



**RCAC**

# **HomeSmart NY 2017 Annual Statewide Conference HUD Counselor Certification**

**SEPTEMBER 27, 2017  
SCHENECTADY, NEW YORK**

# Jennifer Murphy, Executive Director

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This course is based on the HUD Housing Counseling Trainers Study Guide which can be found at:

<http://www.hudhousingcounselors.com/training-study-guide>

# AGENDA

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- Icebreaker
- Certification Rule
- General Overview 6 areas
- Wrap up and questions





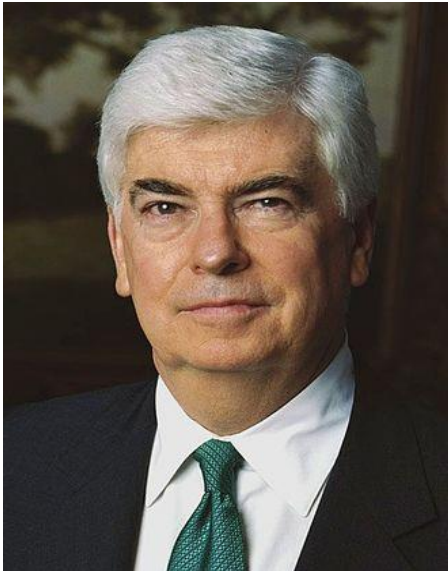
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# DODD FRANK

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July 2010



Chris Dodd



Barney Frank

# History of Certification

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- Dodd Frank
- Proposed and Final Rule
- Basics





- Protects consumers
- Supervises companies – restricts deceptive/abusive acts
- Handles consumer complaints
- Promotes financial education
- Monitors financial markets for new risks

# CERTIFICATION

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## 6 Dodd Frank Required Topics

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1. financial management
2. property maintenance
3. responsibilities of homeownership and tenancy
4. fair housing laws and requirements
5. housing affordability
6. avoidance of, and responses to, rental and mortgage delinquency and avoidance of eviction and mortgage default

# HUD Study Guide

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1. Financial Management
2. Housing Affordability
3. Fair Housing and Civil Rights
4. Homeownership
5. Avoiding Foreclosure and Eviction
6. Tenancy

# The Final Rule-Counselor Certification

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# 1.1 Financial Management

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- Budget
- Strategies to increase income/reduce debt
- Action Plans



# To Budget or Not to Budget

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Which of the following are used to determine a budget?

- **Pay stubs**
- **Stock Dividends**
- **Annual bonus**
- **Bank statements**
- **Utility Bills**
- **Credit Report**
- **Soc Sec. Award Letter**
- **Reimbursements**
- **Credit Card Debt**
- **Car Expenses**
- **Pre-tax payroll deductions**
- **Child support**
- **Hobby income**

# Knowledge Check

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Which of the following are **not** needed in determining a budget? Mark all that apply

- A. Pay stubs
- B. Credit report
- C. Utility bill
- D. Child support
- E. Stock Dividends



# Knowledge Check

Decide which of the following are Need(N)  
and which are a Want (W)

- \_\_\_\_\_ Yoga class
- \_\_\_\_\_ Rent
- \_\_\_\_\_ Starbucks every day
- \_\_\_\_\_ Life insurance

# Create Action Plan

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- State **Goal**
- Identify **obstacles**
- Agree on **livable** budget
- **Steps** with **dates** to achieve goal
- List who is **responsible** for steps
- **Signature** (optional)
- **Follow-up** & Update



# 1.2 Credit

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- 💳 Credit Reports
- 💳 How credit scores work
- 💳 Using Credit wisely
- 💳 Fair Credit Regulations

# CREDIT REPORTS

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## Credit Report

☀ **Personal Information**

☀ **Account/Trade line**

☀ **Public Records**

☀ **Inquiries**

☀ **Consumer Rights**



# FICO SCORES

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PERCENTAGE	TYPE
35%	Account History
30%	Amounts Owed
15%	Length of Credit History
10%	New Credit
10%	Types of Credit

# Improving credit

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# Fair Credit Reporting Act (FCRA)

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- Right to know what is in **your file**
- Right to **dispute** incomplete or inaccurate information
- May **seek damages** from violators
- May have additional **state rights**

# Fair and Accurate Credit Transactions Act (FACTA)

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- Right to free annual credit report
- Right to place fraud alert for 90 days
- Credit card numbers must be truncated



# Fair Credit **Billing** Act (FCBA)

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- Dispute errors on account (within 60 days)
- Must be **billed in timely manner** (at least 14 days before payment is due)

# 1.3 Management/Managing Assets

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## Asset Building

- \$ Banks and credit unions
- \$ Savings for emergencies and large purchases
- \$ Invest for retirement
- \$ Tax Credits



