



FEDERAL INITIATIVES  
TO  
STABILIZE THE  
MORTGAGE CRISIS



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# THE CRISIS AT HOME

- ❧ 2007 – Charleston County ranked #1 in high cost mortgage loans for minorities.
- ❧ Dorchester County: 25.8% increase in Foreclosures between 2008 and 2009.
- ❧ 100% increase in foreclosures across the Seven Midlands County.
- ❧ 2009 1,549 homes in the three largest counties of the Upstate were in foreclosure in the 1<sup>st</sup> Quarter.

# BAILOUT 2008

## T.ROUBLE A.SSET R.ELIEF P.ROGRAM

“The Sky is Falling!”

~Chicken Little

☞ TARP authorized the purchase “troubled assets”, i.e. Mortgages by the Federal Government.

☞ SECTION 109 Foreclosure Mitigation Efforts

- Implement Plan to assist Homeowners
- Encourage Servicers
  - Participate in HOPE for Homeowners
  - Term Extensions
  - Loan Modifications
  - Principal Write Downs

☞ Protect Tenants who make rental payments but Landlord is in foreclosure.

# HOMEOWNER AFFORDABILITY AND STABILITY PLAN

## THREE PART EFFORT

- ❧ Refinancing for responsible homeowners suffering from falling home prices.
- ❧ A \$75 Billion Homeowner Stability Initiative.
- ❧ Support for Low Mortgage Rates by Strengthening Confidence in Fannie Mae and Freddie Mac.

## REFINANCING FOR FALLEN HOME PRICES

- ❖ Target Group: 4 to 5 Million Homeowners still current on their monthly mortgage.
- ❖ Members of this Group have suffered from falling Home Prices, i.e. owe more than 80% of the present value of the home.
- ❖ Permit Refinancing for those who have conforming loans owned or guaranteed by Freddie Mac and Fannie Mae.

# THE \$75 B INITIATIVE

• Eligibility Requirements

• Incentives to Lenders, Servicers, and Participants

• Loan Modification

# WE WANT YOU! ELIGIBILITY REQUIREMENTS

❧ At Risk Homeowners

❧ Owner Occupied

❧ Homeowners who have not missed payments

❧ Homeowners with the loans with in the Freddie/Fannie Mac conforming limits

Expiration Date: 2011

## CARROT AND STICK INCENTIVES

- Reduce Monthly Payment: reduce interest rates and matching dollars from Treasury.
- Success fee to lender up to \$1,000 each year for 3 years.
- Borrowers receive \$1,000 credit against principal each year if current for 3 to 5 years.
- \$1,500/\$500 to servicer/lender if modification made while current on mortgage.



## LOAN MODIFICATION

• Foreclosure action suspended during trial period for modification.

- Trial Period is 90 days
- Justice Toal's May 2009 *Ex Parte* Order

• Judicial Modification if in Bankruptcy.

• Target – Debt to Income Ratio of 31%

• Required Modification on loans with Positive Net Present Value for those in imminent default.

## LOAN MODIFICATION FEES AND CHARGES

- ❧ Borrower will not have to pay fees or charges for loan modification.
- ❧ Unpaid late fees are waived.
- ❧ Servicer pays for credit report.

# CONCLUSION

❧ Homeowner Stability Plan is a Lofty Goal which requires bank participation.

❧ Banks are adverse to modifying loan terms and/or are creating significant delays.