

**HUD Office of University Partnerships
National Conference
Communities and Universities:
Making A Difference in Challenging Times**



**Opening Doors to Homeownership:
Housing Counseling/Foreclosure Prevention**

Presented By:

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HUD Certified Housing Counselor (Mission of Peace National Intermediary)

MISSION

- **The Benedict-Allen Community Development Corporation was established in 1995 by Benedict College, a Historically Black College, located in Columbia, SC.**
- **The agency was formed as a vehicle to focus college resources on revitalization efforts in the Waverly and Read Street communities that surround the campus.**
- **The primary objective is to serve as a catalyst for change by combining public and private sector resources to accomplish common goals.**

What leads to foreclosure?

- **Delinquency**-a loan that has not been paid by the due date (less than 30 days)
- **Default**- failure to make a mortgage payment according to the terms of the loan
- **Foreclosure** - the legal process by which a bank, Mortgage Company or other creditor takes a homeowner's property in order to satisfy a debt. (process starts 3-6 months after non-payment)



Factors Contributing to the Foreclosure Crisis



Unemployment

- Loss of employment
- Down sizing
- Lack of employment opportunities

Predatory Lending

- Mortgage lending practices
- unqualified home buyers

Declining Home Prices

- upside down loans

Role of the Counselor

The counselor's role in the foreclosure intervention counseling process is multi-faceted:

- **Help the client sort through their financial situation and get a realistic picture of where the homeowner stands financially**
- **Provide advice about budgetary decisions, oftentimes unpopular advice**
- **Explain the foreclosure timeline and the need for action**
- **Remind the homeowner of the goal the homeowner is working toward**
- **Keep homeowners honest and hold them to their promises**
- **Understand the servicer's perspective, and create a partnership atmosphere.**

Role of the Counselor

- 1. Inspire the client**

Breaking through the shame and embarrassment that most clients experience when having financial difficulties is a tremendous step.

- 2. Empower the client with Education**

Most foreclosure clients haven't attended homebuyer education classes and will likely not have strong financial literacy skills. The counselor will share strategies about budgeting, short term crisis budget planning and homeownership financial management skills.

- 3. Explain the Process to the Client**

Explain the foreclosure process. Use a timeline to show them where they are in the process. Answer the client's questions about foreclosure.

- 4. Identify Options for the Client.**

Gather the necessary information to formulate a foreclosure intervention plan that preserves the dignity of the client. Analyze the information and formulate at least two options for the client to consider.

- 5. Guide the Client through Goal Setting and Problem Solving**

This may be one of the few times the client has done extensive budgeting, set financial goals or used problem solving skills in an intentional manner. Without being judgmental, guide the client through their financial situation.

- 6. Restore Hope and Confidence to the Client**

Allow the homeowners to take small steps at first to restore their self confidence. When homeowners do the work themselves, they experience a renewal of self pride and self-esteem. Encourage small victories and help the homeowners set themselves up for success.

Counselor Boundaries

Boundary Management

The counselor's role is to provide powerful empathy for their clients while keeping the counselor/client relationship within strong boundaries. The rules of the relationship must be clear and constant and the counselor must be vigilant about maintaining them.

Some tips for managing boundaries:

- Determine the type of support the client needs
- Evaluate how much to invest emotionally and how much to hold back
- Provide objective advice
- Know how to connect with or disengage from the borrower
- Prevent entanglement with the borrower's problems
- Recognize and address unacceptable behavior

Analyzing the client's situation and the order of importance




- The financial emergency room.
- The first contact with the homeowner requires that the counselor discern critical information as quickly as possible. This is referred to as the “triage approach.” This concept allows the counselor to better manage their time and address time sensitive issues.


