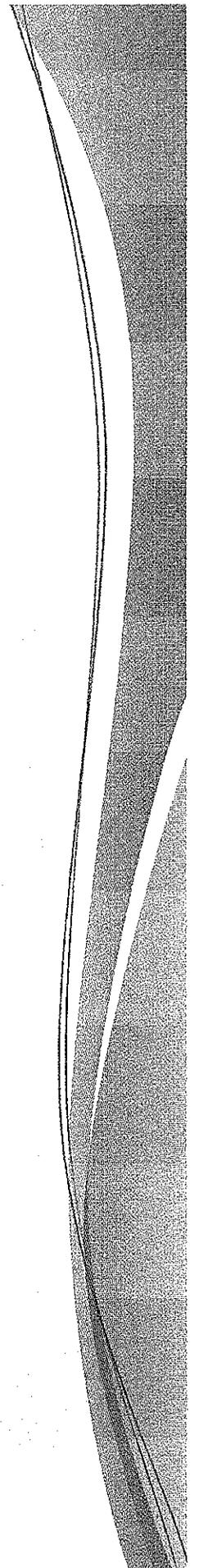




**SB 398 Extending the 90-Day
Pre-Foreclosure Negotiation Law**

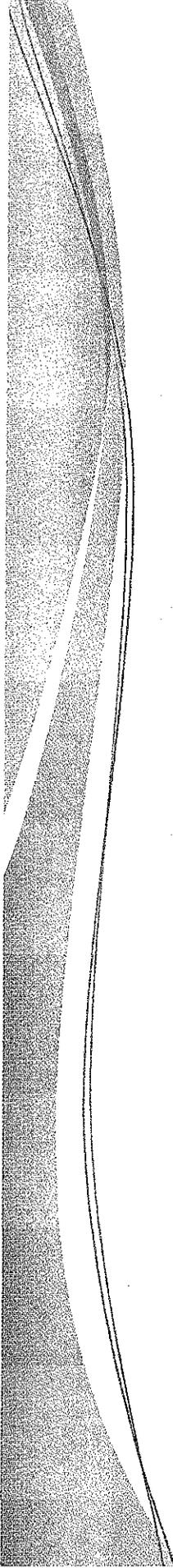
6-9-11

**Testimony before the Senate Banking &
Financial Institutions Committee**



Michigan Foreclosure Task Force

- **Statewide VOICE responding to Michigan's foreclosure crisis (Established by CEDAM in 2007)**
- **Over 450 members, representing 180 organizations including:**
 - local/regional foreclosure prevention/response coalitions
 - certified, nonprofit housing counseling agencies,
 - legal service providers
 - community development organizations
 - state and local government agencies and officials,
 - lenders, private sector partners, and individuals who are committed to protecting consumers and helping distressed communities.



We Serve as:

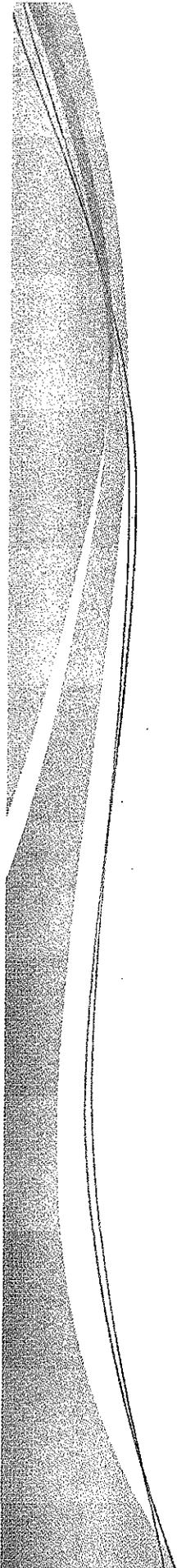
- **Information Hub**
- **Public Policy Advocate &**
- **Help build the capacity Michigan's network of Free, HUD & MSHDA-Certified Foreclosure Prevention Counselors**



We Support SB 398 – Extending the 90-day law for two years.

