

# U.S. Foreclosure Outlook



Where we've been, where we are, and where we're going



## A brief note on methodology

- 🏠 RealtyTrac collects foreclosure documents, postings and published notices from about 2,200 counties nationwide.
  - 🏠 Counties account for over 92 percent of all U.S. housing units
  - 🏠 Data is collected primarily by network of abstractors
  - 🏠 Monthly counts are based on date the document/posting/notice was uploaded into the RealtyTrac database, not the recording date

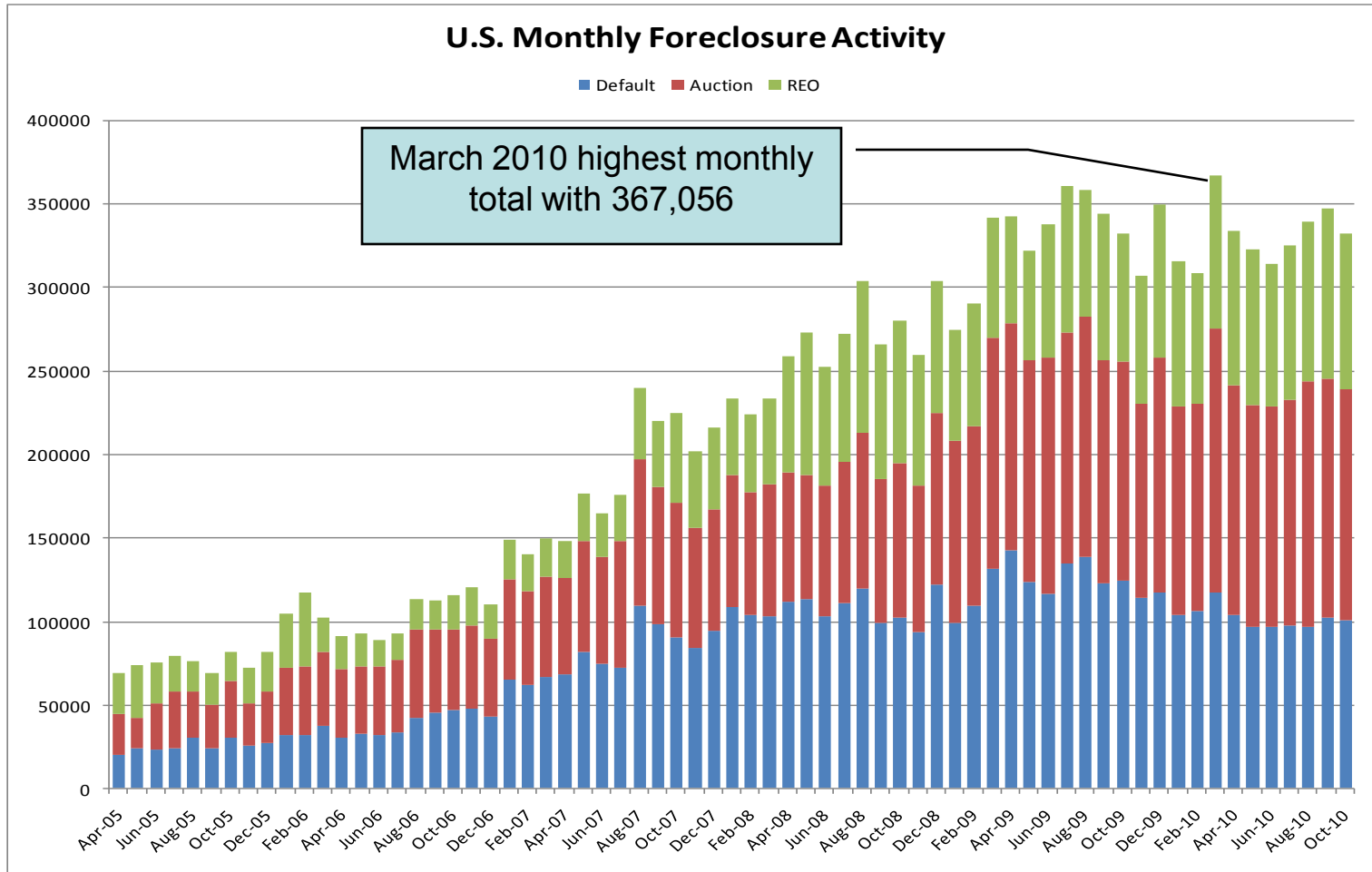


## Where we've been: 2005-2010 Foreclosure Review

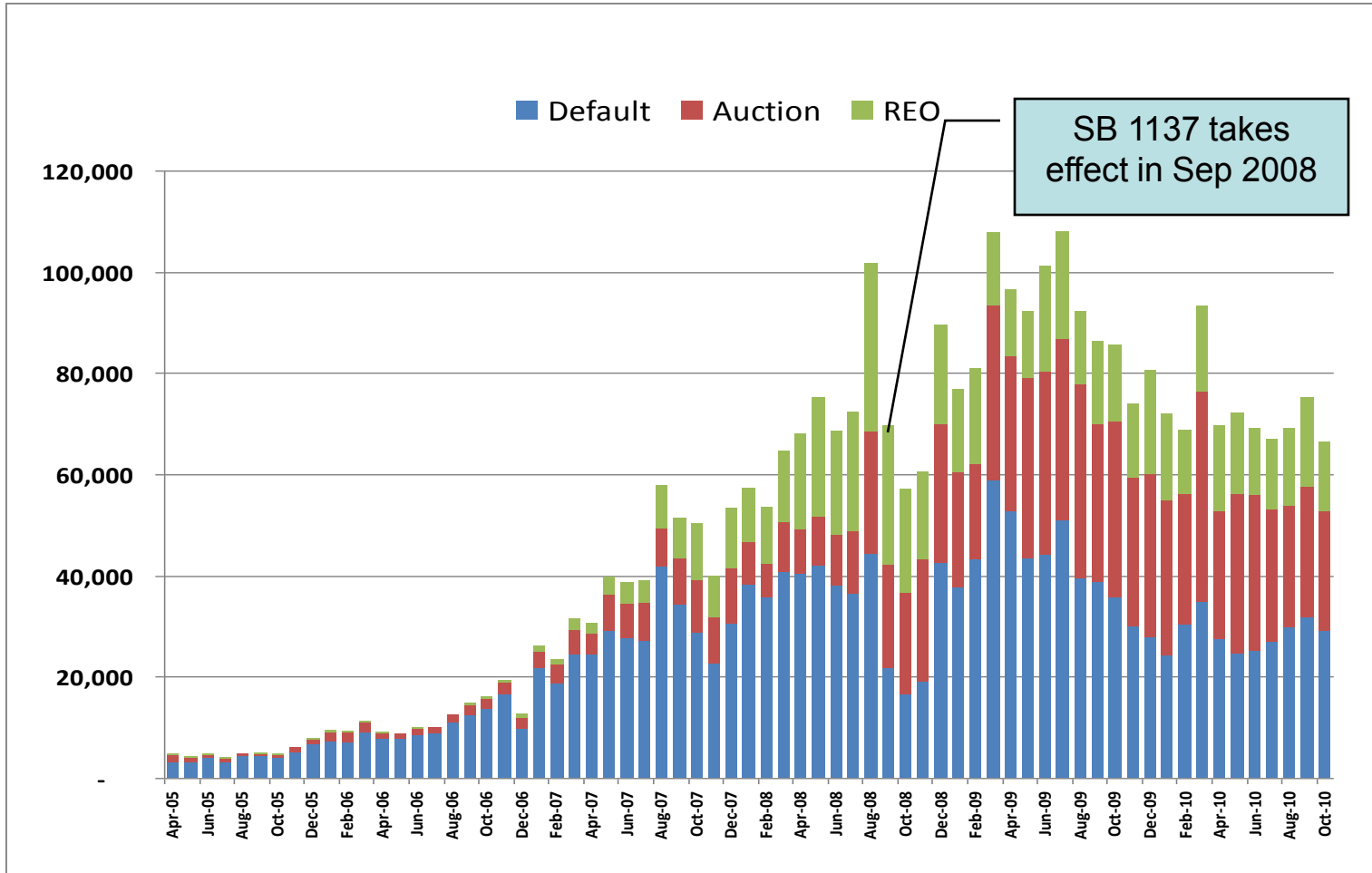
- 🏠 An historically unprecedented cycle
  - 🏠 First wave not started by usual economic trends, but by unsustainable home prices and high-risk monetary and underwriting practices
  - 🏠 Sub-prime loans started the wave, and provided the “tipping point” for the mortgage market meltdown
- 🏠 Properties with foreclosure filings have exceeded 300,000 for 20 consecutive months through Oct. 2010
  - 🏠 March 2010 was the highest month ever in terms of foreclosure activity, with over 367,000 U.S. households receiving a foreclosure notice
  - 🏠 That trend will be broken in November because of fallout from “robo-signing” controversy