Foreclosure Counseling Methods

Method	First Contact	Counseling Appointments
Face-to Face 	First contact usually happens by telephone. Follow through to initial Face to face appointment Can vary but can be as low as 50%.	<ul style="list-style-type: none">•Appointment must be scheduled•Hear the client story•Collect documents•Get releases signed•Analyze information•Call client with questions•Provide information to client•Develop Plan•Call servicer with client•Provide client with action steps

Foreclosure Counseling Methods

Method	First Contact	Counseling Appointments
Phone 	<p>First contact happens by phone.</p> <p>Counselor is able to launch into immediate counseling appointment. Critical information is gathered by phone and fax.</p>	<ul style="list-style-type: none">•Client initiates call•Hear the client story•Have client fax or email documents and release•Analyze information•Call client with questions•Provide information to client•Develop Plan•Call servicer with client•Provide client with action steps

Foreclosure Counseling Methods

Method	First Contact	Counseling Appointments
Internet 	First contact happens by email. Counselor is able to respond and launch into counseling information. Critical information can be requested by email or fax.	<ul style="list-style-type: none">•Client initiates contact•Hear the client story•Have client fax or email documents and release•Analyze information•Call client with questions•Provide information to client•Develop Plan•Call servicer with client•Provide client with action steps

Judicial or non-judicial procedure

- Foreclosure type will most often be either *judicial or non-judicial*
- Laws change and you need to check your state statutes for accuracy need to be checked periodically
- Months to foreclose include the legal minimum required and the probable time length once foreclosure has begun.
- Deficiency judgments are available in some states if the lender loses money through the foreclosure process, if it is not practical for the lender to enforce a judgment, it will be listed for sale or auction.
- Homeowner redemption after foreclosure is possible in some states, the time periods are listed where available.

State by State Foreclosure Procedures

STATE	TYPE OF FORECLOSURE	MONTHS TO FORECLOSE MINIMUM/EXPECTED	DEFICIENCY JUDGMENT	REDEMPTION PERIOD
Alabama	Primarily Non-Judicial	1/3	Possible and Practical	12 Months
Alaska	Both	3/4	Not Practical	None
Arizona	Both	3/4	Not Practical	None
Arkansas	Both	4/5	Possible and Practical	None
California	Primarily Non-Judicial	4/4	Not Practical	None
Colorado	Both	2/5	Possible and Practical	75 Days
Connecticut	Judicial/Strict	5/6	Possible and Practical	None
Delaware	Judicial	3/7	Possible and Practical	None
Dis. of Columbia	Non-Judicial	2/4	Possible and Practical	None
Florida	Judicial	5/5	Possible and Practical	None
Georgia	Primarily Non-Judicial	2/2	Possible and Practical	None
Hawaii	Primarily Non-Judicial	3/4	Not Practical	None
Idaho	Non-Judicial	5/6	Possible and Practical	None
Illinois	Judicial	7/10	Possible and Practical	None
Indiana	Judicial	5/7	Possible and Practical	3 Months
Iowa	Both	5/6	Not Practical	6 Months,if judicial
Kansas	Judicial	4/4	Possible and Practical	6-12 Months

State by State Foreclosure Procedures

(continued)

STATE	TYPE OF FORECLOSURE	MONTHS TO FORECLOSE MINIMUM/EXPECTED	DEFICIENCY JUDGMENT	REDEMPTION PERIOD
Kentucky	Judicial	6/5	Possible and Practical	None
Louisiana	Judicial	2/6	Possible and Practical	None
Maine	Primarily Judicial	6/10	Possible and Practical	None
Maryland	Judicial	2/2	Possible and Practical	None
Massachusetts	Non-Judicial	3/4	Possible and Practical	None
Michigan	Both	2/2	Possible and Practical	6 Months
Minnesota	Both	2/3	Not Practical	6 Months
Mississippi	Primarily Non-Judicial	2/3	Possible and Practical	None
Missouri	Primarily Non-Judicial	2/2	Possible and Practical	None
Montana	Primarily Non-Judicial	5/5	Not Practical	None
Nebraska	Judicial	5/6	Possible and Practical	None
Nevada	Primarily Non-Judicial	4/4	Possible and Practical	None
New Hampshire	Primarily Non-Judicial	2/3	Possible and Practical	None
New Jersey	Judicial	3/10	Possible and Practical	10 Days
New Mexico	Judicial	4/6	Possible and Practical	None
New York	Judicial	4/8	Possible and Practical	None
North Carolina	Non-Judicial	2/4	Possible and Practical	None