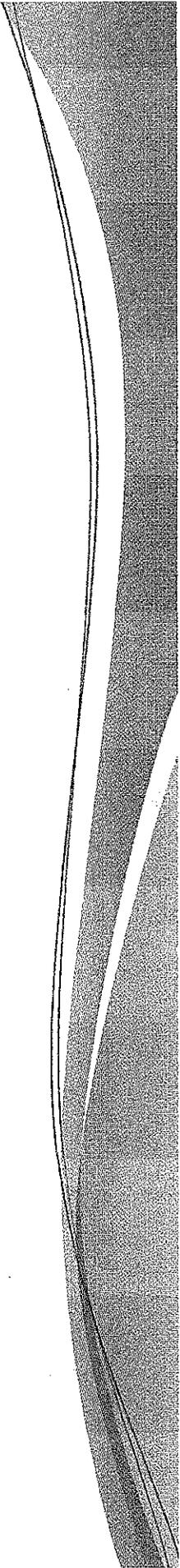
Purpose of the law as it was enacted in July 2009 –

- Serve as a temporary tool to deal with the foreclosure crisis
- It's designed to bring at-risk homeowners together with their lenders and to give them the time they need to try and work something out to avoid foreclosure (re-payment plan, forbearance (basically a pause in payments) loan modification, deed in lieu of foreclosure.
- More recently the law also provides the time for homeowners to apply for loans, or grants through MSHDA's Hardest Hit Homeowners Program - \$500 million granted to Michigan to address the needs of homeowners who are unemployed, have experienced a temporary inability to pay and those who can no longer afford their mortgage due to reduced income.



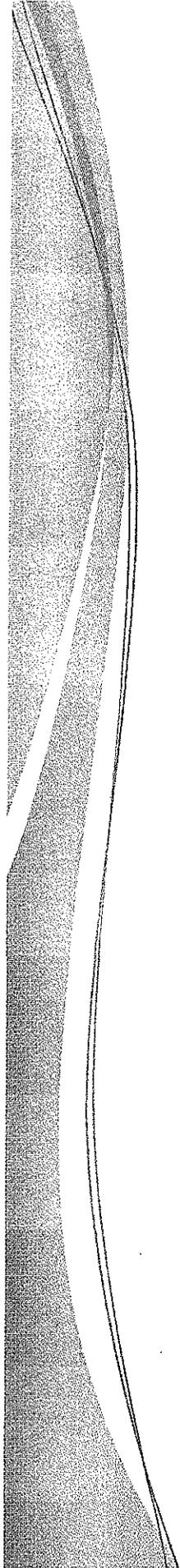
We support SB 398 for two reasons

- 1)The Crisis isn't over & It's hurting ALL of Us**
- 2)The law has been Effective**



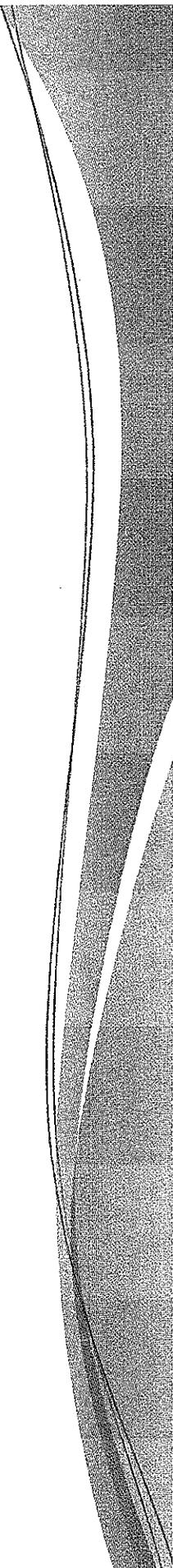
Reason #1: The Crisis Isn't Over

- 8 million Americans expected to face foreclosure between 2009 & 2012
- Michigan's share of that is 326,000 foreclosures. That means we're about 2/3 of the way through. (Center for Responsible Lending)
- Michigan also ranks in the top 5 states with the greatest decline in housing values as high as 40%.



Behind the numbers . . .

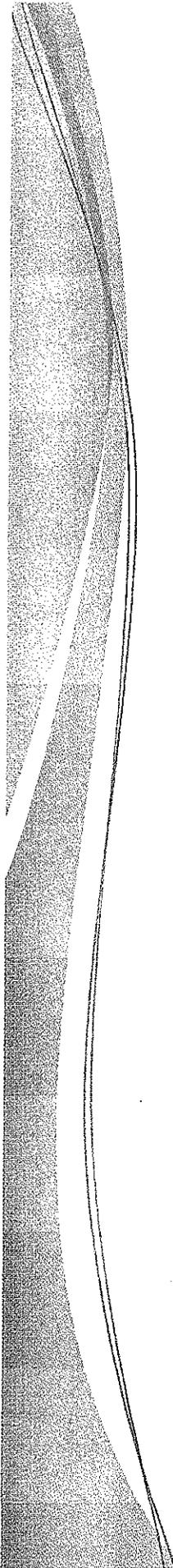
- **Unemployment & Underemployment**
- **Under Water Homeowners (owe more on their home than their home is currently worth)**
- **Increase in Foreclosure Rescue Scams**



Why should we care?

