



Hamilton County Homeowner Preservation Initiative

Foreclosure Prevention

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Background

Freddie Mac is dedicated to:

- Supporting its servicers' early intervention efforts to help more borrowers stay in homes they can afford and want to keep
- Reduce percentage of borrowers who go to foreclosure without ever making contact with their servicer
- Address borrower anxiety by promoting servicer efforts to help borrowers avoid foreclosure.

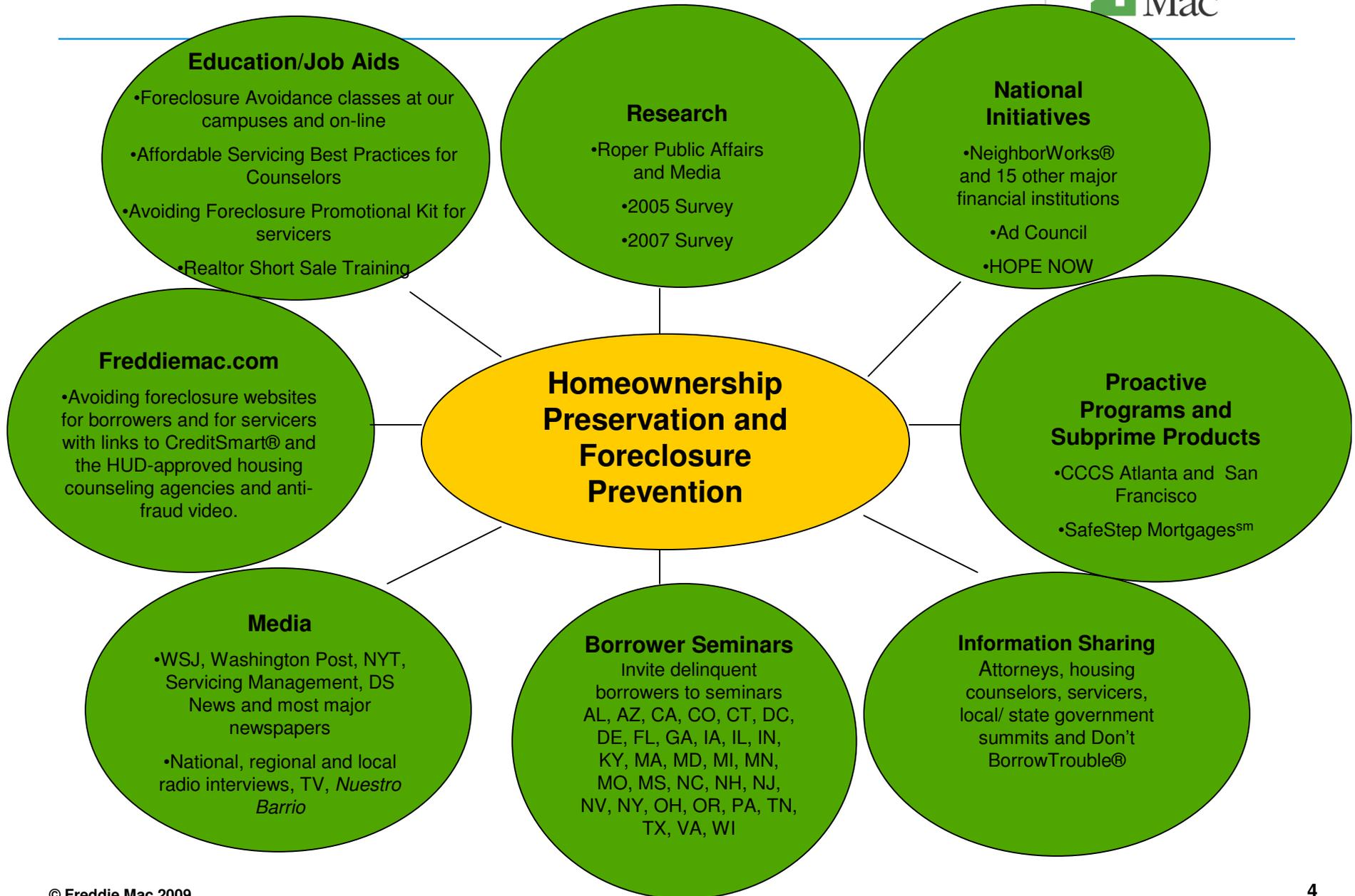
Reasons for Default



Hardship Reason	2002-2006	2007	2008
Unemployment or curtailment of income	42.3%	43.0%	44.2%
Excessive obligation	11.6%	16.2%	18.3%
Illness in the Family	19.2%	21.8%	12.9%
Marital difficulties	7.3%	6.6%	4.0%
Death in the Family	3.7%	3.8%	2.2%
Inability to sell or rent property	1.3%	1.7%	0.6%
Property problem or casualty loss	1.9%	2.0%	0.5%
Employment transfer or military service	0.8%	0.9%	0.2%
Extreme hardship	2.2%	0.4%	0.1%
All other reasons	9.8%	3.7%	17.0%

