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CDC Offers Hope to Homeowners Facing Foreclosure

November 2008 Success Story

Foreclosures are on the rise and all indications suggest that this unfortunate trend will continue well into 2009 or beyond. Although Utah may not be the hardest hit state, the steady increase in phone calls to Community Development Corporation of Utah (CDC) from people in need of foreclosure mitigation assistance indicate that the worst is yet to come. In the past 12 months, CDC's caseload of families dealing with foreclosure has ballooned 400%. When you factor in the thousands of high-risk subprime loans, including those with adjustable rate mortgages resetting within the next few months, piggyback loans, interest-only mortgages, and other precarious loan products, the number of homeowners who may face default and foreclosure the next year is staggering.

According to a recent [Deseret News](#) article, "The number of Utah homeowners facing foreclosure surged by more than 136 percent in the third quarter of this year, compared with the same period in 2007." RealtyTrac Inc. reports that "Utah had the tenth highest rate of foreclosure filings in the nation for the third quarter of 2008, with 4,867 people receiving at least one foreclosure-related notice from July through September." This reflects a 22% increase in filings from the data collected during the second quarter of this year. The national statistics are also alarming as RealtyTrac Inc. reports that over 750,000 homes received at least one foreclosure notice during the last quarter, pointing to the fact that the need for immediate and long-term aid is crucial in the effort to help stabilize the housing market and keep families in their homes.

Community Development Corporation of Utah is answering the call for help. In an effort to meet the growing demand for homebuyer education and counseling services, primarily foreclosure mitigation services, CDC has increased its capacity to serve the public by adding two more housing counselors. As a full-service affordable homeownership agency backed by the U.S. Department of Housing and Urban Development (HUD) and the Housing Partnership Network, CDC has the necessary credentials, knowledge, and skills to help homebuyers and homeowners meet the challenges facing them today.

Susan, a recent client who asked that her full identity not be disclosed, approached CDC for foreclosure mitigation when it appeared to her that there was no hope. Susan was severely injured last year and she lost her job because of it. Due to this loss of income, she and her husband fell behind on their mortgage. Susan was quick to apply for Social Security disability assistance because she could no longer work, but the application process is so lengthy that they continued to fall further behind on their mortgage. Susan came to see a CDC counselor around the time that she was starting to receive disability insurance payments. At this point, she owed her mortgage company nearly \$15,000 and she and her husband were becoming desperate for help. CDC's experienced counseling staff was able to talk to Susan's mortgage company about her situation and negotiate solutions while they gathered the documentation from Susan that was required. After a few months of processing, Susan's mortgage company modified her mortgage by adding the missed payments back into the balance of the loan to bring her current and to help her

avoid foreclosure. Also, the mortgage company lowered Susan's interest rate substantially, which dramatically lowered her payments from then on. CDC housing counselor Karissa Berndt points out: "While the outcome of Susan's counseling plan cannot be expected with every situation, results of this nature are not uncommon with the help of a qualified housing counselor."

Another recent example of foreclosure avoidance came when Stephanie Hanson, CDC's Housing Counseling and Education Coordinator, was able to help a family keep their home using a partial claim, which is a foreclosure prevention option only available to those who have FHA mortgages. The husband in this family sustained an injury that caused him to regularly miss work. He had fallen two months behind on his mortgage when he came to CDC for help. He was expected to be back to work within a month, so Stephanie contacted his mortgage company to begin a resolution dialogue. She submitted extensive documentation to the mortgage company and, although it took over two months for approval, the mortgage company did not pursue foreclosure. When the homeowner was able to send in his first pay stub after going back to work, the mortgage company helped him to be approved with FHA for the partial claim. He was able to show that he could make the regular payment, but he did not have the ability to bring the loan current on his own. FHA agreed to pay five months worth of missed payments on his behalf which resulted in a partial claim on his FHA mortgage insurance. HUD treats this as a loan that requires no payment until the sale or refinance of the property and assures their repayment by placing a lien on the home. The homeowner's loan is now current, and his first payment is due on December 1st. With the help he received by working with a CDC counselor, he is now able to go back to paying his regular payments once again and keep his home. Stephanie summarizes:

"The ability to get a workout is completely dependent on the rules of both the mortgage servicer and the mortgage investor, as well as the client's budget and income. Though we cannot guarantee a workout, we can improve the odds by approaching the mortgage companies as professional HUD counselors who have done a lot of the leg work in advance. Most mortgage companies are providing more workouts than were previously available, and they prefer to work with housing counselors because a counselor has spent time with the family making sure that a particular type of plan will work for them. This saves the mortgage company valuable time and they tend to have more successful workouts."

Community Development Corporation of Utah has seen a constant increase in foreclosure mitigation counseling demand in the last year. Since January, CDC has worked with nearly 200 new foreclosure clients. More and more mortgage companies are referring clients to a counseling agency like CDC and some will not even consider helping borrowers until they have been to counseling. The benefit of a housing counselor is that he or she can help a family to understand all the different types of workouts, which ones they might qualify for, and how to develop a plan to implement a workout successfully. Although the federal government has taken many steps to help at-risk homeowners, many of the new workout options are very difficult to qualify for and are only meant to help about 15% of the population. However, there are many other options available depending

on the family's situation. An experienced housing counselor will spend time working with a family to make sure they understand the foreclosure process in Utah. This includes showing them how to avoid the many scams targeted at delinquent homeowners, how to go about catching up on their missed payments, and how to understand the implications of a short sale or foreclosure.

For those seeking to buy their first home, CDC has seen time and again that homebuyer education helps homebuyers gain the necessary information to buy with confidence and also allows them to have a better chance of being successful long-term homeowners. For current homeowners feeling that all may be lost, CDC offers hope



CDC Housing Counselors

through experienced and caring counseling. One recent client stated, "I just want to express my gratitude for the hope that you gave me that took me right out of the 'shock' syndrome and opened my eyes to a new perspective--thank you, thank you, thank you!"

Stephanie points out, "Unfortunately, there are many families that we cannot help. Some are just too far behind and too close to foreclosure. However, there are many that we can assist. The key is to get help early!"

Community Development Corporation of Utah's homebuyer education classes are held twice a month and require pre-registration and a nominal fee of \$10. Additionally, CDC homebuyer services are offered in English and Spanish and one-on-one counseling services, including foreclosure mitigation, are free of charge and by appointment. Please call 801-994-7222 for further information.