# Financial Institution Fees

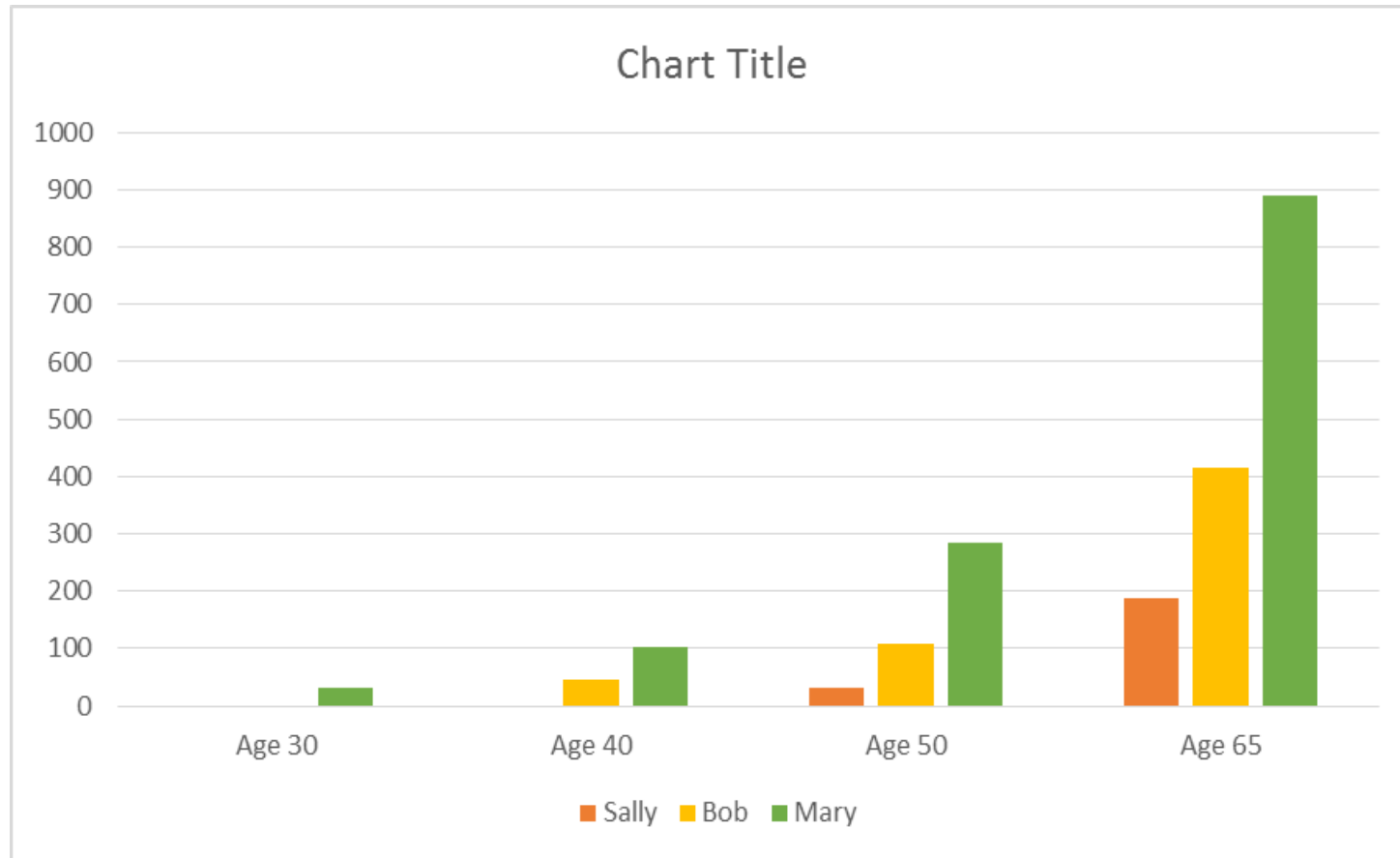
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Service Fees

Negligence Fees

Fund Access Features

# Investing for Retirement



Mary starts investing at 25, Bob at 35 and Sally at 45

# Income Tax Credits

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- Earned Income Tax Credit (EITC)
- Educational
- Child and Dependent Care

# Common Predatory Tactics

Limited time offer

High Risk loan

Higher loan amounts

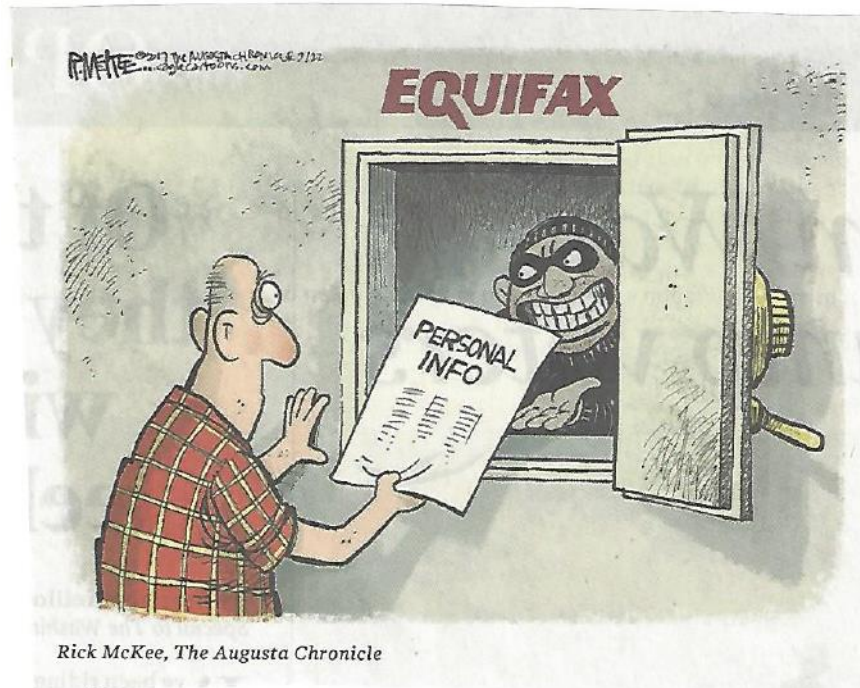
High fees or costs

Hidden disclosures

Loan flipping

# Identity Theft

- What should you do?



