Jackson County as 12/13/2011

< 3 ACRES	Foreclosures				Short Sales				Normal - Non Distressed			
YEAR	SOLD FC	AVG FC SP	ACTIVE FC	AVG FC LP	SOLD SS	AVG SS SP	ACTIVE SS	AVG ACTIVE SS LP	SOLD NORMAL	AVG NOR SP	ACTIVE NORMAL	AVG NOR LP
2011	597	$ 42,195.00	182	$66,473.00	75	$ 67,083.00	112	$ 80,839.00	1784	$ 121,525.00	685	$139,345.00
2010	740	$ 46,019.00										
2009	916	$ 43,787.00										
2008	840	$ 50,235.00										
2007	478	$ 59,824.00										
2006	148	$ 73,257.00										
> 3 ACRES												
2011	75	$ 75,406.00	27	$96,720.00	14	$128,796.00	49	$ 128,486.00	60	$ 162,836.00	114	$237,813.00
2010	96	$ 84,407.00										
2009	111	$ 89,320.00										
2008	85	$ 98,644.00										
2007	49	$121,802.00										
2006	14	$142,164.00										

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New approach to helping underwater homeowners

Loan servicer writes down mortgages, gets share of future price appreciation

BY STEVE BERGSMAN, FRIDAY, DECEMBER 2, 2011.
Inman News™

CORRECTION: The original version of this article contained an error in a name, and the article has been updated to correct the error. Paul Koches is Ocwen's executive vice president and general counsel.

Underwater home image via Shutterstock.

The shared-appreciation mortgage, also known as the shared-equity mortgage, or SAM, has been around since the 1970s but has gained little traction here in the United States.

So, when I noticed Ocwen Financial Corp., one of the country's larger independent mortgage servicers, adopting SAMs for use in its loan modification program, it caught my attention.

A SAM is a type of mortgage where the homeowner agrees to pay a stated percentage of property appreciation at the sale to the lender. In return, the lender agrees to charge a rate of interest on the loan that is below prevailing market share.

That's the basic formula, but for a SAM to be effective in dealing with underwater homes, the lender has to first drive down the mortgage to, or below, current value. The Ocwen program, which has been in a pilot run for more than a year, can change the interest rate, for example, but it leans more heavily on principal reduction.

Specifically, the principal of a delinquent loan is written down to 95 percent of the current market value of the home. The written-down portion is forgiven in one-third increments over the next three years, provided borrowers stay current on their mortgage. When the house is later sold or refinanced, the borrower must share 25 percent of the appreciation with the investors who own the loan.

"We had a very high rate of borrower acceptance into the program during our pilot test," said Paul Koches, Ocwen's executive vice president and general counsel. "We were able to achieve close to 80 percent acceptance by the borrowers, while at the same time (achieving) a very low redefault rate of around 3 percent."

Ocwen has gained regulatory clearance in 34 states for its SAM program and is working on the remainder of the states.

"This is an important weapon to combat the negative equity problem that is causing high rates of delinquency around the country," said Koches. "Something on the order of 10 million mortgages in the United States are underwater."

Homeowners with a loan-to-value ratio above 100 percent are, by definition, underwater and stand a 150 percent to 200 percent greater chance of going into delinquency than homeowners who have some positive equity. The overriding concept of SAM is to create a situation where the homeowner is net-present-value positive.

If a home is valued at $200,000 and the mortgage is $250,000, that's a home that will probably end up in delinquency.

Under the Ocwen program, the company will write-down that particular mortgage to $190,000 and probably make an interest-rate reduction as well. The combined effect would be to create a NPV-positive situation.

To provide an incentive for the homeowner to stay current over the long term, Ocwen forgives in one-third increments the written-down portion over three years as long as the homeowner stays current on the mortgage.

Now, it's five years later and the homeowner decides to sell. The sale price ends up to be $210,000, or a $10,000 gain over value at the time the SAM was implemented. $2,500 of the sales proceeds will be paid to the loan holder. The homeowner keeps $7,500.

"That's a way of returning some of the loss that the loan holder otherwise would sustain if there wasn't a sharing feature," said Koches.

I always liked the concept of the SAM, but as I noted, it has never attracted much interest in the United States. Partly, that was because of the buoyant home market and subsequent bubble that made the concept somewhat irrelevant.

Home prices were appreciating so quickly even a bad investment could be made whole by selling a house just a few years later at a price greater than the buy-in. Once the housing bubble burst and foreclosures soared, it should have been a good time to re-look at SAMs, but few did.

Andrew Caplin, professor of economics at New York University, has been bullish on SAMs, often writing provocative papers on the subject.

Caplin said SAMs offer consumers the option, long available to corporations, of providing some of the funding in exchange for sharing in the financial risk and rewards. Homebuyers would gain access to a new source of mortgage funding with no concomitant increase in monthly mortgage payments, thereby enhancing housing affordability.