Source: Freddie Mac; data exclude delinquent loans in Louisiana and Mississippi due to hurricane effects. Data cover only prime conventional conforming loans and are from sample of borrowers who made successful contact with their servicer. All Other Reasons includes: Abandonment of Property; Energy/Environment Cost; Incarceration; Payment adjustment; Payment Dispute; Servicing problem; Unable to contact borrower and other – nondescript.

Freddie Mac Borrower Outreach



Responsibilities



- Homeowner:
 - » Make mortgage payments their **first** priority
 - » Manage budgets to avoid overspending
 - » Build savings accounts for financial crises

- Servicer:
 - » Workout Compensation
 - » Servicer Performance Profiles
 - » Continue loss mitigation during foreclosure

Encourage Troubled Borrowers to Call Early



- The mortgage company does not want the house
- Earlier involvement leads to better outcomes
- Availability of housing counseling agencies
- HOPE Hotline (888) 995-HOPE
- The five stages of grief (*Kübler-Ross*)
- Beware of predatory lenders/foreclosure scams

Workout Options

Retention

- Full reinstatement
- Partial reinstatement and repayment plan
- Short-term or long-term forbearance
- Loan modification
- FHA Partial Claim/PMI advance claim
- FHASecure/Hope for Homeowners Refinance
- Streamlined Modification Program

Liquidation

- Payoff/Makewhole
- Short sale
- Deed in lieu of foreclosure
- Delinquent loan assumption

Foreclosure Prevention



- Have Income?
- Expenses Reduced?
- Workout Options:

Not Yet

Yes

Short-term Forbearance
Long-term Forbearance

Foreclosure Prevention



Have Income?

Yes

Expenses Reduced?

Yes

Workout Options:

Reinstatement

Repayment Plan

Loan Modification

FHA Partial Claim/PMI

FHASecure/Hope Refinance

Streamlined Modification

Foreclosure Prevention



Have Income?

No

Expenses Reduced?

No

Workout Options:

Payoff/Makewhole

Short sale

Deed in lieu of foreclosure

Delinquent loan assumption

Servicer Best Practices



- Educate consumers early in delinquency
- Advocate housing counseling agencies
- Warn about predatory loans/foreclosure scams
- Use pilot programs to test borrower contact vehicles
- Compensate collectors for referrals to loss mitigation
- Cross train collections and loss mitigation units
- Create department just for incoming calls from nonprofits
- Conduct homeowner seminars to educate about workout options
- Work with foreclosure attorneys to help borrowers avoid foreclosure

Industry Assistance/Programs



- HOPE NOW Alliance
- FHASecure/Hope for Homeowners
- State licensing of mortgage originators
- Neighborhood sustainability and recovery
- Government and NeighborWorks® funding for counseling
- State foreclosure fraud prevention task forces

Default Servicing Technology



- **EarlyIndicator**[®] - collection scoring tool to increase efficiency regarding borrower contact
<http://www.freddiemac.com/earlyindicator/>
- **EarlyResolution**[®] - collection scripting tool to assist in conversations with borrowers
<http://earlyresolution.net/>
- **Workout Prospector**[®] - workout decision tool to structure alternatives to foreclosure
<http://www.freddiemac.com/service/factsheets/wp2.html>

Mortgage Fraud Awareness

- Fraudsters live for panicked borrowers
- Freddie Mac Fraud Unit (800) 4FRAUD8
- Refer to Law Enforcement
- Fraud for Housing – Fraud for Profit
- Mortgage Fraud Suspicious Activity Reports
- Financial Crimes Enforcement Network – FINCEN

National FBI Statistics

SARs filed with FINCEN:	# FBI Mortgage Fraud Investigations
2001 = 4,225	2001 = 102
2002 = 5,623	2002 = 170
2003 = 6,936	2003 = 436
2004 = 17,127	2004 = 533
2005 = 21,994	2005 = 721
2006 = 37,313	2006 = 818
2007 = 46,717	2007 = 1,210