# Examples of Scams



illustrations of.com #442725





# Bankruptcy

- Chapter 7
- Chapter 11
- Chapter 13
- Chapter 7 stays on credit report \_\_\_\_\_ years
- Chapter 13 stays on credit report \_\_\_\_\_ years.

# Bankruptcy

- Chapter 7
- Chapter 11
- Chapter 13
- Chapter 7 stays on credit report 10 years
- Chapter 13 stays on credit report \_\_\_\_\_ years.

# Bankruptcy

- Chapter 7
- Chapter 11
- Chapter 13
- Chapter 7 stays on credit report  
\_\_\_10\_\_\_ years
- Chapter 13 stays on credit report  
\_\_\_7\_\_\_ years.

# Potential Impacts of Bankruptcy

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Lower credit score

Future loans/credit more expensive

Insurance rates might go up

Future employers may review

Ability to rent/buy home

# Alternatives to Bankruptcy



## 2 - Housing Affordability

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- Renting vs. Buying
- Calculating Housing Ratios
- Calculating Debt-to-Income Ratios
- Role of Credit

# Rent versus Buy

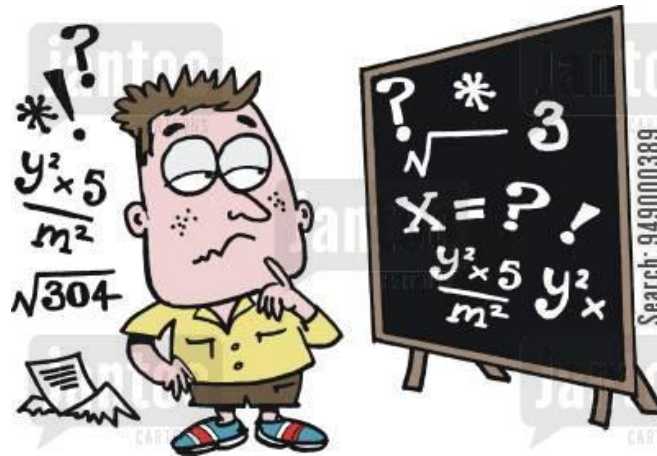
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RENT	BUY
🏠 <b>Easier to move a lot</b>	🏠 <b>Build equity</b>
🏠 <b>No maintenance</b>	🏠 <b>Decorate like you want</b>
🏠 <b>No property taxes to pay</b>	🏠 <b>Sense of community</b>
🏠 <b>Easier to qualify</b>	🏠 <b>Tax benefits</b>
🏠 <b>More amenities</b>	🏠 <b>Housing payments stable</b>

# Math Formulas

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- Gross monthly Income
- Front End Debt Ratio
- Back End Debt Ratio
- Maximum Housing Expense





# Front End Ratio

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Front End Ratio =

Monthly Housing Expenses

Gross Monthly Income

28-31%

# Sample Front-end Ratio

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Monthly Housing Exp.  $\div$  Gross Mo. Income

Hector has housing expenses of \$1,015 and Gross monthly income of \$2,750. What is his front end ratio?

$$1015 \div 2750 = .369$$

Pay Schedule	Calculation for Gross Monthly Income	Example (rounded)
Hourly	Total hourly pay before deductions x hours per week x 52 weeks per year ÷ 12 months	\$10/hr x 40 hrs x 52 weeks ÷ 12 months \$1,733
Weekly	Total weekly pay before deductions x 52 ÷ 12 months	\$500 x 52 weeks ÷ 12 months = \$2,167
Bi-Weekly	Total bi-weekly pay before deductions x 26 ÷ 12 months	\$1,000 x 26 ÷ 12 months = \$2,167
Semi-monthly	Total semi-monthly pay before deductions x 2	\$1,000 x 2 = \$ 2,000
Monthly	Total monthly pay before deductions	No calculation needed \$2,000 per mo. = \$2,000

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Pay Schedule	Calculation for Gross Monthly Income	Example (rounded)
Self-Employed	Average adjusted gross income, or AGI, from tax returns and/or profit and loss statement (P&L) as applicable ÷ the number of months of income counted)	AGI 2014    \$39,642 + AGI 2015    \$17,957 = 57,599  \$57,599 ÷ 24 months = \$2,400 monthly

# Maximum Monthly Housing Payment

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**Front-end ratio** x **Gross Mo Income** =

**Maximum Monthly Housing Expense** =

.31 (31 percent) x \$2,000 mo. income =

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# Maximum Monthly Housing Expense

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If you have a 30% front end ratio and gross monthly income of \$2,700, what is your maximum household expense?

$$.30 \times \$2,700 = \$810$$

\$245,000 @ 4.5% interest, 30 yr. fixed loan

$$PI = \$1,186$$

# Debt –to-Income(Back End) Ratio

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$$\frac{\text{Total Monthly Debt Expenses}}{\text{Gross Monthly Income}} =$$

Back End Ratio

36-45% maximum

# Sample Back-End-Ratio

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Jeremiah and Katrina have housing expenses of \$900, a car payment of \$250 and credit card debt of \$50. Their gross monthly income is \$ 3,250. What is their Back-End-Ratio?



