



The Foreclosure Crisis Today

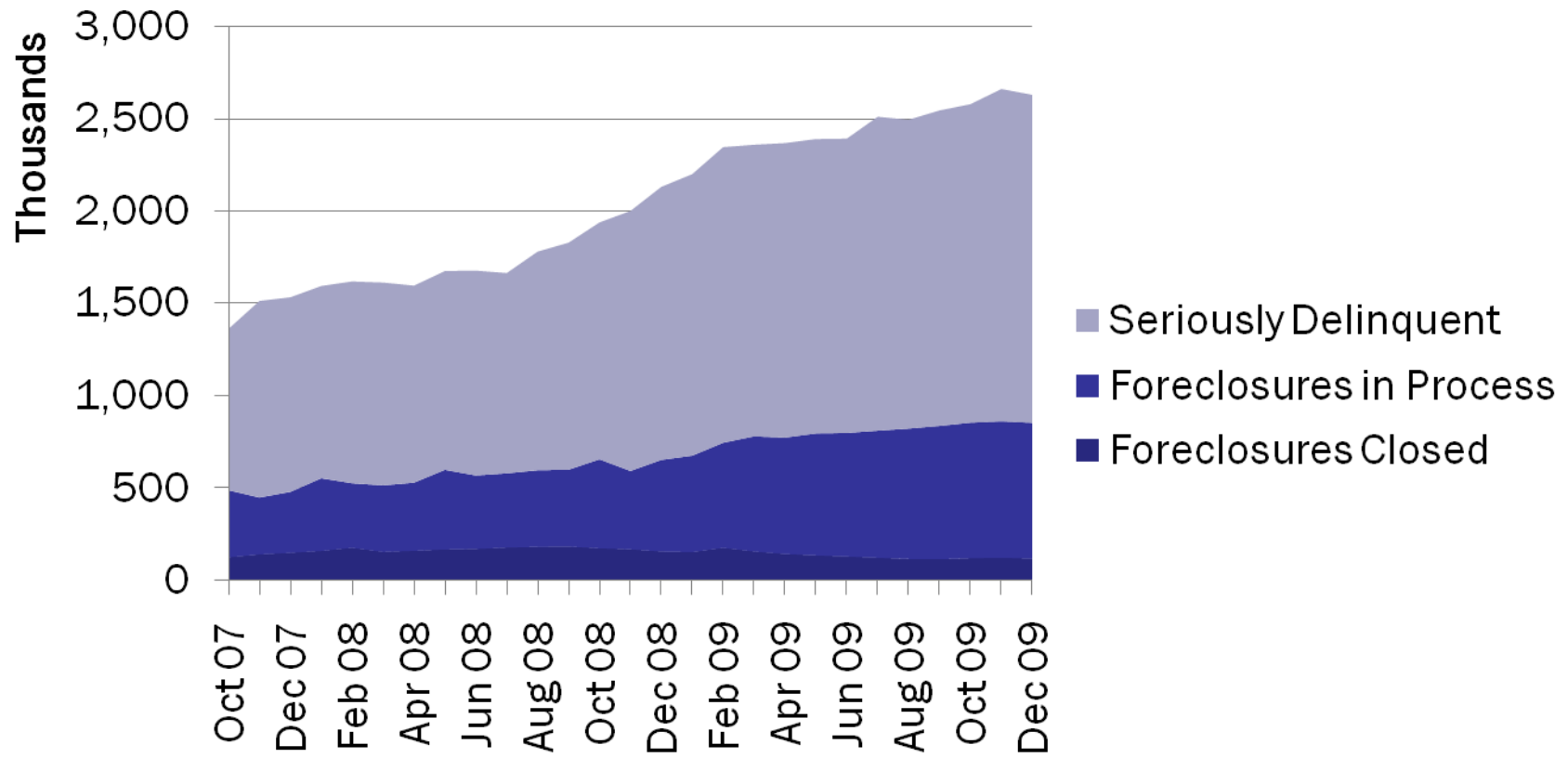
Roberto G. Quercia and Kevin Park

Center *for* Community Capital
*Research and analysis on the
transformative power of capital*