Resources



- **Freddie Mac/Roper Borrower Survey**
http://www.freddiemac.com/news/archives/corporate/2008/20080131_07roper_survey.html
- **Freddie Mac English Avoiding Foreclosure Information for Borrowers**
http://www.freddiemac.com/corporate/buyown/english/avoiding_foreclosure/
- **Freddie Mac Spanish Avoiding Foreclosure Information for Borrowers**
http://www.freddiemac.com/corporate/buyown/spanish/avoiding_foreclosure/
- **Freddie Mac Avoiding Foreclosure Fraud Video**
http://www.freddiemac.com/news/archives/corporate/2007/20071212_youtube_fraud_video.html
- **Freddie Mac Avoiding Foreclosure Promotional Materials**
http://www.freddiemac.com/service/msp/avoid_foreclosurekit.html

Resources



- **MBA - Servicer Foreclosure Prevention Contacts**
<http://www.homeloanlearningcenter.com/ForeclosurePreventContactInfo.htm>
- **MBA – Listing of National Consumer Foreclosure Prevention Workshops**
<http://www.homeloanlearningcenter.com/YourFinances/ForeclosurePreventionResourceCenter.htm>
- **MBA - 12 Things to Know When Calling Your Lender**
<http://www.homeloanlearningcenter.com/12things.htm>
- **MBA - Facts About Mortgage Servicing**
<http://www.homeloanlearningcenter.com/files/FactsAboutMortgageServicing.pdf>
- **National Foreclosure Avoidance Initiative**
http://www.freddiemac.com/news/archives/afford_housing/2006/20060508_foreclosure.html
- **NeighborWorks®/Ad Council – Foreclosure Prevention Ads**
<http://www.adcouncil.org/default.aspx?id=474>
- **NeighborWorks Foreclosure Help and Hope**
<http://www.foreclosurehelpandhope.org/>

Resources



- **Freddie Mac's Anti-Predatory Lending Campaign**
<http://www.dontborrowtrouble.com/>
- **Freddie Mac's Responsible Servicing Guidelines**
http://www.freddiemac.com/service/msp/responsible_practices.html
- **Freddie Mac's CreditSmart® Curriculum**
<http://www.freddiemac.com/creditsmart/>
- **Freddie Mac – Our Role State-by-State**
http://www.freddiemac.com/corporate/company_profile/our_role_state/
- **Freddie Mac's Properties for Sale**
<http://www.homesteps.com>
- **Freddie Mac Servicers' Foreclosure Attorney Best Practices**
http://www.freddiemac.com/learn/pdfs/service/bp_avoid_fcl.pdf

Resources

- **HUD-Approved Housing Counseling Agencies**
<http://www.hud.gov/offices/hsg/sfh/hcc/hcs.cfm>
- **Freddie Mac's Affordable Best Practices for Housing Counselors**
http://www.freddiemac.com/learn/counselor/pdfs/bp_hc.pdf
- **Freddie Mac's Alternatives to Foreclosure for Housing Counselors Class**
<http://www.freddiemac.com/dlink/html/LearningCenter/ClassDescription.jsp?crsNum=ATFHC1>
- **Freddie Mac's Alternatives to Foreclosure for Housing Counselors Class – recorded**
http://www.freddiemac.com/dlink/html/LearningCenter/ClassDescription.jsp?crsNum=ATFHC_Rec
- **Freddie Mac's The Learning Center for Community Outreach**
<http://www.freddiemac.com/learn/community>

Resources

- **Freddie Mac's Community Programs**
http://www.freddiemac.com/corporate/citizenship/community_programs/
- **Freddie Mac - Protecting Consumers**
http://www.freddiemac.com/corporate/citizenship/protecting_consumers/
- **Freddie Mac's Economic and Housing Research**
www.freddiemac.com/news/finance
- **Industry's HOPE NOW**
<http://www.hopenow.com/>
- **Freddie Mac Avoiding Foreclosure Reminder for Servicers**
http://www.freddiemac.com/service/msp/avoid_foreclosure.html
- **HUD FHASecure Refinance Program**
http://portal.hud.gov/portal/page?_pageid=73,1827972&_dad=portal&_schema=PORTAL
- **HUD Hope for Homeowners Refinance Program**
http://portal.hud.gov/portal/page?_pageid=73,7601299&_dad=portal&_schema=PORTAL
- **Streamlined Modification program**
http://www.freddiemac.com/singlefamily/service/streamlined_modification.html

Questions and Contact



Foreclosure Prevention -

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