# Sample Back-End-Ratio

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Expenses       $900 + 250 + 50 = \$1,200$

GMI              \$3250

$$1200 \div 3250 = 36.9\%$$

# Role of Credit – 4 C's of Credit

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Character (Credit History) – how have they paid past debt

Capacity – Can they pay the debt – what are their other debts and income

Capital – How much money is there for down payment or deposit

Collateral – property or assets to secure the debt

## 2.2 Affordable Housing Options

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- Types of mortgages
- Mortgage insurance
- Down Payment Assistance & Rental Assistance

# Mortgages

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## Types of Loans

- 🏠 Conventional
- 🏠 Conforming (Fannie, Freddie)
- 🏠 Subprime
- 🏠 Government Insured (FHA, VA, USDA)
- 🏠 Other

# Other Hybrids

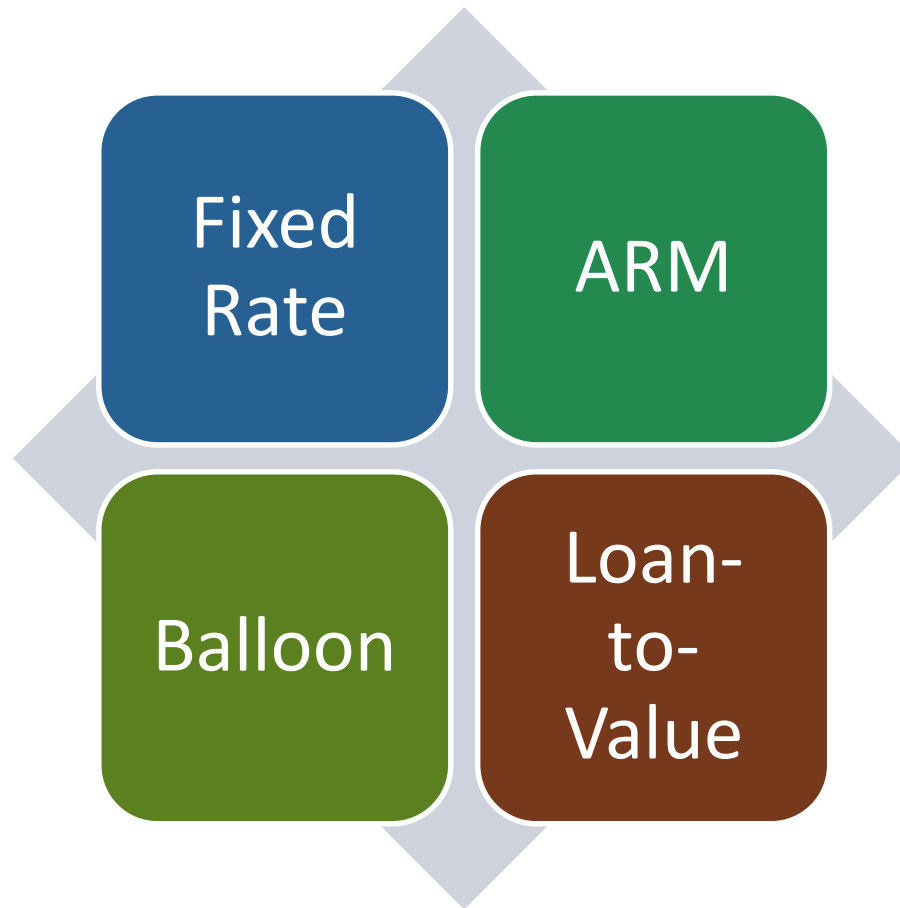
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- Interest only
- 80/20
- Pick a payment



# Mortgage Terms

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See chart SG Module 2.2 page 15

# Mortgage Insurance

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Private Mortgage Insurance (PMI) – required by conventional loans with less than 20% down, can be released at 80%

Mortgage insurance premium (MIP) – for FHA loans

- Includes upfront premium and/or annual premiums. Annual is based on unpaid principal balance for the life of the loan.

See chart- SG Module 2.2 page 13

# Down Payment Assistance

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- CDBG
- HOME
- Local and state housing authority
- Community Action Agencies
- Dept. of Veteran's Affairs
- Govt sponsored banks (Fed. Home Loan Bank)



# Common Program Assistance Requirements

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- Maximum amount available
- 2<sup>nd</sup> mortgage-payments deferred
- Credit score req.
- Earn below certain amount
- Max home price/location
- Often need HBE class
- May need to be preapp. With 30 yr. Fixed mortgage.