# U.S. foreclosure activity over last five years

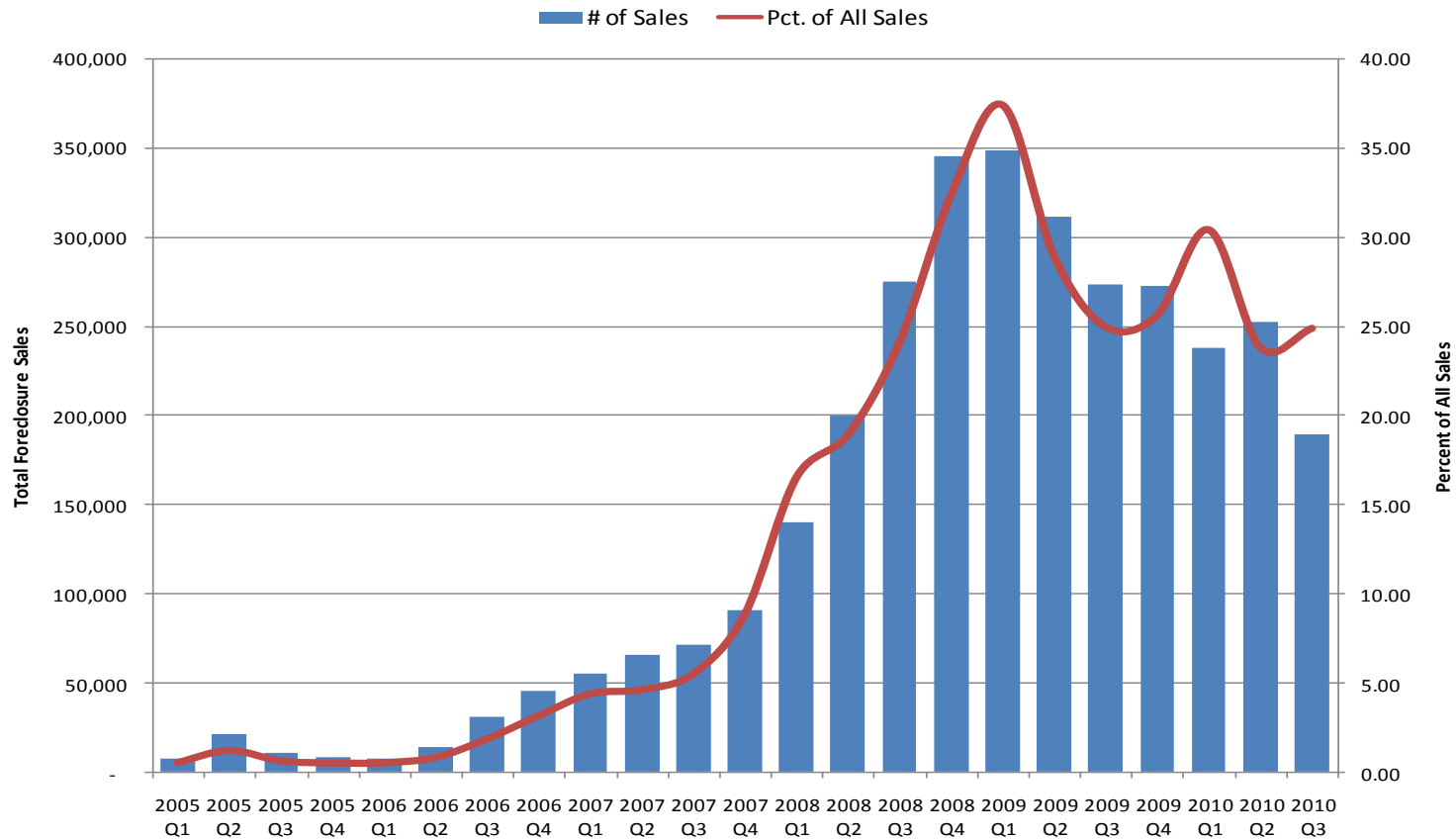


# The "Delay and Pray" strategy usually doesn't work



# Where we've been: foreclosure sales skyrocketing

## U.S. Total Foreclosure Sales Activity



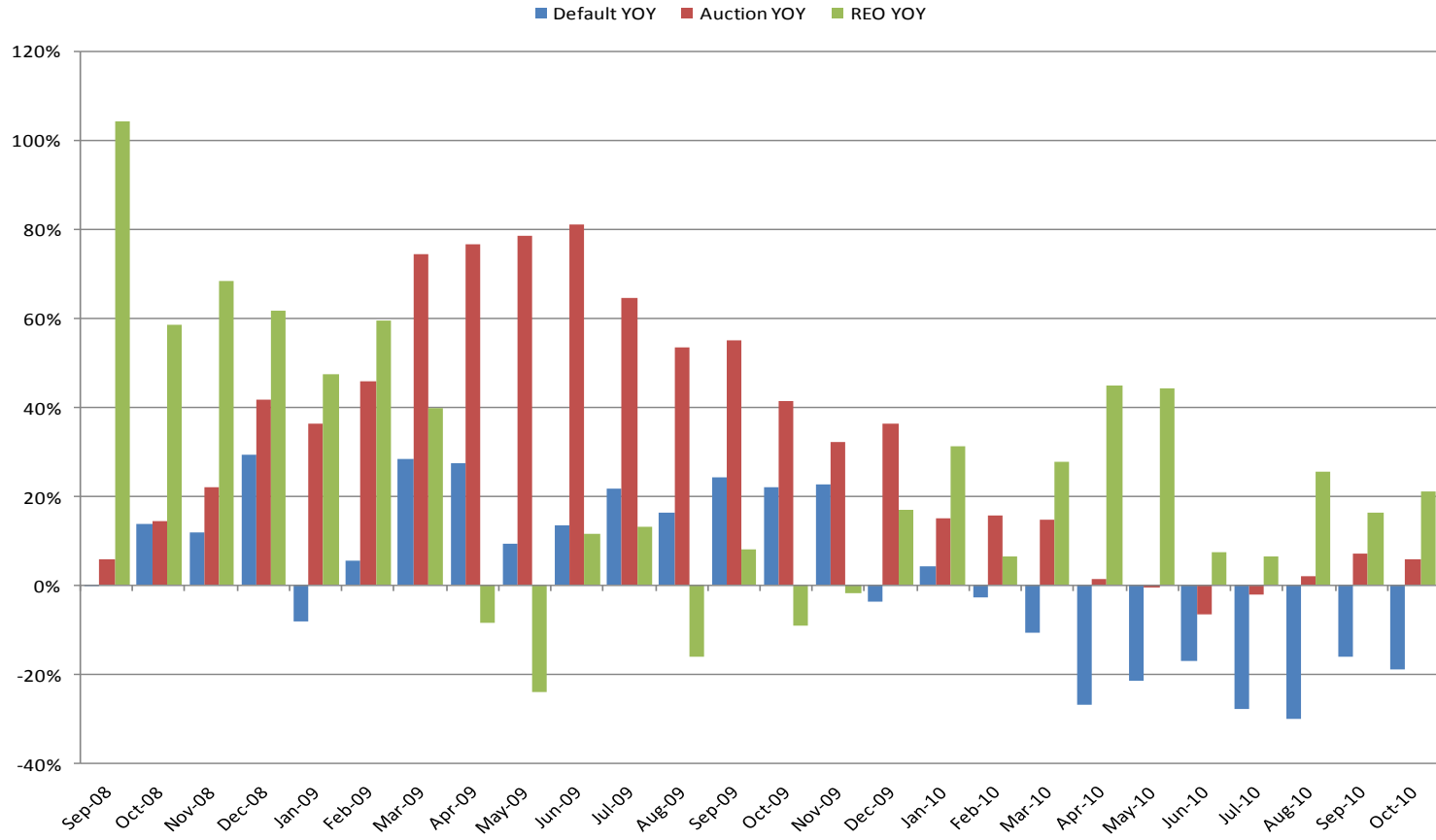
## Where we are

- 🏠 At or near the “technical” peak of foreclosure activity
  - 🏠 U.S. foreclosure activity has decreased on annual basis in five of last seven months
  - 🏠 New foreclosure starts have decreased on annual basis for nine straight months
  
