

# Working Draft

## CONTINUUM OF TOOLS FOR PROFILES

PROFILE	CHARACTERISTICS <sup>1</sup> OF PROFILE	POTENTIAL TOOLS FOR BORROWER
HO uses lender or servicer's assistance to avoid foreclosure and retain title (retention)	<ul style="list-style-type: none"> <li>&gt; lender/servicer identifies HO through risk predictor systems</li> <li>&gt; temporary hardship (i.e., temp reduction in work hours, job change)</li> <li>&gt; monthly expenses do not exceed monthly income (surplus)</li> <li>&gt; past due mortgage payments (&lt;90days)</li> <li>&gt; lender/servicer available to discuss solutions</li> <li>&gt; may or may not be working with a HO-ship counselor</li> </ul>	<ul style="list-style-type: none"> <li>o HO education</li> <li>o Loan modification<sup>F</sup></li> <li>o Moratorium/Forebearance<sup>F</sup></li> <li>o Partial Claim (FHA loans only)<sup>F</sup></li> <li>o Repayment plan<sup>F</sup></li> <li>o Steps to Success (WF)</li> </ul>
HO uses lender or servicer's assistance to avoid foreclosure and release title (liquidation)	<ul style="list-style-type: none"> <li>&gt; change in circumstances (i.e., marital dissolution)</li> <li>&gt; no longer wants to retain home</li> <li>&gt; monthly expenses exceed monthly income (deficit)</li> <li>&gt; location/conditions suggest home sellable</li> <li>&gt; lender/servicer available to discuss solutions</li> </ul>	<ul style="list-style-type: none"> <li>o Assumption of the mortgage</li> <li>o Deed in lieu of foreclosure<sup>2</sup></li> <li>o Short sale (pre-foreclosure sale)<sup>3</sup></li> </ul>
HO needs public/non-profit assistance to stabilize and avoid foreclosure and retain title (retention)	<ul style="list-style-type: none"> <li>&gt; may or may not have past due payments</li> <li>&gt; temporary hardship exceeds 3 mos</li> <li>&gt; owes more on home than home worth</li> <li>&gt; income increases do not match ARM reset increases</li> <li>&gt; unable/has trouble qualifying for fixed rate product</li> <li>&gt; may or may not have deferred maintenance on home</li> <li>&gt; short on income (temporarily)</li> <li>&gt; can't meet ratios for manual or automated underwriting</li> <li>&gt; working with a HO-ship counselor</li> </ul>	<ul style="list-style-type: none"> <li>o Land trust</li> <li>o Credit enhancement</li> <li>o Deferred maintenance assistance</li> <li>o FPAP deferred loan<sup>4</sup></li> <li>o City Living – refi with sig rehab<sup>5</sup></li> <li>o Section 8 refi concept<sup>6</sup></li> <li>o NHS Deferred Loan<sup>7</sup></li> </ul>
HO needs public/non-profit assistance to stabilize and avoid foreclosure and release title (liquidation)	<ul style="list-style-type: none"> <li>&gt; location/conditions suggest home sellable</li> <li>&gt; no longer can retain home as owner</li> <li>&gt; temporary hardship exceeds 3 mos</li> <li>&gt; income increases do not match ARM reset increases</li> <li>&gt; made poor choice/only choice available and it was a bad choice</li> <li>&gt; terms cannot be modified to maintain existing HO (i.e., securitization/insurer/investor limitations)</li> </ul>	<ul style="list-style-type: none"> <li>o Lease Back Reconveyance<sup>8</sup></li> </ul>
HO should be humanely transitioned to rental to avoid a foreclosure or minimize the impact of a foreclosure	<ul style="list-style-type: none"> <li>&gt; monthly expenses may exceed monthly income</li> <li>&gt; has declared bankruptcy</li> <li>&gt; demonstrated unable to be HO at current time</li> <li>&gt; owes more on home than home worth</li> <li>&gt; deferred maintenance on home (may require demolition)</li> <li>&gt; unable to qualify for fixed rate product</li> <li>&gt; made poor choice/only choice available and it was a bad choice</li> </ul>	<ul style="list-style-type: none"> <li>o Cash for Keys<sup>9</sup></li> <li>o Tax forfeiture sale</li> <li>o Rental payment assistance (one-time or on-going)</li> </ul>

## THINGS TO CONSIDER WHEN EVALUATING HO IN DISTRESS<sup>x</sup>

- 1) reason for delinquency
- 2) customer's willingness and ability to pay
- 3) occupancy status
- 4) past performance
- 5) investor/insurer guidelines

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**KEY:** CW: Countrywide      HO: homeowner      WF: Wells Fargo      F: Fees associated with option

### Footnotes:

<sup>1</sup> A particular HO may not express all characteristics listed for a particular profile.

<sup>2</sup> A deed in lieu of foreclosure allows the borrower to convey all interest in a real property to the lender to satisfy a loan that is in default and avoid foreclosure proceedings.

<sup>3</sup> A short sale in real estate occurs when the outstanding loans against the property are greater than what the property can be sold for, but the borrower sells the property for its appraised value to avoid foreclosure. The servicer must agree to this liquidation option.

<sup>4</sup> FPAP stands for Foreclosure Prevention Assistance Program. The program provides emergency assistance to HO. There is an existing statutory cap of \$5500/HO.

<sup>5</sup> Home Loan Fund is only existing lender at this time. This Fund is located within the City of Saint Paul.

<sup>6</sup> Limited to Minneapolis.

<sup>7</sup> Loan typically deferred for X period of time or until a subsequent sale of house. NHS stands for Neighborhood Housing Services.

<sup>8</sup> Can also occur with a private third party. An investor purchases the home, then leases it back to the "home owner" until the "home owner" can improve its credit and re-purchase it back. Most arrangements of this type are a scam and as such are illegal under M.S. Ch. 325N. The use of this tool should only be done with caution and a clear understanding of the law.

### **KEY:**

X = AS CURRENTLY EXIST OR AS PROPOSED

M = MAY ALSO BE POSSIBLE

### **ENDNOTES:**

<sup>9</sup> In a "cash for keys" situation the lender is usually offering the home owner some moving money after the foreclosure if he/she agrees to vacate the property on a certain day and leave the house in "broom clean" condition. It saves the lender from evicting the homeowner and the lender may get the house in better condition than usual. It can also be used during the reinstatement period using a deed in lieu of foreclosure.

<sup>x</sup> Wells Fargo presentation