# Rental Assistance Options

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HUD subsidized housing  
units

Federal Housing Choice  
Voucher Program (Section  
8)

VASH- Veterans Affairs  
Supportive Housing

HOPWA- Housing  
Opportunities for Persons  
with Aids

Seniors

# Rental Assistance Options

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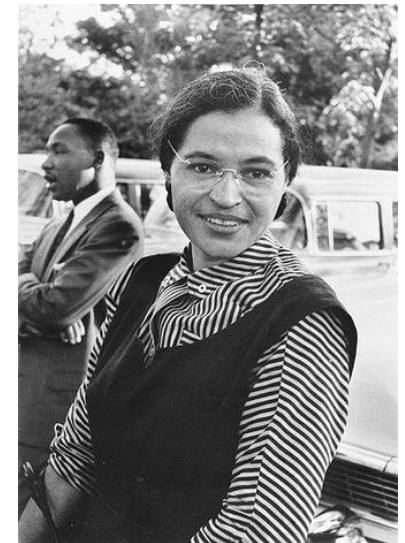
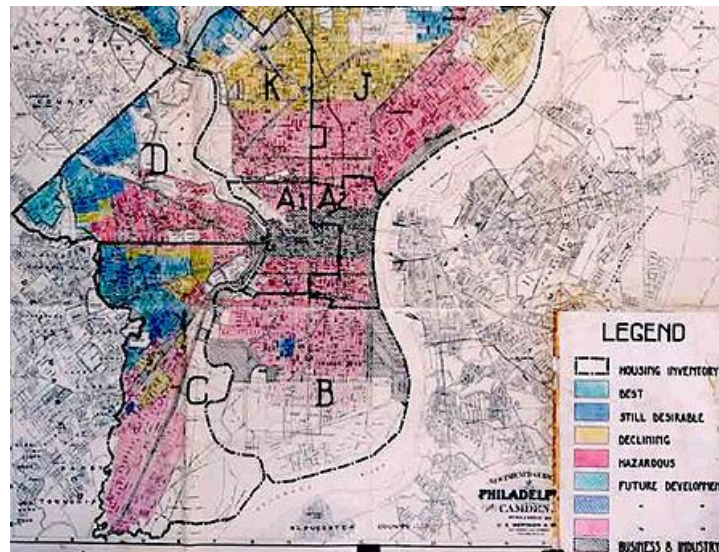
HOPWA- Housing  
Opportunities for Persons  
with Aids



Seniors

# 3.1 Fair Housing History and Overview

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## 3.1 - Fair Housing and Civil Rights

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- Counseling and violation evidence
- Historical timeline
- Complaints
- Fair Housing Definitions and overview
- Compliance



# 7 Protected Classes

## Race

Refers to person's unchangeable physical characteristics



## Color

Lightness or darkness of skin pigmentation



## National Origin

Based on country where you or ancestors were born



## Religion

Includes but not limited to preference of churchgoers or lack of affiliation with religion



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## **Sex (Gender)**

Discrimination and harassment when treat one sex different from others, harassment including hostile environment and “Quid Pro Quo”



## **Disability**

Person with physical or mental impairment that limits one or more of life activities



## **Familial Status**

Discrimination based on one or more individuals being 18 or under (includes pregnant women)



# Prohibited practices in sale or rental of housing

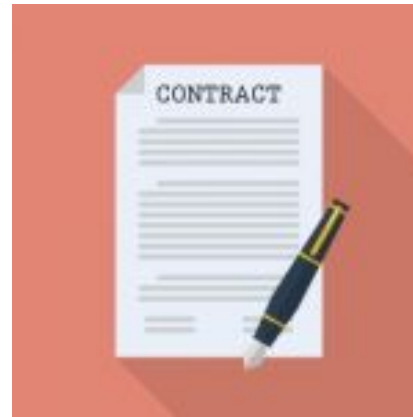
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- ⌂ Refuse to sell, rent or negotiate
- ⌂ Setting different terms conditions or privileges
- ⌂ Using discriminatory marketing
- ⌂ Falsely representing availability
- ⌂ Engaging in blockbusting
- ⌂ Other discriminatory actions

# Protections for Disabled

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- Modifications
- Accommodations



# Discrimination Prohibited in:

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Residential real estate related transactions

Provisions of brokerage services

Mortgage Lending

# Additional Exemptions

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- 1-4 unit dwellings or rooms in a dwelling if one unit is owner occupied-no broker or agent and no advertising.
- Sale or rental is in conjunction with religious organization, association, non-profit or society
- Operated as a private club. If it has no federal funding and club membership doesn't limit based on race.

# Qualified Senior Housing

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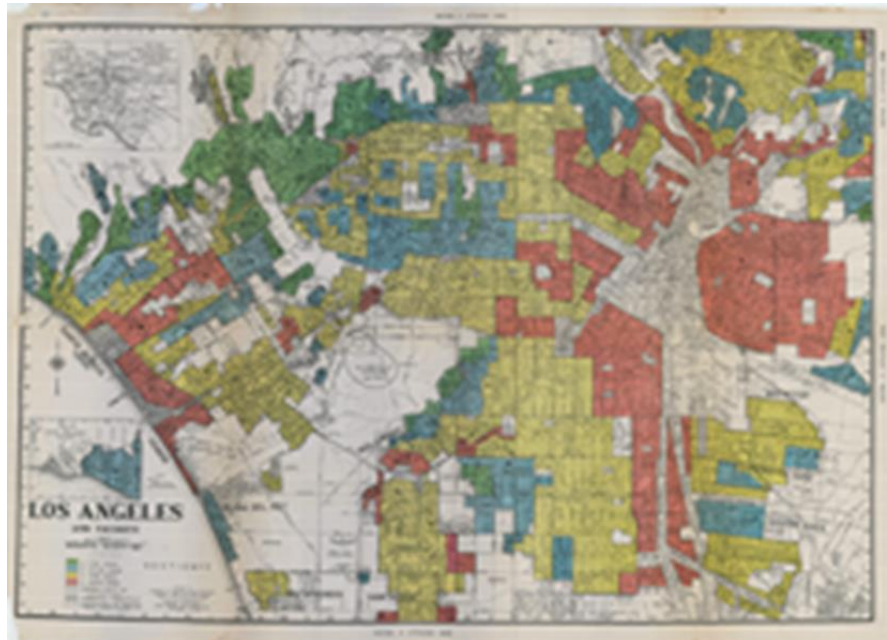