- 🏠 But risk remains in market
  - 🏠 High unemployment
  - 🏠 Underwater homeowners (20% plus)
  - 🏠 Toxic loans still lingering
  - 🏠 Backlog of bank-owned inventory



# Where we are: Foreclosure Starts decreasing

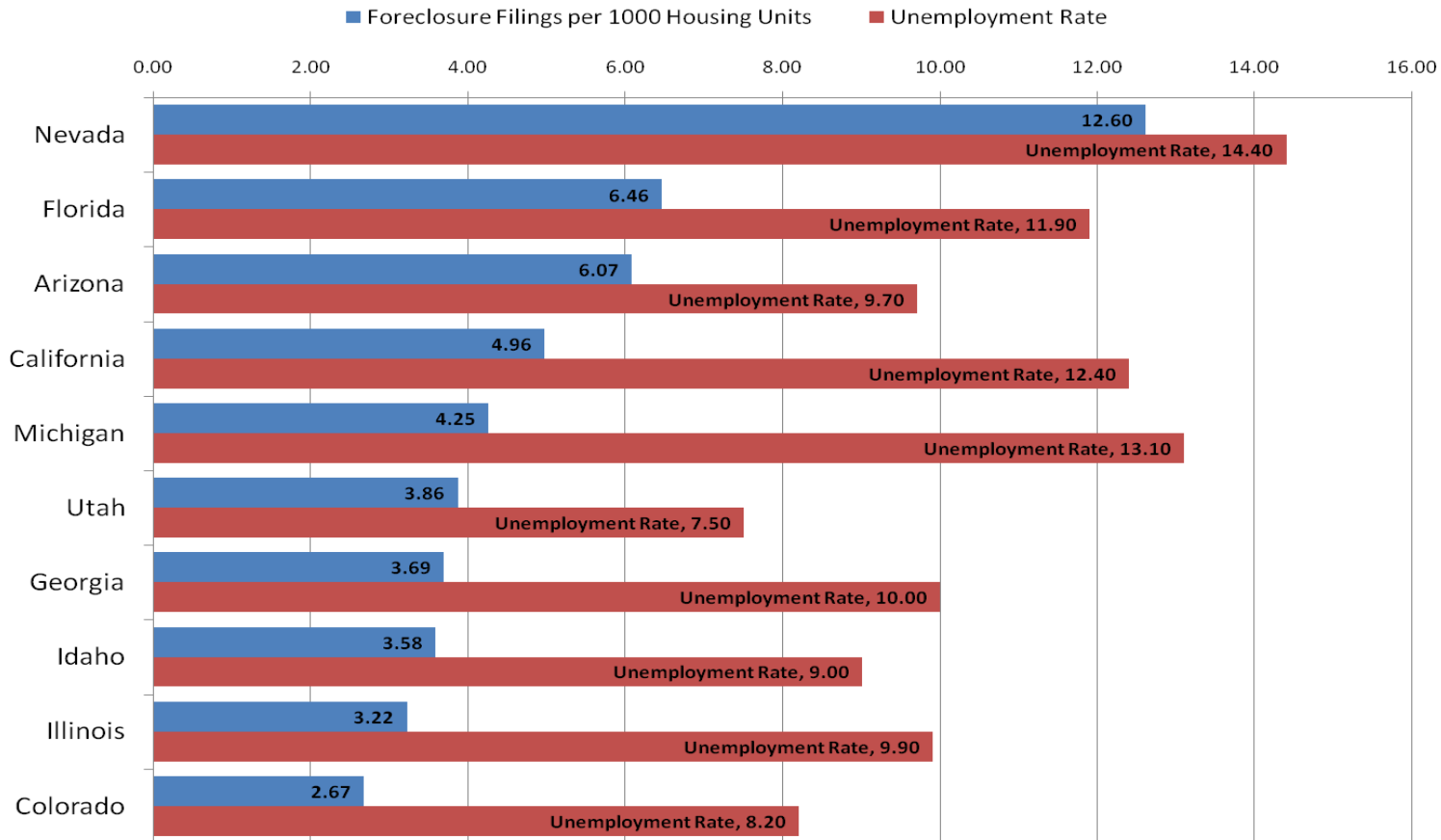
## Annual Percent Change in Foreclosure Activity by Type