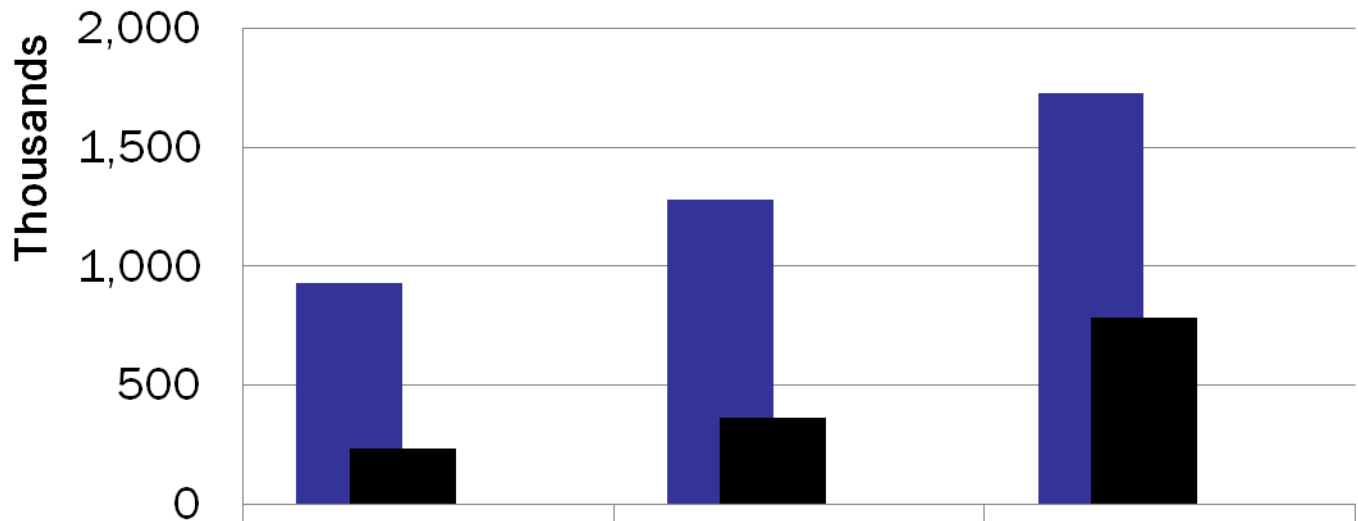


Distressed Loans Continues to Increase



SOURCE: State Foreclosure Prevention Working Group

Many Seriously Delinquent Borrowers Still Not Receiving Assistance

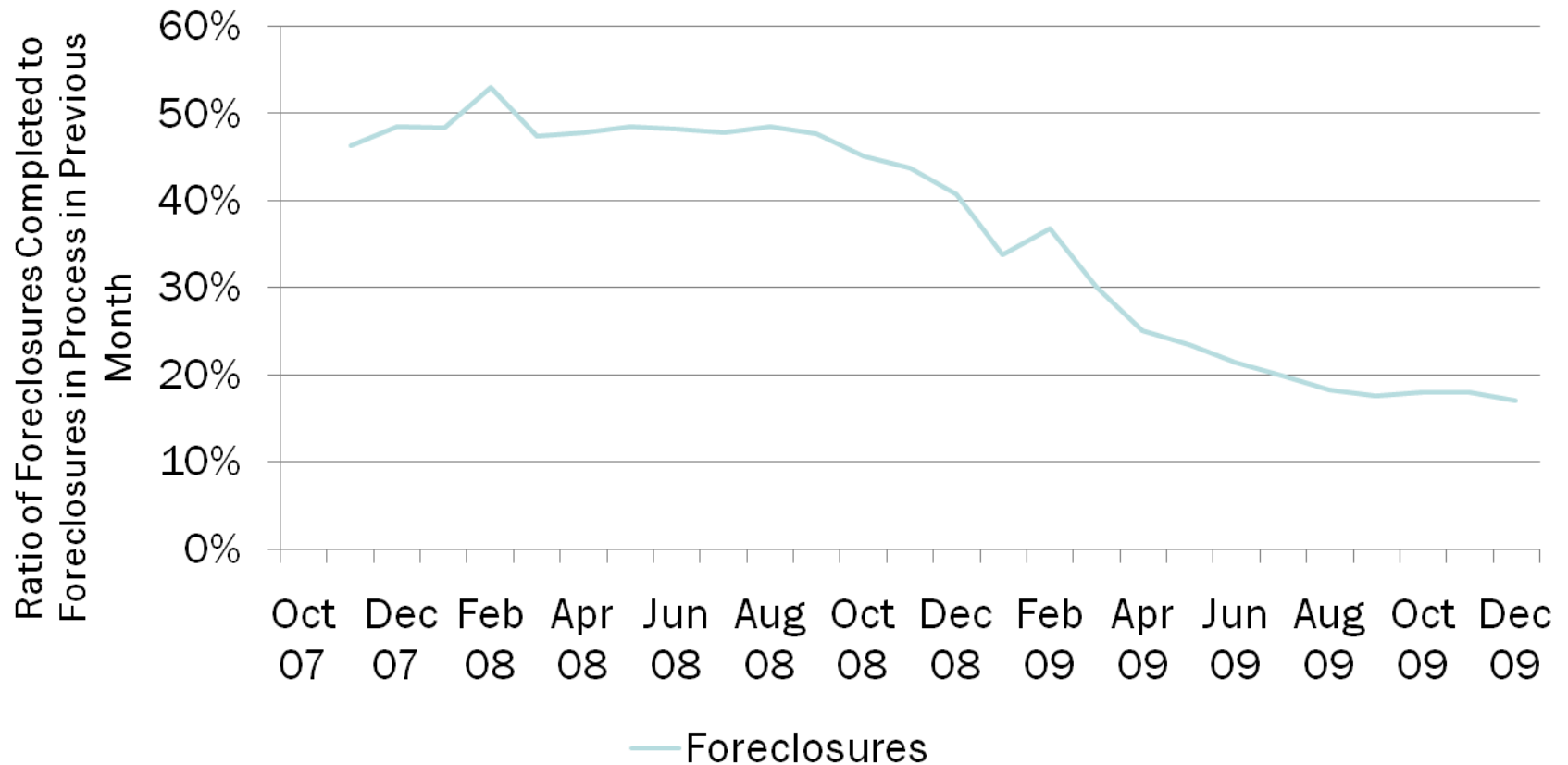


	2007Q4	2008Q4	2009Q4
■ Seriously Delinquent Loans	931,298	1,277,267	1,727,436
■ Loss Mitigations in Process	235,691	363,983	786,829
Difference (#)	695,607	913,284	940,607
Difference (%)	74.7%	71.5%	54.5%

NOTE: Numbers adjusted to reflect only servicers reporting all relevant information.

