment
- Continue all the way to title transfer
- Efforts include, but not limited to, outbound calls and solicitations to educate borrower on foreclosure alternatives

Modification options:

- Extend term
- Lower interest rate
- Principal set aside
- Forbearance

Graceful exit options:

- Short sales
- Deeds in lieu
- Extend terms

State Legislative Environment

Servicing Standards Legislation

- Eight bills have been introduced in seven states: AZ, MT NV, OH, OR, SC, TX
- Legislation addresses/requires:
 - Good faith and fair dealing
 - Single point of contact
 - Fees disclosures
 - Perform loss mitigation whenever possible
 - Registration of servicers – Oregon, Vermont

Dual Tracking : When the foreclosure process runs parallel with the loan modification process

-Legislation:

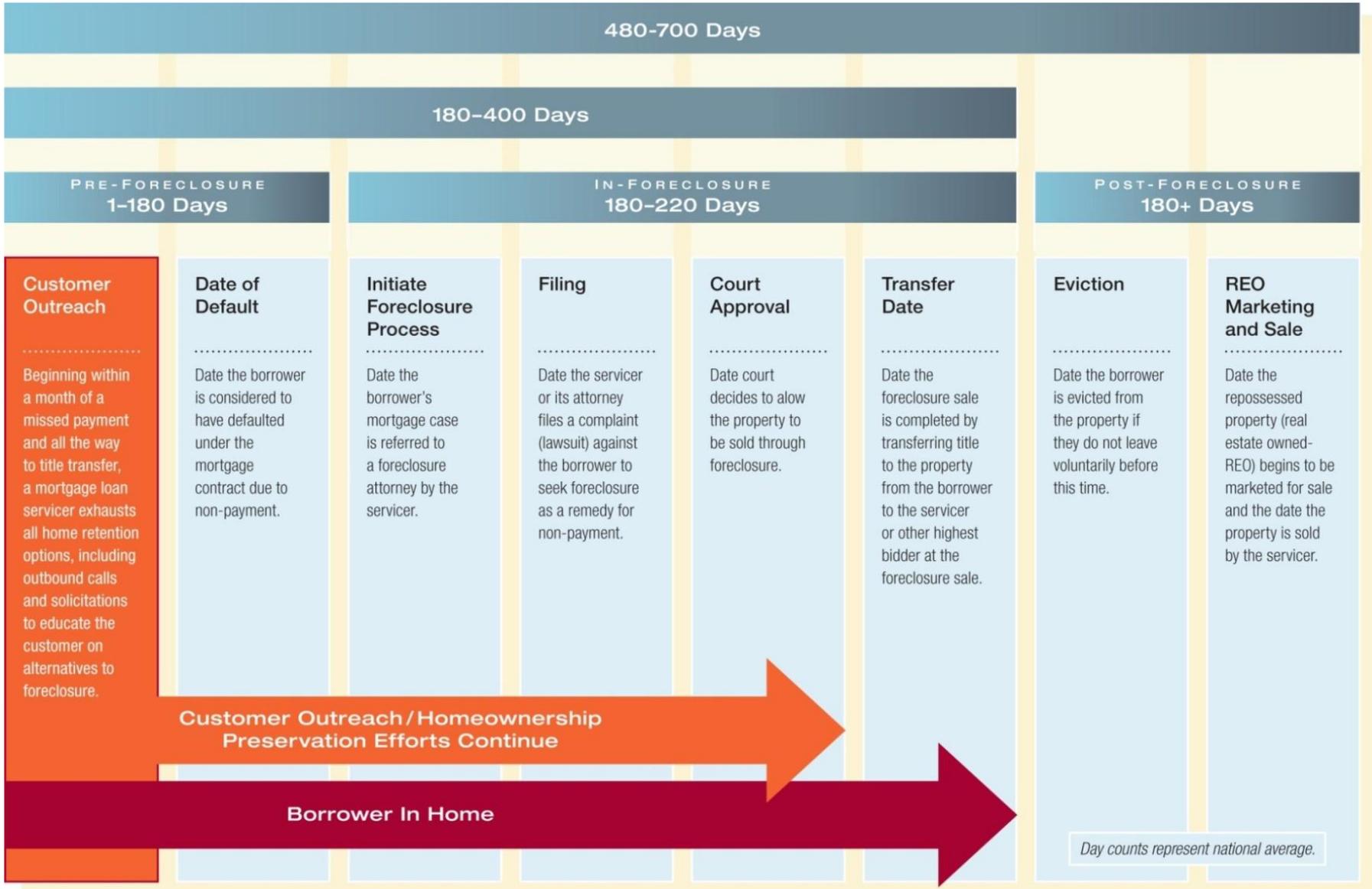
-California SB 1275: requires a servicer to evaluate a borrower's loan modification application and give the borrower an answer before launching into the foreclosure process

State Legislative Environment

Foreclosure Documentation Standards

- Eighteen bills have been introduced in 12 states: AZ, CT, GA, HI, MD, ME, MN, NY, OR, RI, VA, WA
- Legislation Examples:
 - Arizona HB 2383: requires a servicer to ensure that all foreclosure documents filed or recorded are accurate, verified or acknowledged by an individual with personal knowledge of the information contained in the documents.
 - Connecticut HB 6223 requires proof that the mortgagee is the rightful owner of the note at the first mediation session.
 - Delaware HB 57: requires an affidavit of loss mitigation prior to a plaintiff seeking the entry of judgment in a foreclosure action.

Judicial Foreclosure



Day counts represent national average.

Goal: to move vacant/abandoned properties quickly into the hands of new owners who will care for the property's upkeep.

Shortening the foreclosure timeline for abandoned properties is an effective tool to prevent blight, crime, and safety hazards associated with vacant homes

Colorado HB 1249:

- Effective from August 2010 until August 2013
- Shortens the time to foreclosure sale from 110-125 days to 45-60 days
- Court may order an expedited sale if clear and convincing evidence proves the property is abandoned and no appearance is made to oppose the motion
- Affidavit affirming that the property is vacant must accompany the motion for expedited foreclosure sale
- Documentary evidence and/or pictures of the conditions must be attached to the affidavit

- Task force of key MBA members to examine and issue recommendations for the future of residential mortgage servicing
- The white paper provides information on what a servicer does; how a servicer is compensated; and the perspectives of consumers, regulators, and the legal community

Thank You.

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