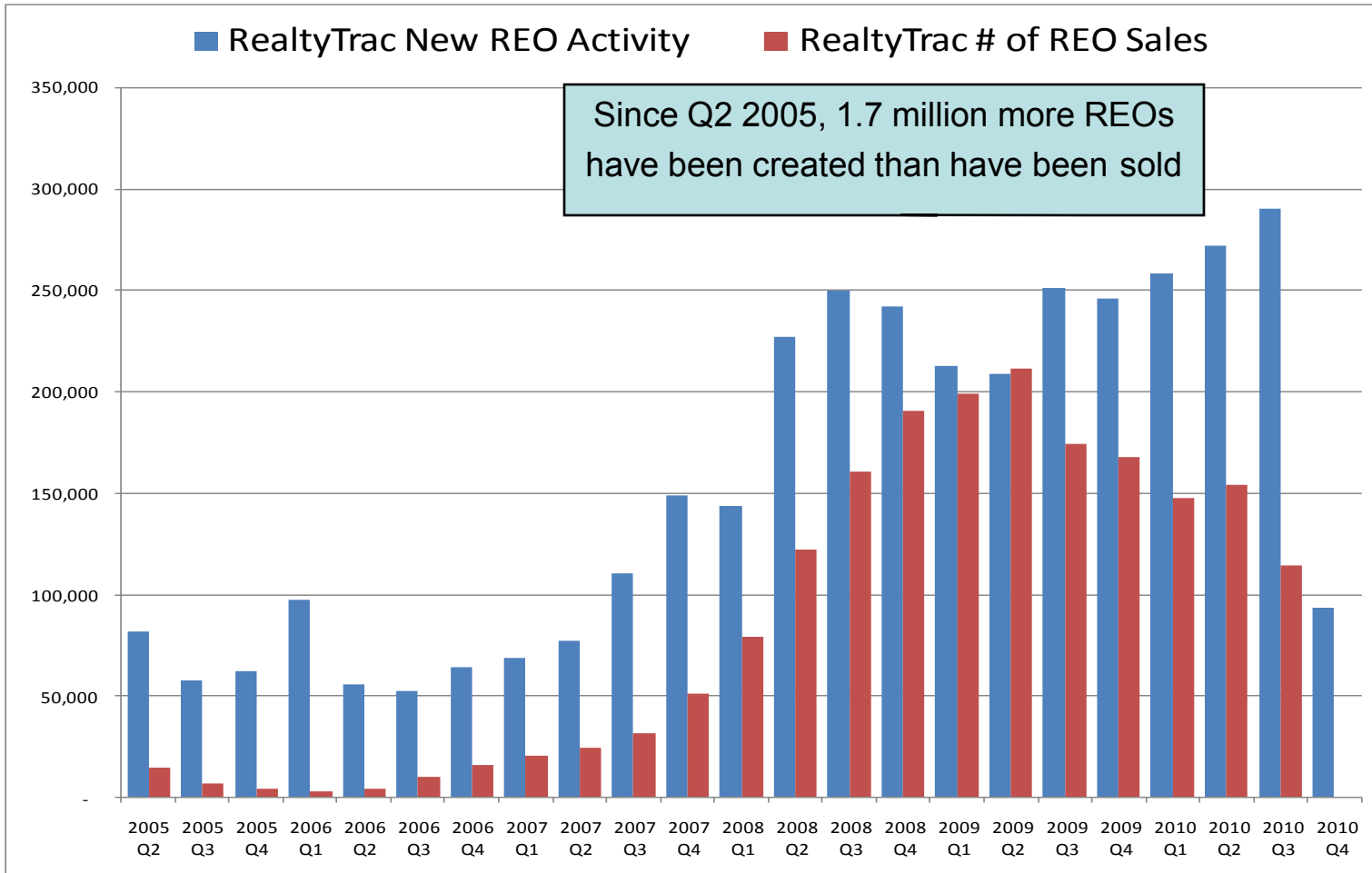


# Where we are: Top 10 State Foreclosure Rates

## Oct 2010 Top 10 State Foreclosure Rates

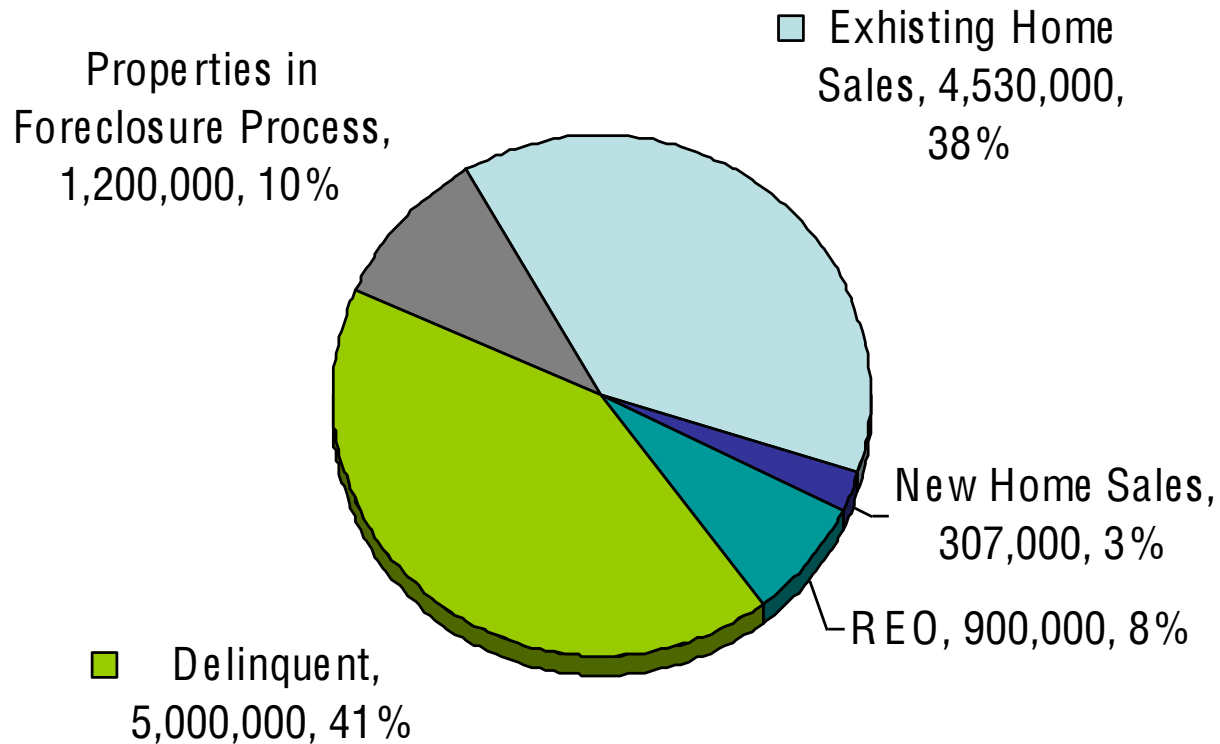


# Where we are: backlog of bank-owned inventory



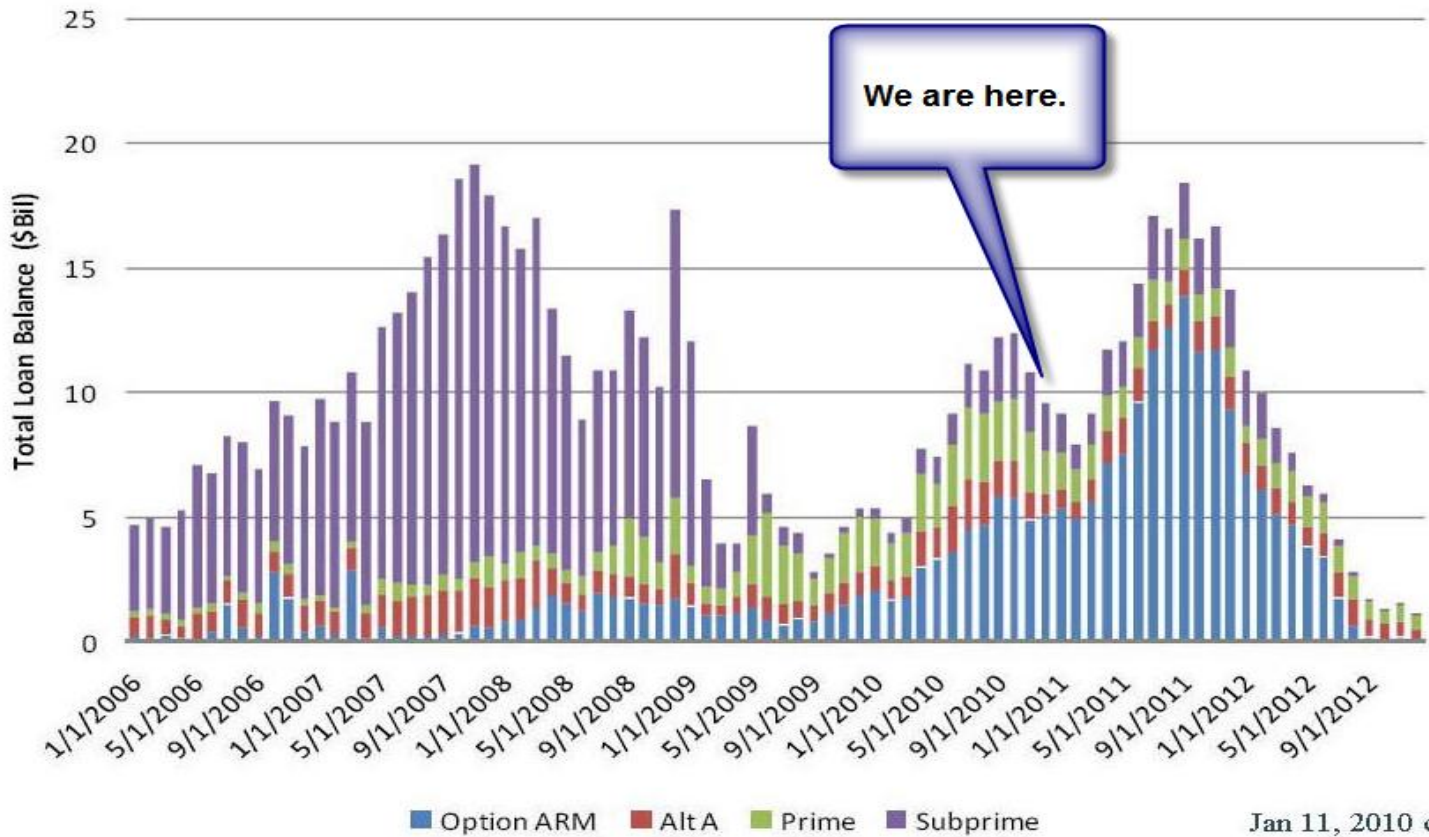
# Where we are: more shadow inventory

59% of the housing market, or 7.1 million, are in some stage of distress



# Where we are: toxic loans lingering

## Total Loan Balance That Will Experience Payshock

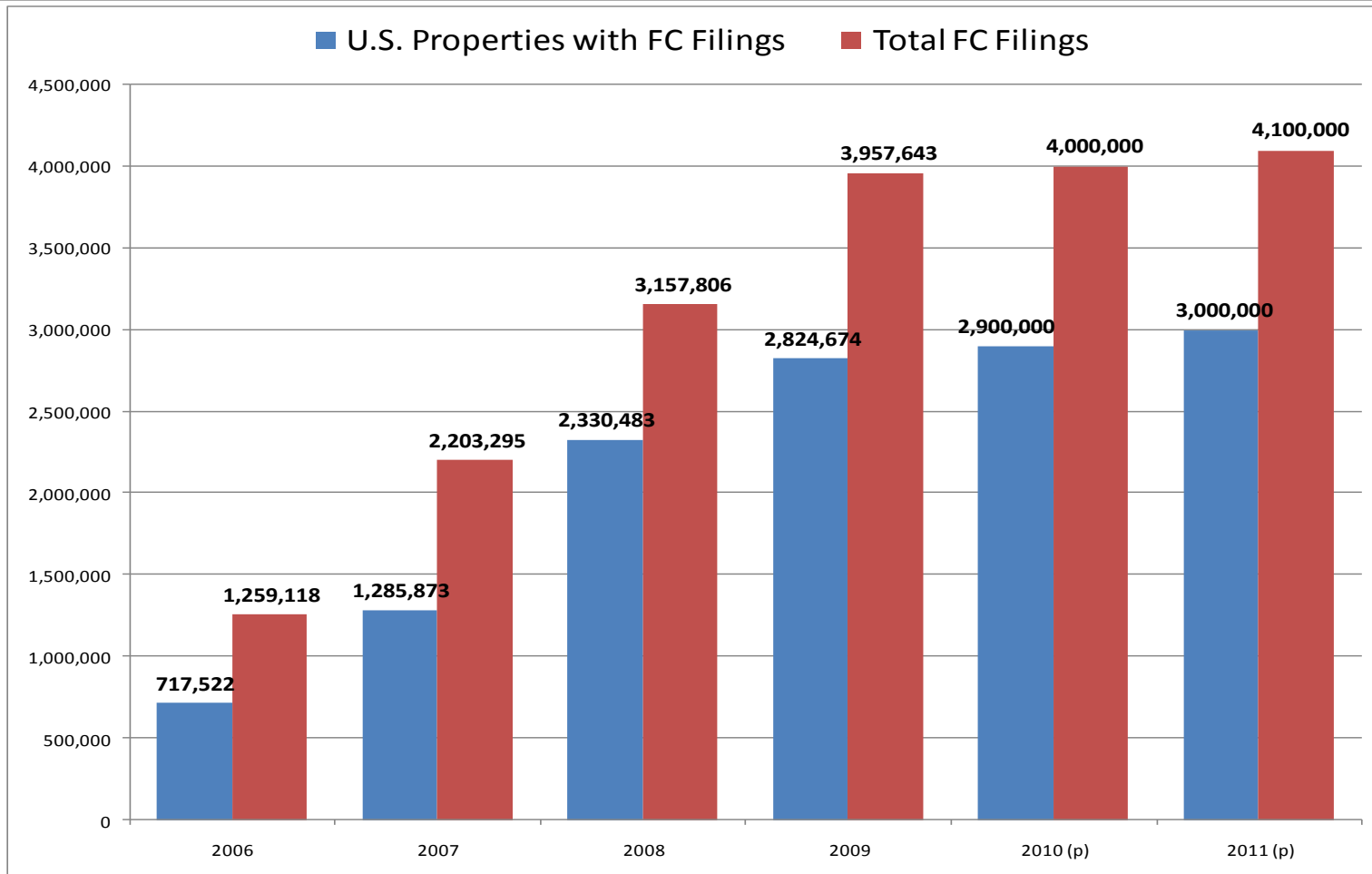


## Where we're going

- 🏠 Foreclosure levels remain at a high plateau in 2011