SOURCE: State Foreclosure Prevention Working Group

Backlog in Foreclosures

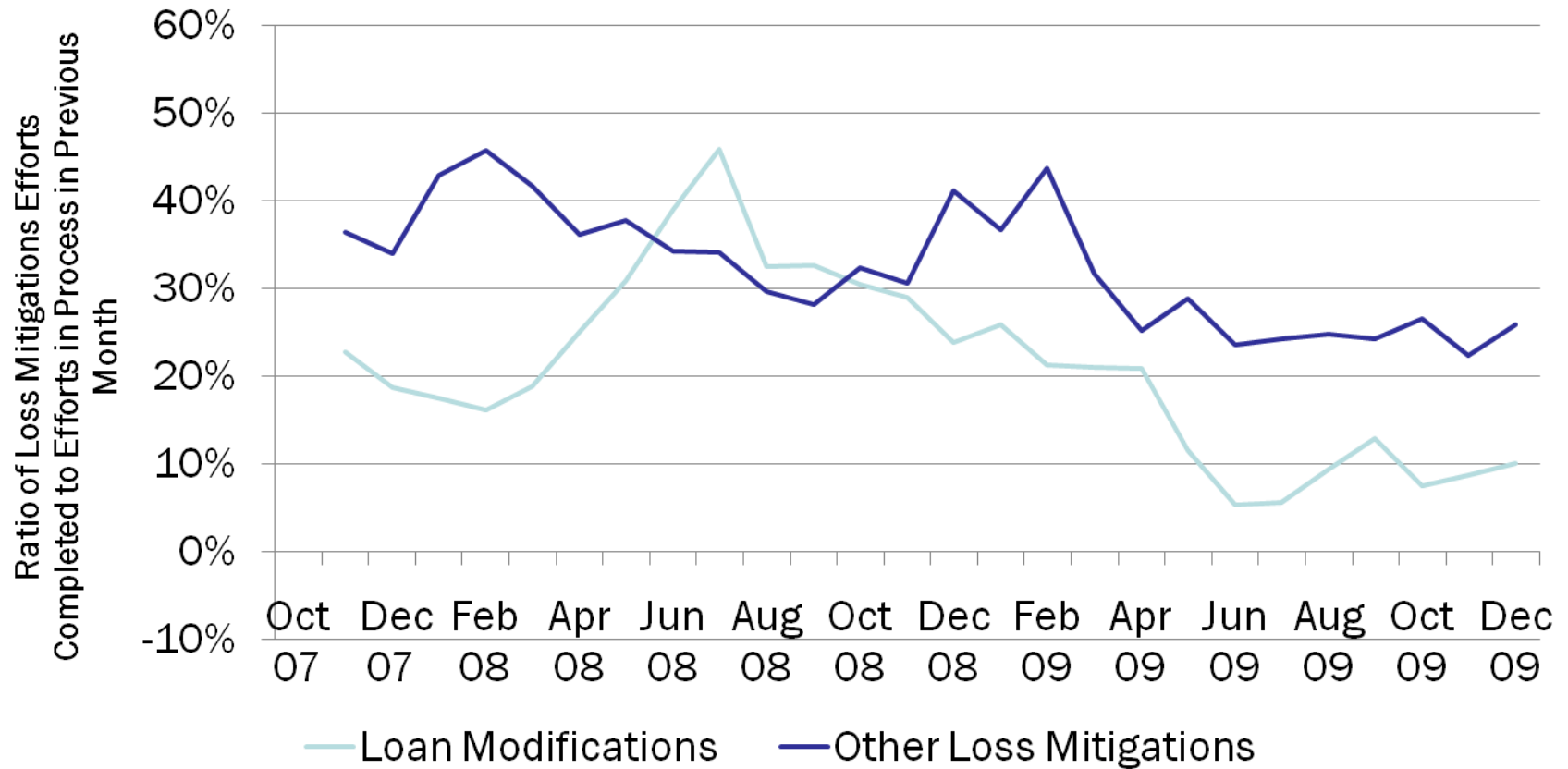


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SOURCE: State Foreclosure Prevention Working Group