- Designed as senior housing under HUD programs –100% is 62 or older
- 80% of household have at least one resident 55 or older and adheres to policies and procedures for mandatory verification procedures

# Redlining

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Refusing to make residential loans or making terms more onerous due to protected classes





# Blockbusting

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Convince, or attempt to convince, a person to sell or rent a dwelling because of the entry, or prospective entry, into the neighborhood of a person or persons of a particular race, color, religion, sex, familial status, or national origin with a disability

# Steering

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Encouraging potential buyer/renters to look in a certain area and not show them all that is available that they are eligible for.



## 3.2 Fair Housing Violations/Complaints

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### Resources

- Non-profit Fair Housing Organizations
- HUD
- Testers



Photo from [www.nationalfairhousing.org](http://www.nationalfairhousing.org)

# Resources

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- Fair Housing Initiatives Program (FHIP)  
Funding for fair housing organizations to help victims of discrimination
- Fair Housing Assistance Program (FHAP)  
Funding for state and local agencies that enforce fair housing protections. – capacity, admin., investigative and enforcement costs.

# Filing a Complaint

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## HUD Form 903

- Name and contact information
- Address of housing involved
- Short description of alleged violation
- Date(s) of alleged violation

# Complaint Process

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- ☐ Complaint Filed
- ☐ Complain Rejected or Not rejected
- ☐ Investigation
- ☐ Temporary or Preliminary Relief

- 
- ☐ Conciliation (attempted resolution)
  - ☐ Conciliation Agreement or no settlement
  - ☐ Investigation concludes as reasonable cause or no reasonable cause
  - ☐ Option to elect U.S. District Court

- 
- ☐ Hearing before U.S. District Court
  - ☐ Instead of court use Administrative Law Judge
  - ☐ Private Right of Action (civil action) through state or U.S. District Court

Flowchart SG 3.2 Page 9



# Affirmatively Furthering Fair Housing

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- Consolidated Plan
- Analysis of Impediment
  - Research
  - Public Meetings
  - Strategies
  - Marketing & Outreach
- **AFFH Final Rule July 16, 2015**

# Affirmatively Further Fair Housing Final Rule for 24 CFR, Parts 5, 91, 92 et. Al -

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- ✓ Public access
- ✓ Balanced approach
- ✓ Expand access
- ✓ Valuing local data and knowledge

# AFFH Final Rule (Cont.)

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- ✓ Customized tools for local leaders
- ✓ Collaboration is encouraged
- ✓ Community voice to set goals and priorities
- ✓ Phased-approach

# Steps in AFFH Process

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- Research and Analyze
- Community-wide participation and strategies
- Marketing and outreach

# 4 - Homeownership

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- 🏠 Pre-purchase Process
- 🏠 Purchase Readiness
- 🏠 Understanding client rights
- 🏠 How to shop for a home
- 🏠 Financing
- 🏠 Avoiding abusive lending practices
- 🏠 Mortgage Regulations & Disclosures
- 🏠 Insurance

## 4.1 Pre-purchase Readiness

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# Matching Game

Match the description of the home buying professional with the title of their role.



# Steps in the home buying process

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- See a housing counselor/attend Homebuyer education workshop
- Determine if homeownership is right for the client
- Figure out how much they can afford





## Steps Cont.

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- Help client understand their rights
- Shop for a home
- Make an offer
- Obtain financing
- Get a home inspection
- Purchase homeowners insurance
- Close on the home.

# Select the home

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- What should your client consider???



# Making an offer

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- Initial sales contract
- Negotiations
- Earnest money

# Obtain Financing

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- Compare costs and lenders
- Pre-approval based on completed loan application and review by underwriter
- Loan Processing and Underwriting
- Approval
- Closing

# DO...

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- Review paperwork carefully and ask questions if you do not understand
- Research before making decisions
- Be suspicious of offers too good to be true
- Avoid higher risk loans
- Ensure there is no discrimination

# DON'T...

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- Buy/borrow more than you can afford
- Write false statements on application or provide false documents
- Pay fees for unnecessary services
- Sign blank documents

# Prepare for Closing

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- Name, legal description
- Paperwork
- Wire transfer or CC
- Document review
- Final walk through
- Be on time

# 1003 Uniform Residential Loan Application

## Uniform Residential Loan Application

This application is designed to be completed by the applicant(s) with the Lender's assistance. Applicants should complete this form as "Borrower" or "Co-Borrower," as applicable. Co-Borrower information must also be provided (and the appropriate box checked) when ☐ the income or assets of a person other than the Borrower (including the Borrower's spouse) will be used as a basis for loan qualification or ☐ the income or assets of the Borrower's spouse or other person who has community property rights pursuant to state law will not be used as a basis for loan qualification, but his or her liabilities must be considered because the spouse or other person has community property rights pursuant to applicable law and Borrower resides in a community property state, the security property is located in a community property state, or the Borrower is relying on other property located in a community property state as a basis for repayment of the loan.

