

# New Options When Facing Foreclosure

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# Home Retention in the Modern Age

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# Challenges with Home Retention Programs

- Loss Mitigation can be limited due to investor or insurer guidelines
- Turn times to reach resolution are too long for homeowners in immediate crisis
- Some servicers, particularly in the collections areas, focus on an “all or nothing approach”



# The World of Mortgage Servicing

- Subprime vs. Prime
  - Subprime can be loosely described as loans which due to underwriting or program requirements could not be sold to Freddie Mac or Fannie Mae, nor insured by FHA or VA
  - Subprime loans may or may not have private mortgage insurance
  - Subprime loans are not limited to specific areas or demographic brackets



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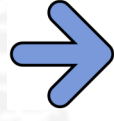
# Focus on Loss Mitigation

- Home retention is a Win-Win for the customer, the insurer and the investor.
- Servicers/Investors have a stake in maintaining home ownership
- In the event that home retention is not feasible, helping the customer find a way to exit with dignity is the priority



# What does the servicer need to consider loss mitigation options

- Need to know reason for default – short term vs. long term



# Loss Mit needs - continued

- Current financial information
  - 1 month paystubs
  - 1 month bank statements
  - Most recent full tax return
  - Detailed net income/expenses monthly
- May also require an interior appraisal or BPO



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# How to provide?

- Some servicers may consider loss mitigation based upon verbal financial information without written documents
- Servicers may have a web site to enable the customer to download forms and/or submit financial information on line
- Servicers may have links with consumer credit reporting agencies to exchange information



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# Loss Mitigation Programs

- Full reinstatement
- Partial reinstatement
- Repayment Plan
  - Monthly payments resume but an additional amount is paid each month toward the delinquent payment.



# Loss Mitigation Programs

- Forbearance Agreement
  - Temporary waiver or reduction of payments with arrearage due in a lump sum, or via a repayment plan or via modification
- ARM reset forbearance
- Partial claim (PMI, FHA, VA)
- Modification



# Loss Mitigation Programs – cont'd

- Full payoff
- Short sale
- Short payoff (refinance)
  - May waive prepay penalties, fees, costs or other balances
- Deed in lieu of foreclosure
  - May include cash for keys



# Loss Mitigation During and After Bankruptcy

- Chapter 7
  - Use of reaffirmations for repayment plans or modifications
  - Short sales and deeds-in-lieu and working with the Chapter 7 Trustee
  - Post stay termination and post-discharge repayment agreements and modifications

*Note: Some servicers will not provide repayment or modification options if the customer did not reaffirm*



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# Loss Mitigation During and After Bankruptcy

- Chapter 13
  - Loan modifications within Chapter 13
    - (DSI to standard amortizing)
  - Loan modifications post Ch 13 if the case is dismissed
  - Long term agreed orders to resolve post petition default
  - ARM changes – modification or forbearance from ARM resets
  - Short sales and deeds-in-lieu during the case
  - Waiver or suspension of late fees or other charges



# Mortgage Liaison Committee (NACTT Initiative)

- To improve communication between the mortgage servicing industry and the Chapter 13 trustees.
- The initiative is expanding to the consumer bar and the bankruptcy bench



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