But Caplin has been dismayed by the lack of SAM implementation.

"We are not seeing any traction," he said. "The occasional company does something, but SAM generally falls like a tree in the forest. It is a good idea and it works in this crisis. It worked before the crisis and it will work after the crisis. It is just not something people seem to have an incentive to think about."

The roadblocks are endemic.

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First, the government doesn't have its eye on SAM, because it doesn't see it as a winner. Secondly, there might be tax issues that could easily be solved with government regulatory implementation.

"What we need is for Congress to clear out the regulatory structures so that the shared-appreciation mortgage has a simple treatment and everyone can use them easily," Caplin said. "Instead what we can expect is for SAMs to be taxed bizarrely, declared illegal in five states, and regulators will sue the implementers."

Koches is more optimistic. "We think our program can make a real impact on curing the negative-equity problems, and we are working hard to obtain approvals for SAMs in all jurisdictions."

At the time of the Ocwen rollout of its SAM program, in a prepared statement, John Taylor, president and CEO of the National Community Reinvestment Coalition, said, "We hope this innovation inspires other mortgage services to follow suit."

So do I.

Steve Bergsman is a freelance writer in Arizona and author of several books. His latest book, "Growing Up Levittown: In a Time of Conformity, Controversy and Cultural Crisis," is now available for sale on Amazon.com.

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News

Record number of homes in foreclosure

LPS report reveals hopeful long-term trends

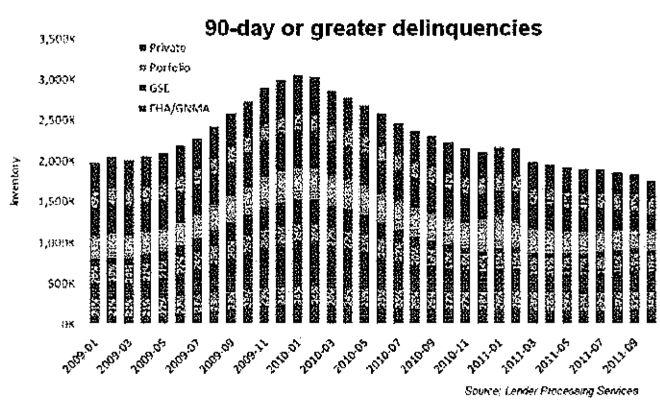
BY INMAN NEWS, FRIDAY, DECEMBER 2, 2011.
Inman News™

The foreclosure pipeline has never been more crammed, with lenders attempting to push 2.2 million homes through the process as of the end of October, according to a monthly report issued today by Lender Processing Services Inc.

Foreclosure sign image via Shutterstock.

Foreclosure starts jumped 5.7 percent from September to October, to 232,865, LPS said. But the report also showed significant improvement in the long-term outlook for foreclosures.

The number of borrowers who were behind on their loans by at least 90 days but who were not yet in foreclosure at the end of October dropped by nearly 19 percent from January, to 1.76 million. That's a 42.5 percent drop from a peak of 3.06 million in January 2010.



Compared to January, the number of homeowners behind by just one payment also dropped 7.4 percent, to 1.66 million, and 60-day delinquencies were down 11.8 percent, to 665,804.

Delinquencies of all types (30-day, 60-day and 90 days or more) were down 13.6 percent from January to October, to 4.08 million, while the number of homes in foreclosure increased by less than 1 percent.

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The number of homes that were either in the foreclosure process or delinquent by 90 days or more fell 9.2 percent, to 3.97 million in October.

One reason the foreclosure pipeline is so full is that it's taking so long for lenders to begin foreclosure proceedings on seriously delinquent loans, and also to move homes through the process after an initial foreclosure notice is filed.

Homeowners who were behind on their payments by 90 days or more were 388 days delinquent, on average, in October, compared to an average 344 days in January 2011 and 257 days in January 2010.

Homeowners in foreclosure in October hadn't paid their mortgage for 631 days, on average, compared to 523 days in January 2011 and 410 days in January 2010.

In judicial foreclosure states where courts handle foreclosure proceedings, the "robo-signing" scandal has slowed both initial foreclosure filings and the foreclosure process itself.

LPS said foreclosure sale rates in nonjudicial states have been proceeding at four to five times that of judicial.

The top 10 states with the largest year-over-year decline in noncurrent loans percentages were all nonjudicial foreclosure states, as lenders in those states have been more able to move seriously delinquent loans into foreclosure.

Meanwhile, foreclosure starts actually declined in October in nonjudicial foreclosure states, suggesting lenders have largely worked their way through backlogs.

Loans originated in 2010 and 2011 are some of the best-performing mortgages on record, LPS said. But LPS also found that repeat foreclosures helped drive foreclosure starts higher in October, accounting for nearly half of foreclosure starts.

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