If this is an application for joint credit, Borrower and Co-Borrower each agree that we intend to apply for joint credit (sign below):

Borrower _____		Co-Borrower _____	
<b>I. TYPE OF MORTGAGE AND TERMS OF LOAN</b>			
Mortgage Applied for:	<input type="checkbox"/> VA <input type="checkbox"/> FHA	<input type="checkbox"/> Conventional <input type="checkbox"/> USDA/Rural Housing Service <input type="checkbox"/> Other (explain):	Agency Case Number _____ Lender Case Number _____
Amount \$ _____	Interest Rate % _____	No. of Months _____	Amortization Type: <input type="checkbox"/> Fixed Rate <input type="checkbox"/> GPM <input type="checkbox"/> Other (explain): _____ <input type="checkbox"/> ARM (type): _____
<b>II. PROPERTY INFORMATION AND PURPOSE OF LOAN</b>			
Subject Property Address (street, city, state & ZIP) _____			No. of Units _____
Legal Description of Subject Property (attach description if necessary) _____			Year Built _____
Purpose of Loan: <input type="checkbox"/> Purchase <input type="checkbox"/> Construction <input type="checkbox"/> Other (explain): _____ <input type="checkbox"/> Refinance <input type="checkbox"/> Construction-Permanent		Property will be: <input type="checkbox"/> Primary Residence <input type="checkbox"/> Secondary Residence <input type="checkbox"/> Investment	
<i>Complete this line if construction or construction-permanent loan.</i>			
Year Lot Acquired _____	Original Cost \$ _____	Amount Existing Liens \$ _____	(a) Present Value of Lot \$ _____ (b) Cost of Improvements \$ _____ Total (a + b) \$ _____
<i>Complete this line if this is a refinance loan.</i>			
Year Acquired _____	Original Cost \$ _____	Amount Existing Liens \$ _____	Purpose of Refinance _____ Describe Improvements <input type="checkbox"/> made <input type="checkbox"/> to be made Cost: \$ _____
Title will be held in what Name(s) _____		Manner in which Title will be held _____	Estate will be held in: <input type="checkbox"/> Fee Simple <input type="checkbox"/> Leasehold (show _____)





# Redesigned URLA

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- Announced by Fannie Mae and Freddie Mac August 2016
- First substantial revision in 20 years
- Reorganized, simplified terms, and new data fields
- May go into effect Jan. 1, 2018

# ECOA (Equal Credit Opportunity Act)

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- Federal law requiring lenders to **make credit available equally** without discrimination based on race, color, religion, national origin, age, sex, marital status, or receipt of income from public assistance programs.

# RESPA (Real Estate Settlement Procedures Act)

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- Requires disclosures at various times
- Kick backs are violations
- Prohibits abuse acts

# TILA (Truth In Lending Act)

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Must disclose the following:

- Interest Rate
- APR
- Total Amount Financed
- Total cost of the loan for the full term
- Prepayment penalties
- Assumable

# TRID (TILA RESPA Integrated Disclosure)

Started October 3, 2015

New Forms

- Loan Estimate
- Closing Disclosure



# Key Features of Loan Estimate Disclosure

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- Loan Terms
- Costs at Closing
- Adjustable Payment Table
- Adjustable Interest Rate Table
- Contact Information
- Other Considerations
- Buyer's Signature Requirement
- 3 days

# Loan Disclosure

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- Must be received 3 days before closing
- Generally contain actual terms & costs
- Final Loan Terms
- Final Costs at closing
- Summary of Transactions

- Additional information about the loan
  - Final Adjustable Payment Table
  - Final Adjustable Interest Rate Table
  - Loan Calculations
  - Other Disclosures
- Contact information



# HOEPA (Home Ownership and Equity Protections Act)

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Federal law enforcing special disclosure requirements and restrictions on terms for loans that meet high-cost mortgage tests.

# Good Faith Estimate (GFE)

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Required by RESPA and includes:

- Estimated closing costs
- Loan terms
- Must be given to borrower within 3 dates of submission of loan application
- Borrower has 10 days to express intent to proceed

# Home Inspector

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- 🏠 Inspects structure and mechanical systems of home
- 🏠 Makes buyer aware of repairs needed
- 🏠 Reviews ongoing maintenance needed

# Insurance-Types

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- Hazard Insurance - structure
- Contents – personal property
- Medical payment coverage
- Personal Liability
- Special add-ons (endorsements or riders)

# Premiums

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Which offers better coverage?

- Actual cash value
- Replacement cost



## 4.2 Post-Purchase

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- Timely Payments
- Property Maintenance & Repairs
- Energy Efficiency and Home Safety
- Emergency Preparedness
- Home Improvement Financing
- Refinancing
- Selling a Home

## 4.2 Post-Purchase

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Why are timely mortgage payments important.

Who can place a lien on you home?

What is a judgement?

# Consequences of Late payments

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Late payment and service fees

Reported to credit bureaus

Lose home if not rectified



# Covenants

- What is a covenant?
- Why is it important?
- What if I don't want to follow it?