Because every foreclosed home and vacant property impacts all of us in two fundamental ways:

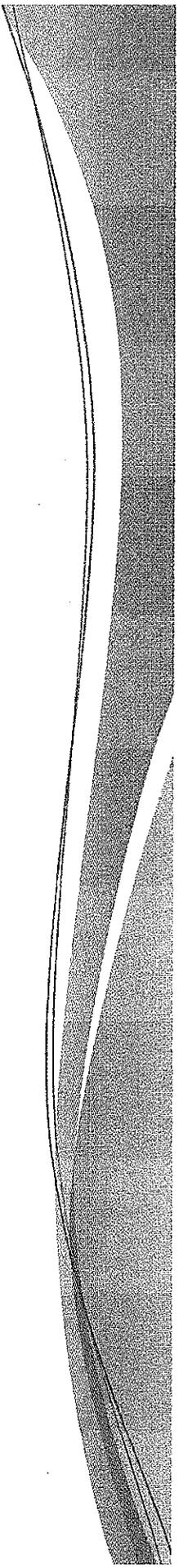
- **Financially** – As property values fall , it makes it harder to sell or improve our homes, further depresses the housing market & undermines our economic recovery



The Cost of Foreclosure

- Average cost of a foreclosure is \$78,000 while preventing a foreclosure costs \$3,300 broken down as follows:
 - \$50,000 – Lenders (recent Standard & Poors study breaks this down)
 - \$19,227 - Local government – shrinking tax base
 - \$1,508 - Neighbors – decrease in home value
 - \$7,200 - Homeowner – equity, moving expenses, legal fees, etc.

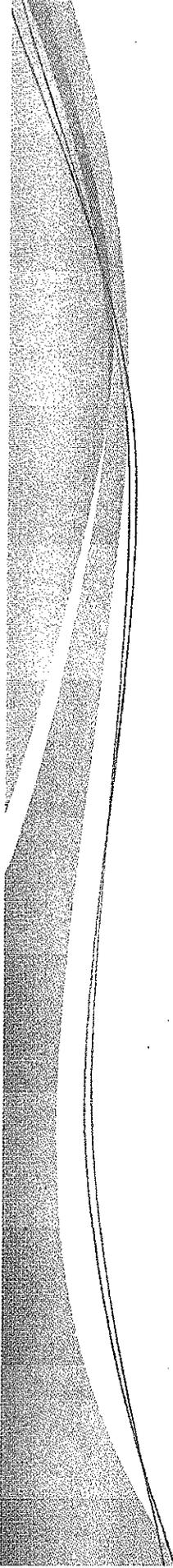
(Mortgage News Daily, June 2, 2011 quoting Joint Economic Committee of Congress)



Costs continued . . .

- As of May, 872,000 REO properties nationally with 1 million more in the pipeline and several more million to come in the years ahead.
- Would take 3 years to clear the current inventory
- Home values could fall another 5% by year's end with little up tick the following year.

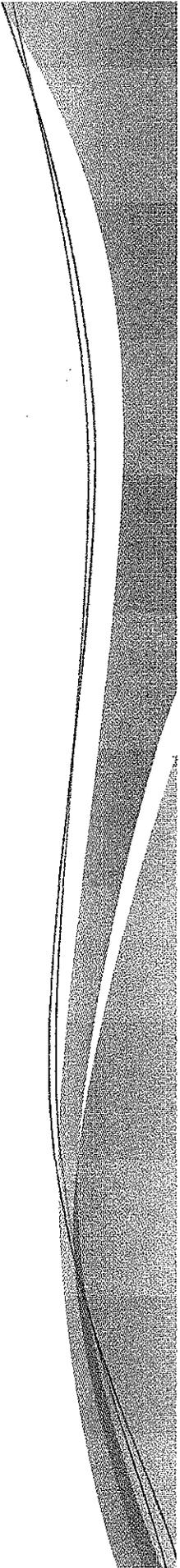
- (Realty Trac &
Moody's)



Another downturn possible.