State by State Foreclosure Procedures

(continued)

STATE	TYPE OF FORECLOSURE	MONTHS TO FORECLOSE MINIMUM/EXPECTED	DEFICIENCY JUDGMENT	REDEMPTION PERIOD
North Dakota	Judicial	3/5	Not Possible	60 Days
Ohio	Judicial	5/7	Possible and Practical	None
Oklahoma	Primarily Judicial	4/7	Possible and Practical	None
Oregon	Non-Judicial	5/5	Not Practical	None
Pennsylvania	Judicial	3/9	Not Practical	None
Rhode Island	Both	2/3	Possible and Practical	None
South Carolina	Judicial	6/6	Not Practical	None
Tennessee	Non-Judicial	2/2	Possible and Practical	None
Texas	Non-Judicial	2/2	Possible and Practical	None
Utah	Both	4/5	Possible and Practical	None
Vermont	Both	7/10	Possible and Practical	None
Virginia	Non-Judicial	2/2	Possible and Practical	None
Washington	Non-Judicial	4/5	Not Practical	None
West Virginia	Non-Judicial	2/2	Possible and Practical	None
Wisconsin	Judicial	varies/10	Not Practical	None
Wyoming	Non-Judicial	2/3	Possible and Practical	3 Months

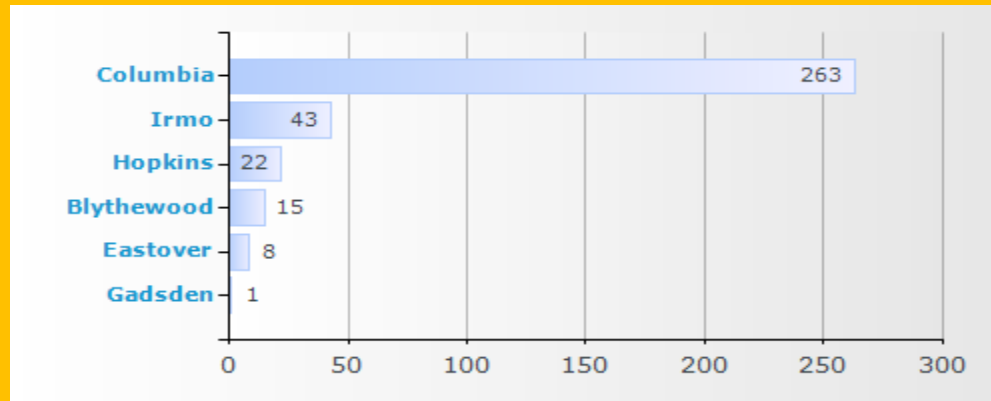
2010 Foreclosure Statistics-Nationwide

State	March 2010	TYD
California	93,173	233,552
Florida	59,067	160,168
Georgia	17,779	41,230
Arizona	18,856	56,622
Michigan	17,700	55,302

*Results as of April 17, 2010

*Source: <http://www.realtytrac.com/states/south-carolina/richland-county.html>

Columbia, SC -New Foreclosures March 2010



South Carolina Foreclosures	March 2010	YTD
New Foreclosure Filings	3,799	10,014
Foreclosure Sales	400	1,101
Average Sales Price	\$ 185,052	\$ 183,028
Total Savings	18 %	20 %

*Source- <http://www.realtytrac.com/states/south-carolina/richland-county.html>

Alternatives to Foreclosure

Retention Options:

- Forbearance- an agreement to suspend or reduce normal monthly payments for a fixed period of time
- Repayment plan- a written agreement between the borrower and servicer where the borrower agrees to cure the delinquency by adding an additional amount to their monthly mortgage payment until the loan becomes current.
- Loan modification- a written agreement that permanently changes one or more of the original terms of the loan, such as the rate, payment amount, maturity date, or the amount of the unpaid principal balance.
- Partial claim-when a mortgage insurer agrees to advance funds in the amount necessary to reinstate the loan. The borrower is required to sign a promissory note in advance.
- Refinance- HUD has a “Delinquent Refinance” program that allows the refinance of FHA-insured loans that are three months or more delinquent.
- Making Home Affordable Program (MHAP) added under the Obama Administration
- Home Affordable Refinance Program (HARP) current on mortgage but home decreased in value
- Home Affordable Modification Program (HAMP) must be primary resident, first mortgage less than \$729,750, must have trouble paying mortgage, had mortgage before January 1, 2009, payment of mortgage is more than 31% of gross income
- Home Affordable Foreclosure Alternative (HAFA) short sale, deed-in-lieu

Freddie Mac and Fannie Mae are required to participate in Making Homes Affordable Program

Lender Participant List- www.makinghomeaffordable.com/contact_servicer.html

Disposition Options

- Full sale of the property- if there is sufficient equity in the property to cover selling costs and it is clear that the delinquency is not curable, full sale may be the best option
- Hardship Mortgage Assumption- option permits a qualified applicant to assume title to a property and the mortgage obligation of a borrower who is in default or “imminent danger of default”
- Short sale- the sale of a property for less than the amount necessary to pay off the loan in full, wherein the lender agrees to accept the proceeds of the sale as full satisfaction of the borrower’s debt
- Deed-in-lieu of foreclosure- borrower voluntary conveys title to the lender in exchange for a discharge of the delinquent debt
- Foreclosure- when no “workout” option is viable or available. The best option for the homeowner may be to stay in the home throughout the foreclosure process and redemption period, if applicable. During this time the homeowner should establish as “fresh start fund” using extra monies they may have so at the end of the foreclosure or redemption they have funds to move and start again.

HUD Certified Housing Counselor

Q. How can I become approved as a HUD certified housing counselor?

A: At present, HUD does not certify individual counselors, only housing counseling agencies.

Q. What are the benefits of becoming a HUD-approved counseling agency?

A: HUD approval demonstrates that your agency meets certain industry standards and federal guidelines, which has increasingly become the benchmark for participation in various other public/private housing programs. Additionally, HUD makes funding available for select HUD-approved agencies. Once a year HUD publishes a Housing Counseling Notice of Funding (NOFA) in the Federal Register to solicit proposals from HUD-approved agencies that wish to compete for available funds. Not all HUD-approved agencies are guaranteed funding. Approximately one-third of HUD-approved agencies nationwide receive grants.

Q. As a HUD-approved agency, can I charge fees for counseling services?

A: HUD-approved agencies are prohibited from charging fees to clients participating in HUD/FHA programs. Additionally, HUD-funded agencies are prohibited from charging fees to clients served under the HUD grant.

Visit www.hud.gov or <http://www.nw.org>

Resources

- HUD-www.hud.gov
- Making Home Affordable Program-
<http://makinghomeaffordable.gov/>
- FHA- <https://www.fha.com>
- Fannie Mae- www.fanniemae.com
- Freddie Mac- www.freddiemac.com
- Ginnie Mae- www.ginniemae.com
- MERS- (Mortgage Electronic Registration System)
www.mersinc.org
- NeighborWorks - <http://www.nw.org>

Conclusion

The Benedict-Allen Community Development Corporation believes in empowering communities through the use of comprehensive housing counseling. The Benedict-Allen CDC will continue to provide housing counseling strategies that promote empowerment and sustainability in low wealth communities.