Backlog in Loss Mitigations



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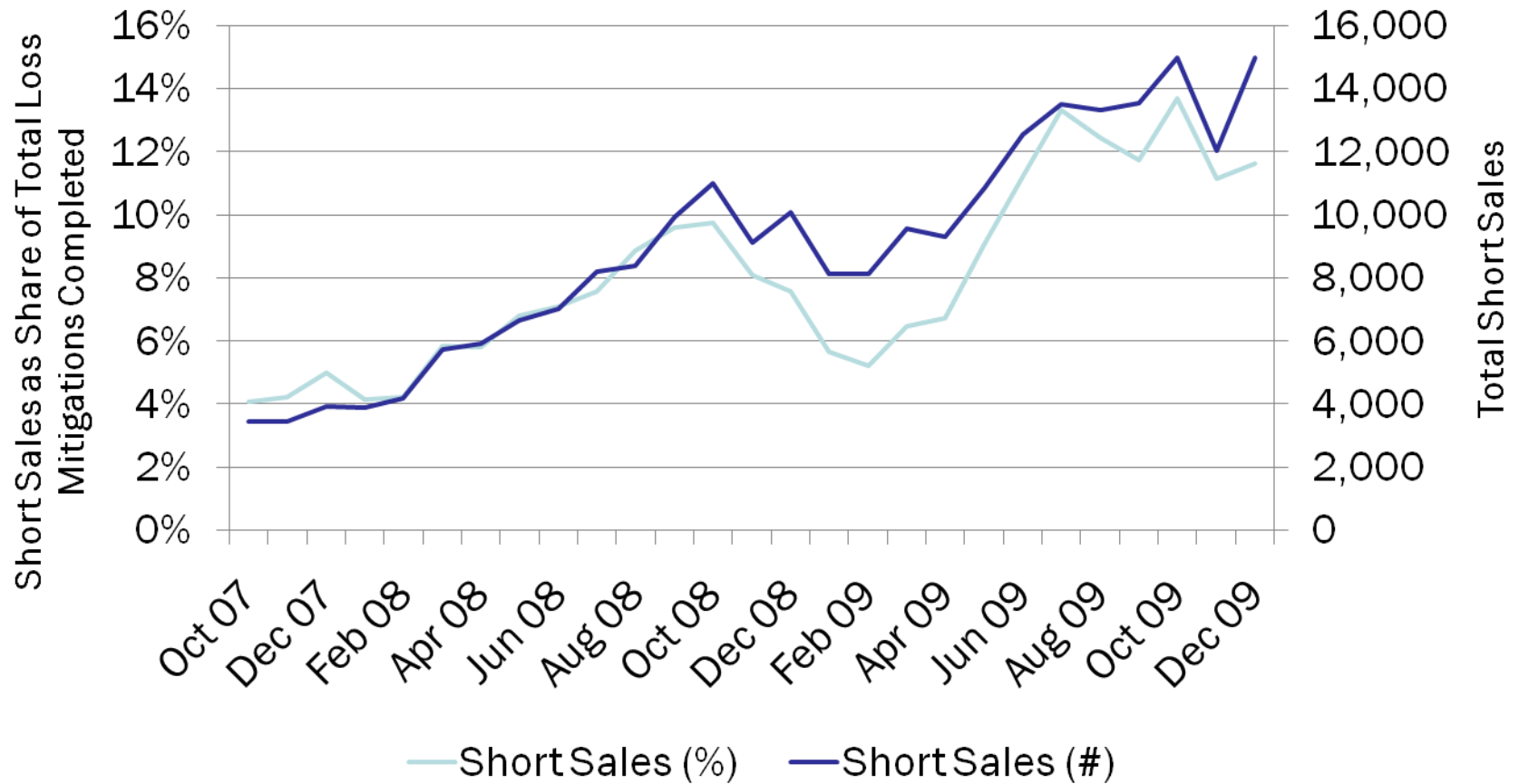
SOURCE: State Foreclosure Prevention Working Group

Distribution of Loss Mitigations

		2007 Quarter 4		2008 Quarter 4		2009 Quarter 4	
		In Process	Closed	In Process	Closed	In Process	Closed
Home-Loss	Deed in lieu	1.8%	0.4%	2.1%	0.4%	0.4%	0.3%
	Short sale	13.0%	4.4%	16.1%	8.4%	16.1%	12.1%
Home-Retention	Forbearance	8.6%	4.2%	6.7%	3.9%	4.1%	9.2%
	Repayment plan	24.6%	29.6%	9.3%	20.0%	12.9%	25.2%
	Modification	45.7%	25.0%	63.1%	45.8%	63.8%	38.1%
Borrower	Refinance or paid in full	1.6%	13.6%	0.7%	3.8%	0.2%	3.0%
	Reinstatement	4.6%	22.8%	2.0%	17.7%	2.5%	12.1%
Total Loss Mitigation Efforts		100%	100%	100%	100%	100%	100%