  - 🏠 Unemployment will drive high levels of foreclosure activity through 2011
  - 🏠 Resetting option ARMs could also contribute to continued high foreclosure levels
- 🏠 Foreclosure activity turns corner 2012 to 2014
  - 🏠 Optimistically, levels could start declining consistently in 2012, which would match the typical seven-year window we have seen with high foreclosure cycles in the past.
  - 🏠 Pessimistically, the cycle pushed out up to two years because of the delays we've seen over the past two years in getting the distressed inventory cleared.



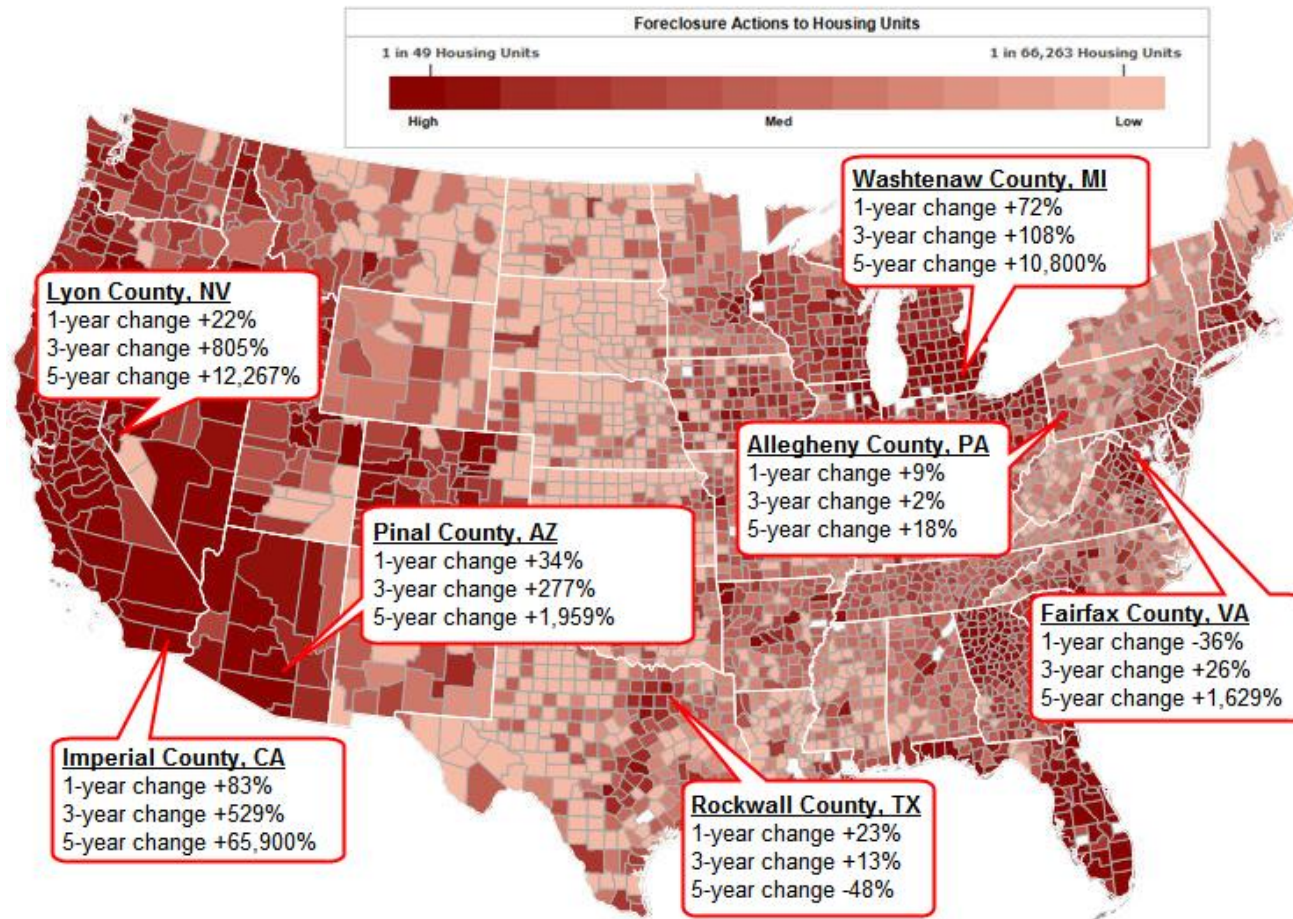
# Where we're going: 2010 and 2011 projections