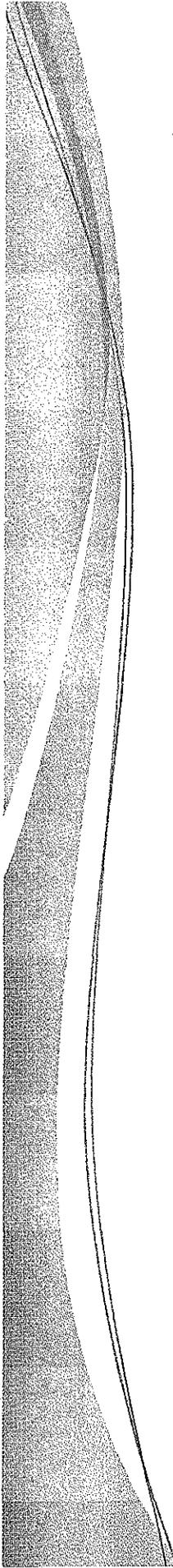
- 14 million borrowers under water now, about half owe 30% or more than their homes are worth.
- “Another housing downturn is possible... Plummeting home values pushing more borrowers underwater, causing them to choose a strategic default over paying their mortgage.”

-Marke Zandi with Moody's Analytics - “



Crisis Impacts our Quality of Life

- Neighborhoods pock-marked with vacant properties that are:
 - Unsecured
 - Unmaintained
 - Unightly
 - Unsafe

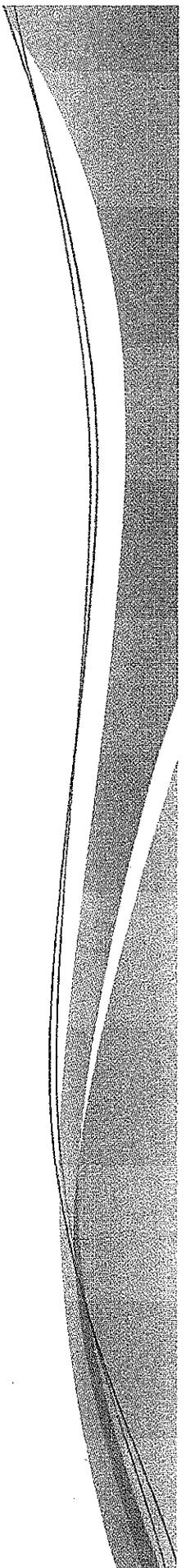


Reason #2: Law is Effective

- In June 2010 & April 2011 surveyed certified foreclosure counselors and legal service attorneys across the state about effectiveness of the law
- These are the on-the-ground professionals working with at-risk homeowners on a daily basis.
- Both surveys indicated that the vast majority of these on-the-ground professionals consider the law a success

Note: (Full Survey Results are available to the committee upon request)

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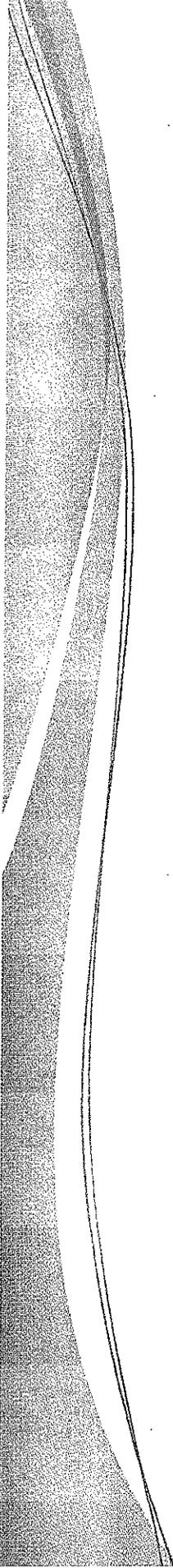


Tweaks, Improvements, etc.

- While we have several suggestions to improve the effectiveness of the law, time is of the essence so we support the extension of the law as currently written to avoid the impending July sunset.

Curtailment of the Redemption Period:

- In addition to voicing our support for extending the go day law, we want to also voice our opposition to any suggested curtailment of the Michigan's longstanding 6-month Post foreclosure Redemption Period.
- We basically see the six-month redemption period as a fundamental piece of Michigan Foreclosure Law that has worked effectively for 50 years, is not broken and doesn't need to be fixed.



Contact Information

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