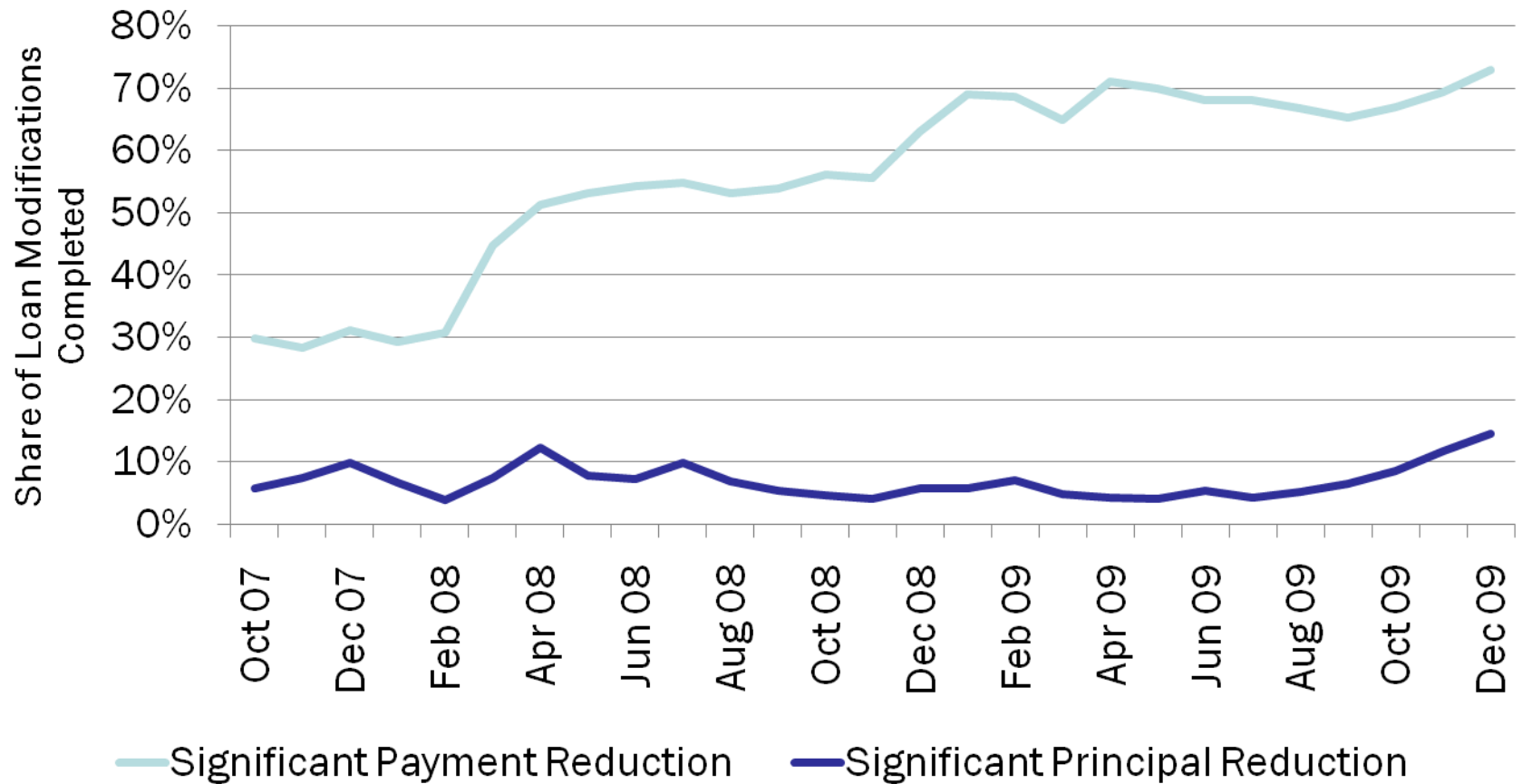
SOURCE: State Foreclosure Prevention Working Group