# Charting foreclosures by county

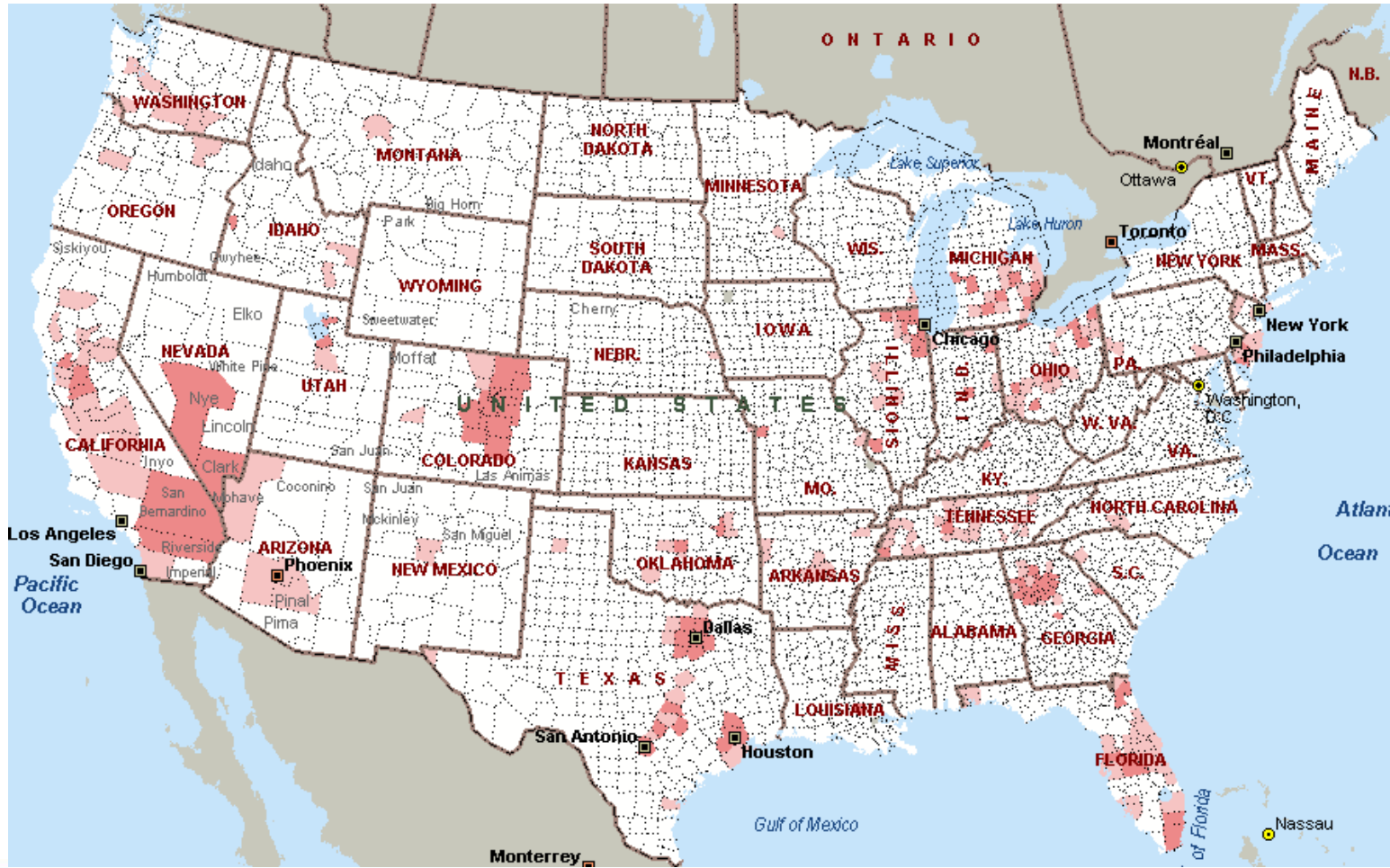


# Charting foreclosure rates by county – October 2010

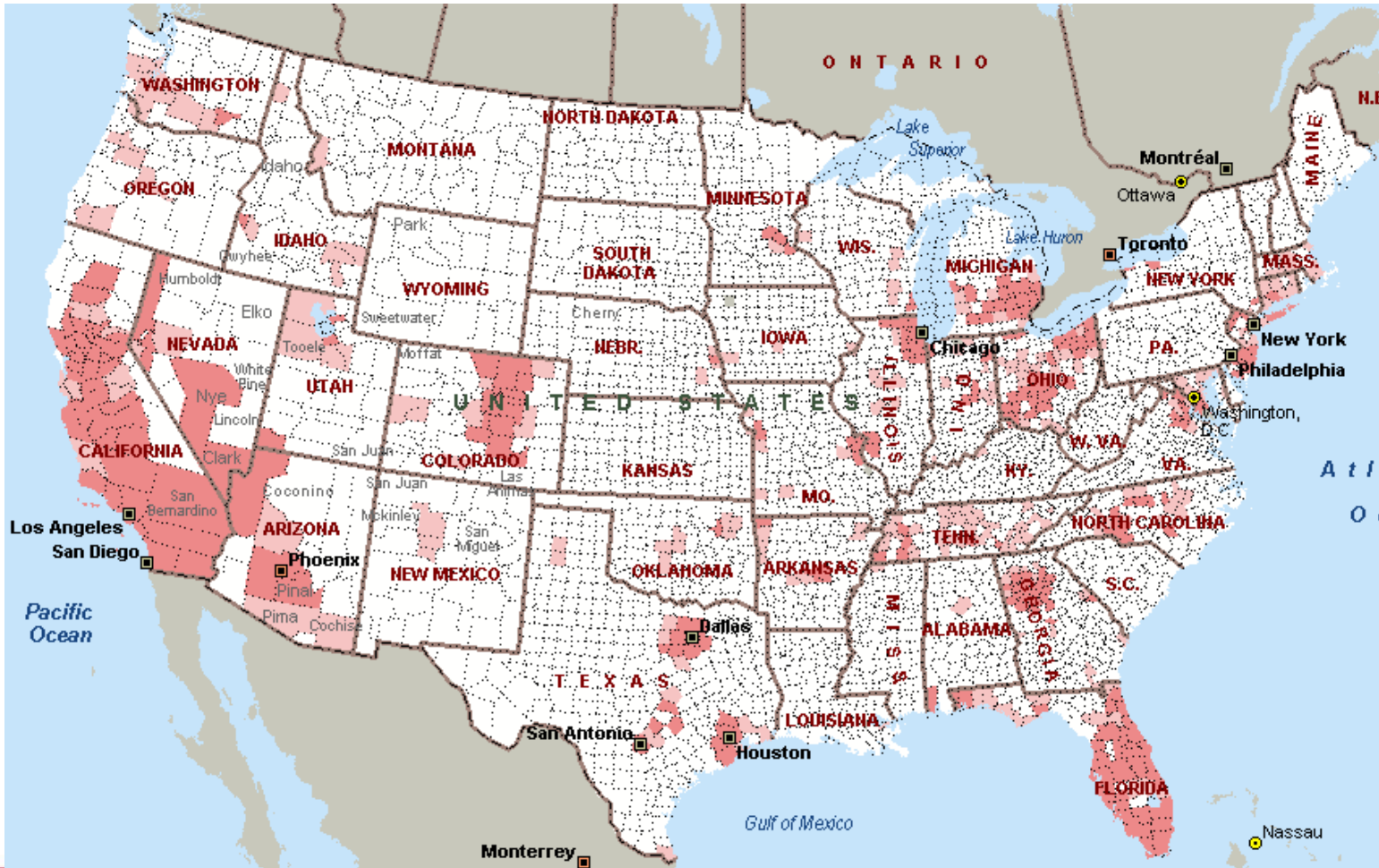




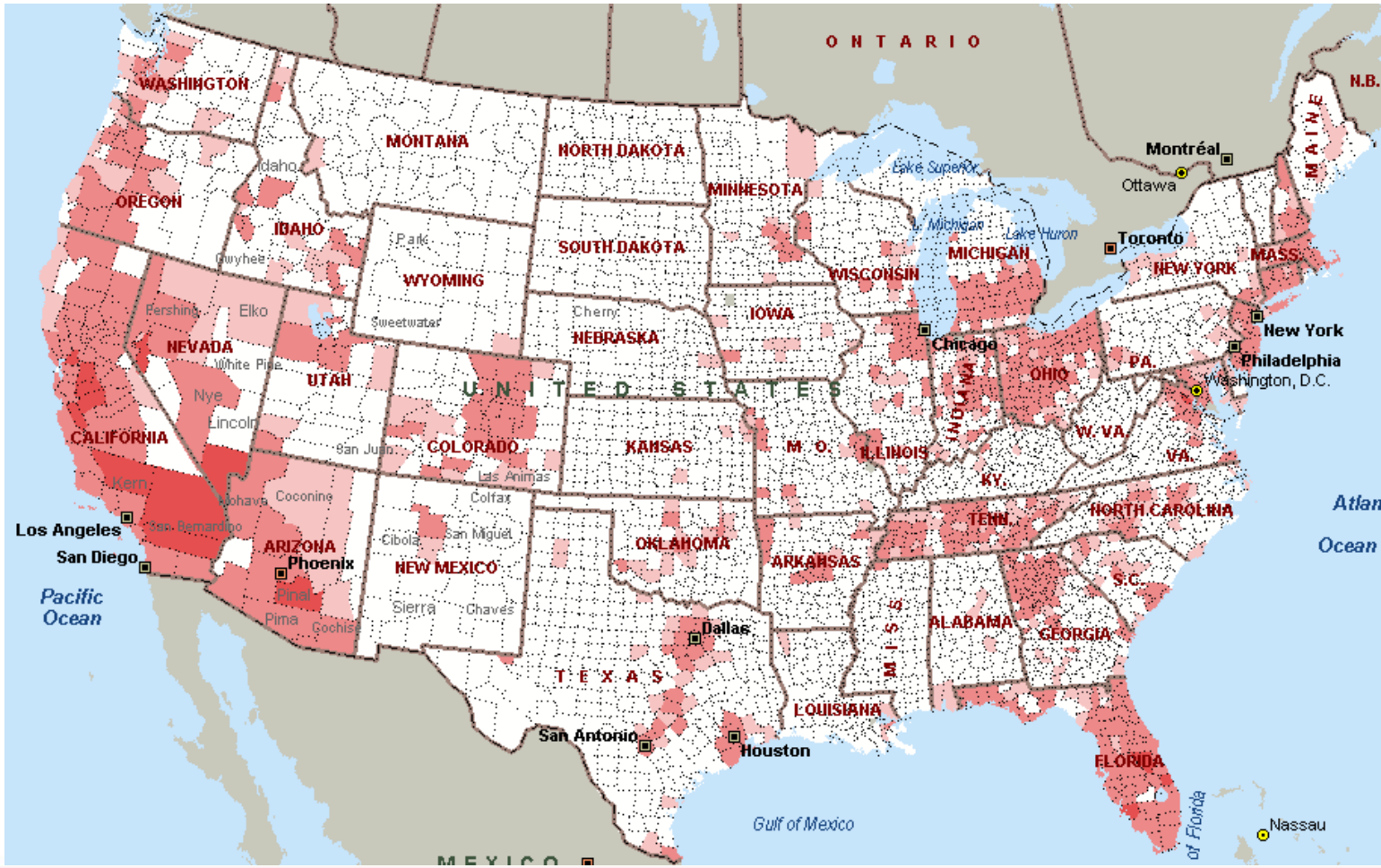
2006



2007



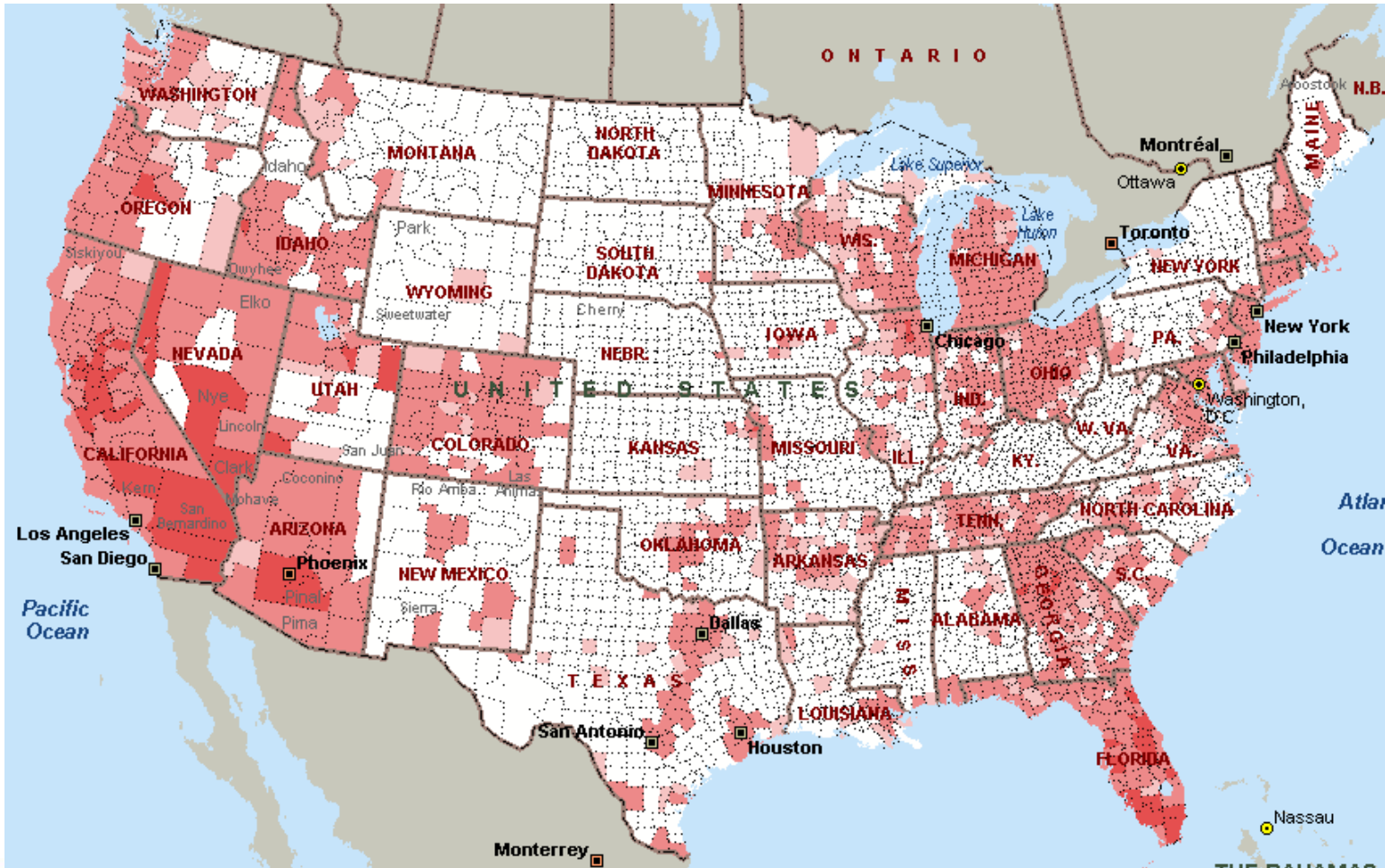
2008







# 2010 Year-End Projection



# Hope for first-time homebuyers



## Contact Information

Daren Blomquist  
Director of Marketing Communications  
949-502-8300 Ext. 115  
[daren.blomquist@realtytrac.com](mailto:daren.blomquist@realtytrac.com)



# PROCESS FOR TRIAGE AND ASSESSMENT

A TOOLKIT TO AVOID FORECLOSURE



# TRIAGE PROCESS

This Toolkit is an electronic format of information compiled from:

- Foreclosure Prevention Certification training through NeighborWorks and the Virginia Housing and Development Authority
- The Virginia Foreclosure Prevention Task Force
- The National Consumer Law Center and Legal Services of Northern Virginia
- Making Home Affordable

The information can be used for information and referral services or for more intense foreclosure prevention counseling services.

# Steps in the Triage Process

- Steps I and II can be used when making referrals to other agencies for foreclosure counseling
  - Determine what type of mortgage the homeowner has:
    - VHDA
    - FHA
    - Veterans Administration
  - Can refer homeowner to the Making Home Affordable web site for a self-assessment, mortgage reduction calculator, checklist for documents, and how to find a free HUD-approved housing counselor

# Steps in the Triage Process

- Additional resources for homeowners who are victims of foreclosure scams
- Information regarding renters in foreclosed properties through the “Protecting Tenants in Foreclosure Act of 2009”
- There is a link to the Foreclosure Timeline to determine where the homeowner is on it

# Steps in the Triage Process

Steps III and IV cover the information gathering stage and the workout options that may be possible

- Links to documents that need to be gathered and forms such as the sample of a Qualified Written Request and a Foreclosure Prevention Services Agreement
- Predatory loan checklist. If it is identified as a predatory loan, refer to a Legal Aid Society or pro bono program to determine if the mortgage is in violation of the Truth in Lending Act
- Link to a Spending Plan to review with the homeowner. Can they can afford to keep the home? What changes can be made?
- Link to the Loss Mitigation Checklist for the counselor

# Steps in the Triage Process

Programs available through Making Home Affordable (for a power point on program specifics, go to:

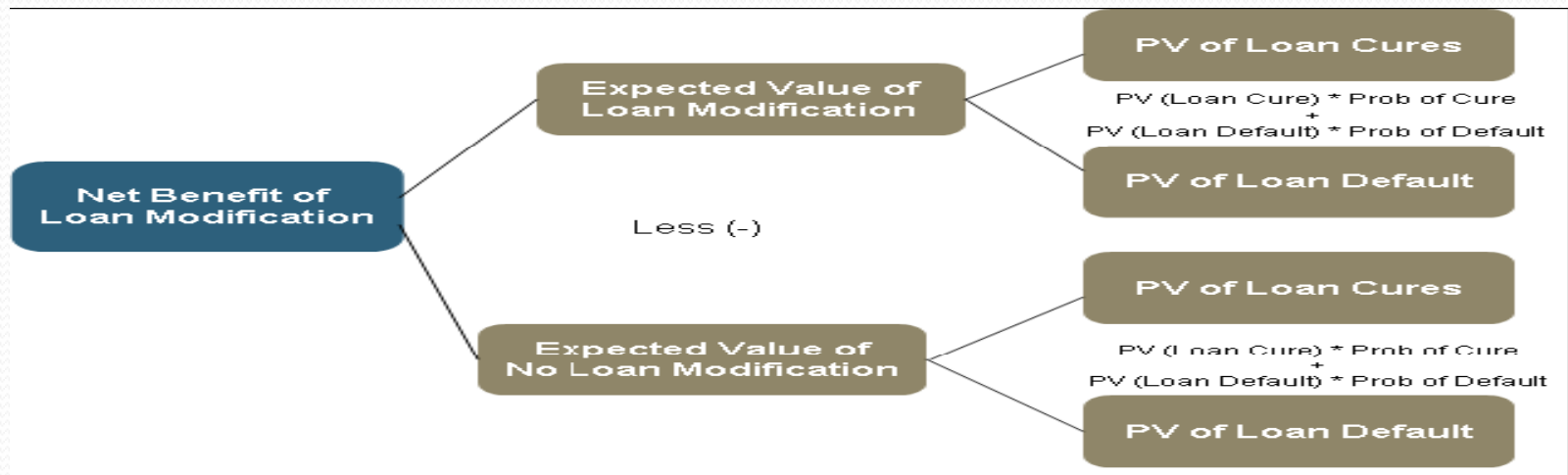
<https://www.hmpadmin.com/portal/resources/docs/counselor/presentations/mhacounselorpresenglish.pdf>)

- Refinance (HARP for GSE's)
- Loan modification (HAMP)
  - The waterfall process
  - Second Lien modification
  - Unemployment Program under HAMP, not under HUD
  - Principal Reduction Alternative
  - Foreclosure Alternatives (HAFA)
  - The Net Present Value test and “recoding”

# Steps in the Triage Process

If none of the Making Home Affordable programs will work, go to V for standard workout options

Throughout the document, there are links to web sites, definitions, and forms to aid the housing counselor. There is coverage of just the concepts, as well as going into detail



# Resource List and Appendix

The Web Resources list covers where to find valuable information and check for updates, such as:

- Loan Scam Alert
- Loan Port
- NeighborWorks and HUD
- Capital Area Foreclosure Network
- NPV Test

The Appendix also has hyperlinks for the documents to provide quick access.

The toolkit provides a portable collection of materials needed to provide information and take steps to avoid foreclosure

December 9, 2010

**ALLEGHENY COUNTY  
SAVE YOUR HOME  
MORTGAGE  
FORECLOSURE  
PROGRAM**



# Program Overview

- Implemented on January 12, 1009 by the Honorable Joseph M. James, President Judge via an administrative order. Judge James, Sheriff Mullen, the Allegheny County Bar Association and several non-profit organizations are owed the credit for creating this program!
- Partnership between:
  - Civil Division Court & Judges
  - Allegheny County Executive's Office (Economic Development implements on the County Executive's behalf)
  - Allegheny County Sheriff's Office
  - Allegheny County Bar Association & Neighborhood Legal Services Association
  - 8 non-profit HUD-certified Housing Counseling Agencies

# Program Objective

- Provide a single unified process for the amicable resolution of mortgage foreclosure proceedings through court intervention, counseling and conciliation.

# Eligibility Requirements

- Mortgage Foreclosure complaint has been filed in Allegheny County's Department of Court Records, Civil Division. A unique identifier was created for the docket number, which always starts with a MG. This has been key to identifying the eligible cases.
- Property must be owner-occupied, no other properties are eligible.

# How it works.

- **Complaint Filed**: Mortgage Foreclosure Complaint is filed against the borrower. Filed in our courts and the borrower is served by the Sheriff's department.
- **Urgent Notice**: In the foreclosure documents, at the top, is a pink piece of paper that is called an "Urgent Notice". This is included for all eligible borrowers to contact the Save Your Home Hotline, and explains that this is a free program to help borrowers resolve their mortgage situation. The sheriff's who serves the documents also hands an additional pink "Urgent Notice" to the borrower. The "Urgent Notice" contains a toll-free number for the borrower to call.

# How it works, continued

- ◉ **Hotline**: The borrower calls the hotline, which is staffed by Economic Development staff, and the hotline staff briefly explain the program, and then schedule the borrower with one of the 8 housing counseling agencies.
  - Work out housing counseling agencies availability ahead-of-time, so we can schedule on the first and only phone call
  - Schedule 1 week out, so that the counseling agency can send the borrower a list of information to bring to the appointment, so as to make the appointment efficient & effective.
- ◉ **Hold**: Place a hold on the mortgage foreclosure case, such that the bank may NOT continue with their mortgage foreclosure proceedings. This protects the borrower, while they attempt to work things out with the assistance of their housing counselor.

# How it works, continued

- ◉ **Housing Counseling**: Borrower meets with and works with their assigned housing counselor. Housing Counselors look at financials, and the global situation, and either encourage the borrower and/or help the borrower to submit a modification package to the bank, or decide on an alternative strategy.
- ◉ **Court time**: Once the bank or the borrower becomes unresponsive or uncooperative, we schedule the case for a conciliation hearing before the judge. The borrower, their housing counselor and the bank/lender's attorney attend, and the Judge gets to the bottom of what has/hasn't happened, and decides if there is a deal to be made, or if all parties have truly reached an impasse. Sometimes an extension is granted.

# How it works, continued

- ◎ Ultimately there are 2 outcomes:
  - Case is settled & discontinued: which means a deal was reached between the borrower and bank/lender.
  - Case is removed: which means that no deal was reached, and it does not appear that a deal can be reached. The hold is lifted, and the bank can continue with the foreclosure proceedings.
  - Outcomes are ordered by the Judge, and as such final.

# Program Statistics

- ◎ As of October:
  - 1,531 cases were entered into the program
    - 33% participation
  - 214 had been settled & discontinued
  - 261 had been removed
  - 1,056 were still active and working with their counseling agencies.



# Unique Program attributes

- **This is an “opt-in” program.** While all who receive the unique court-identifier are eligible, they must call the hotline to participate. If they do not call, they are not eligible. They have a certain timeframe (20 days) to call, or the bank/lender can continue with the foreclosure process.
- **Housing Counseling is key:** This is where the “rubber-hits-the-road” and the hard work of determining if someone can really save their home is done. This is tough & thankless work!
- **Legal Services:** Referrals are made for free legal services to income-eligible borrowers upon their request, but usually only if it seems that there was something improper done to set up the original mortgage.

# What we're seeing/hearing

- **New programs**: Some of the state/federal program help some people, but they're not the one-size-fits all pandora that some think.
- **Banks/Lenders**: Banks/Lenders are often slow to respond or non-responsive, and are always asked for updated borrower documentation. They also lose a lot of paperwork &/or claim to not get it. Working with the bank's attorneys, especially local counsel, can be very helpful.
- **Not everyone can save their home**. People's lives change (job loss, divorce, etc.), and they can't afford what they once could. Working with the housing counselors to exit gracefully is sometimes the tactic employed.
- **Housing Counseling is Key**: Having the borrowers meet with and spend time with the housing counselors to go over where their mortgage is, how it got there, what their household financials are, how they got there, and what can be done to save their home is key. For those who have been able to save their homes, the time & analysis of the trained & certified housing counselors has been key.
- **Buying time is key**: By placing a hold on the mortgage foreclosure process so that the borrowers can work on and work out their situation is key.
- **Court time is key**: It's amazing how many cases suddenly reach resolution right before or at a conciliation hearing. The pressure of going before a judge, and the judge's ability to make decisions about keeping someone in, or throwing a borrower out is critical.

# Questions/Comments

Cassandra Collinge

Manager, Consumer Programs

Allegheny County Economic Development

425 Sixth Avenue, Suite 800

Pittsburgh, PA 15219

[Cassandra.collinge@alleghenyconuty.us](mailto:Cassandra.collinge@alleghenyconuty.us)

412-350-1041