Short Sales Becoming More Common



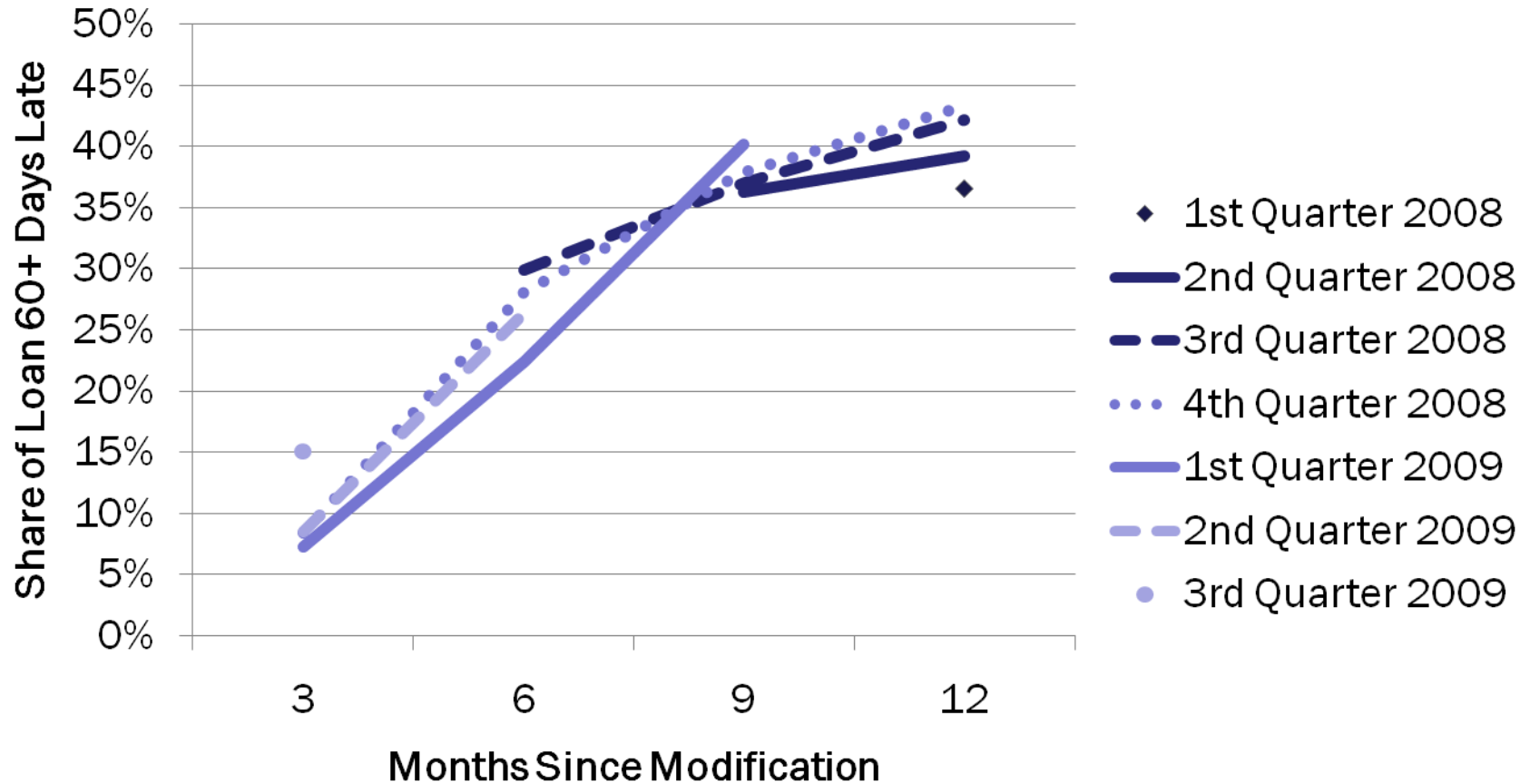


Principal Reductions Still Rare: Over 70% INCREASE the Principal Balance

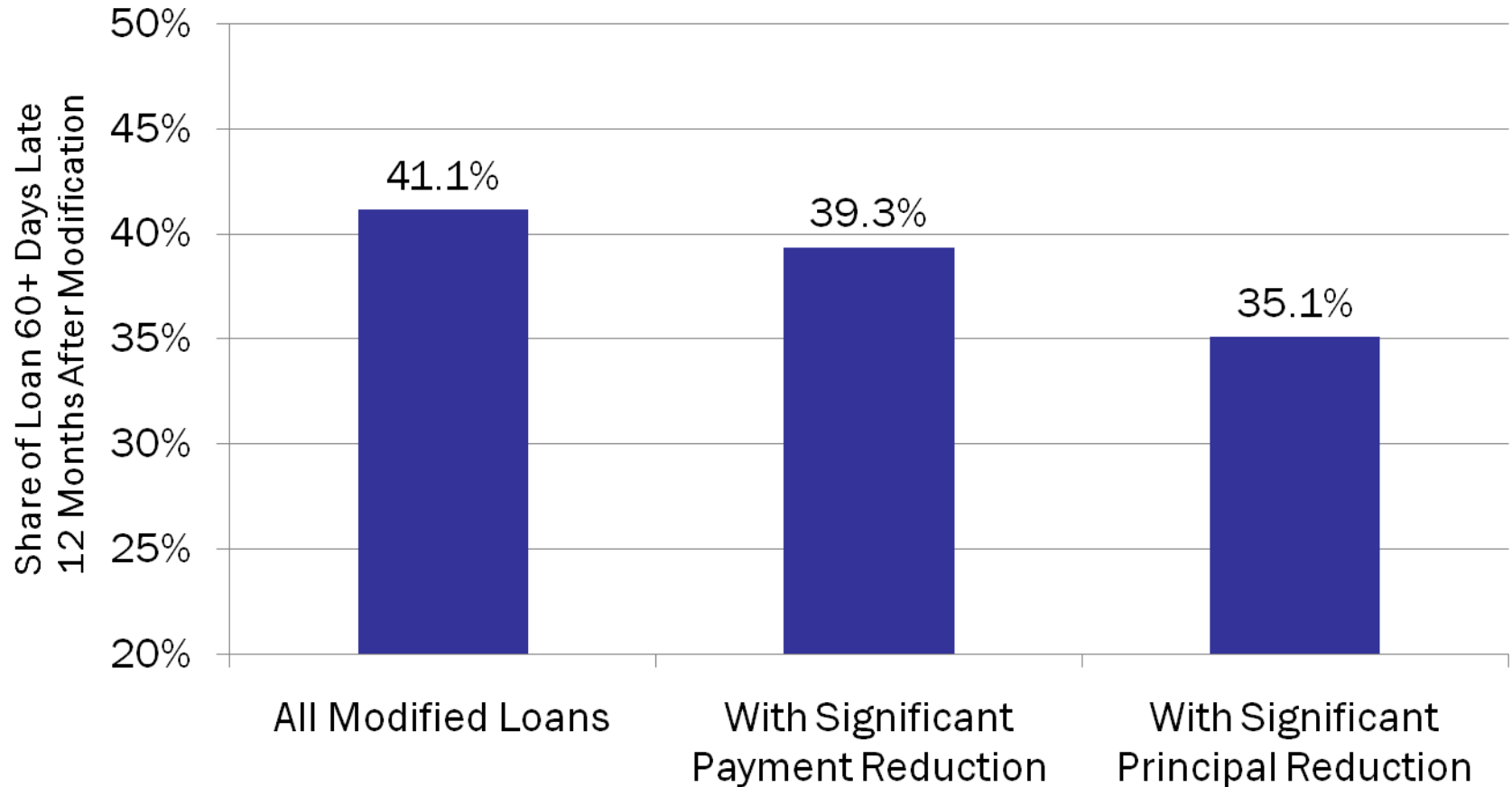




Significant Share of Modifications Re-default



Principal Reductions Have Lower Re-default Rates



SOURCE: State Foreclosure Prevention Working Group



Current Efforts to Deal with Evolving Crisis

- Home Affordable Modification Program—HAMP—is the centerpiece
- Only about 170,000 homeowners have received long term modifications so far
- Designed to deal with mortgage-based issues, now problem with negative equity and unemployment
- Problem with ~11m homeowners underwater
- Treasury will tap into \$50 billion of TARP funds set aside for homeowners
- Officials said the program is designed help up to 4 million homeowners
- Goal is to refinance loans with government-backed loans through FHA
- FHA-HAMP combines a partial claim with a loan modification
 - FHA borrowers, voluntary for first and second lien holders, borrower must be current on existing mortgage
- Because of all the requirements, the new initiative is unlikely to have the expected impacts

Efforts to Deal with High Unemployment

- A second component of the Treasury plan is to push banks to reduce payments for the unemployed
- Lenders are required to give at least 3 months of lower mortgage payments for people receiving unemployment benefits (extendable to 6 months)
- More than 6.3 million people nationwide have been unemployed for more than 6 months
- Unemployment benefits will not longer count as income for determining whether a person qualifies for a long-term reduction in their payments
- Thus no modifications for people with no income other than unemployment
- Initiative does not truly address the needs of unemployed homeowners

Looking ahead

- HAMP changes will have marginal impacts
- Timid steps won't solve the fundamental problems
 - House price declined 30 percent, it will take many years for them to recover
 - The economy is likely to remain sluggish for the foreseeable future