# Property Maintenance

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Warranty

Life expectancy

Replacement plan (capital fund)

Seasonal Repairs/maintenance

DIY Projects

# DIY

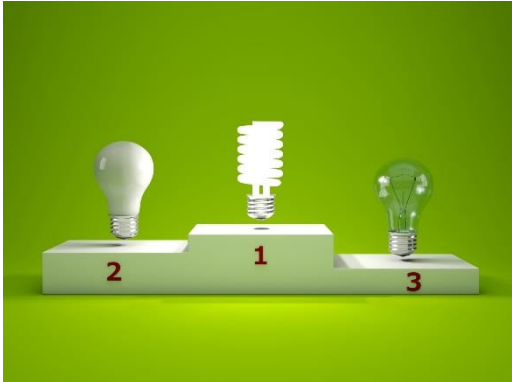
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**What are examples of things clients can do for themselves?**



# Energy Efficiency – Going Green

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# Safety

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# Emergency Preparedness

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- Have an emergency preparedness plan
- Identify the key components of the plan that will make it successful
- Make sure all family members know the components and the full plan

- 
- Plan routes from your house
  - Have a plan for if it is during the work day or when you are not at home.
  - Practice the plan



# Home Improvement Financing

Home Equity Loan

Home Equity Line of Credit (HELOC)

FHA 203K

FHA 203K streamlined

Title 1 Loan

Energy Efficiency Mortgage (EEM)



# Home Equity Loan

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Major one time expenses

Pay off over shorter time-period

# Home Equity Line of Credit (HELOC)

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Draw up to credit limit and can be revolving (you can draw again)

Good for smaller multiple expenses over period of time

# FHA 203K

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Purchase a home that  
needs major repairs



Can refinance to conduct  
major repairs



Ensure property value  
after work supports the  
mortgage amount

# Streamlined 203K

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Finance up to \$35K to carry out minor rehab and repairs

Don't use for major remodeling, new construction, landscape or structural repair.

# Title 1

Used for alterations, repairs on multi-family homes

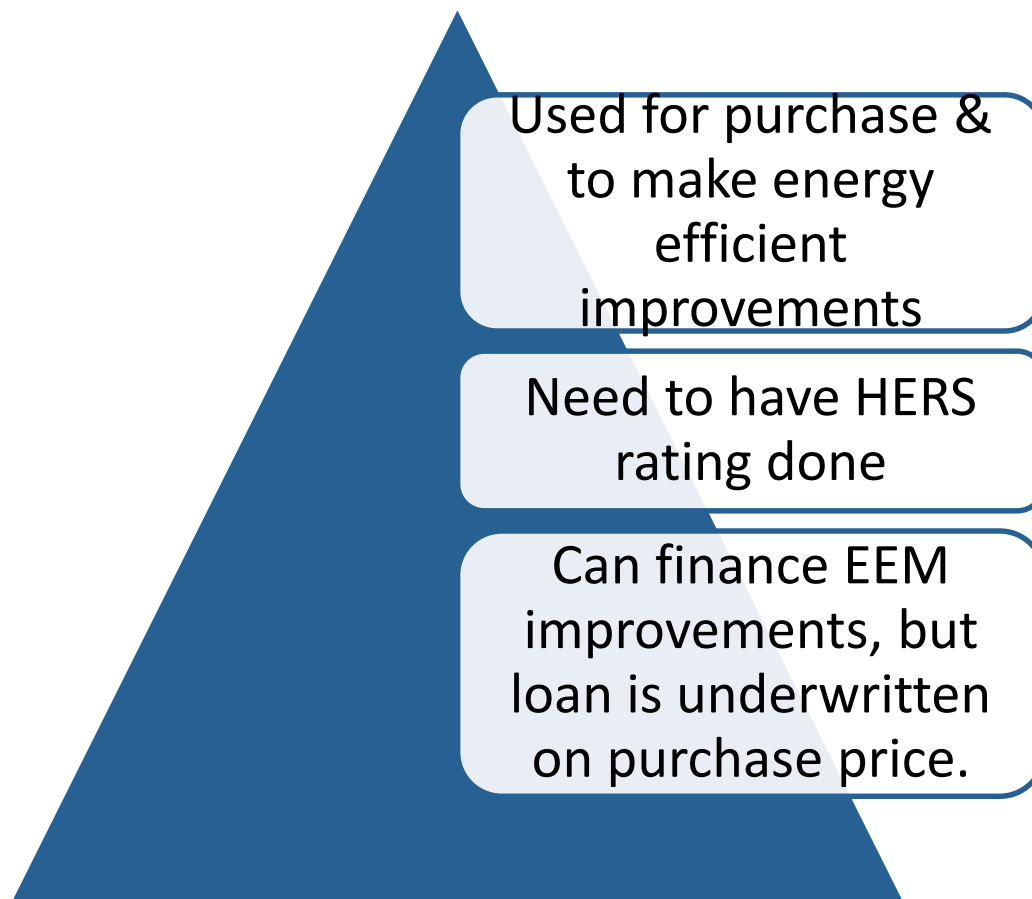
Owner or leased for at least 6 mo.

Fixed rate

Up to \$12K per family unit not to exceed \$60K for structure

# Energy Efficiency

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# Cash-out Refinancing

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- Lower interest rate – large payment reduction
- You are paying PMI and now have 80% LTV
- Switch from ARM to fixed rate.



# Process of Selling a home

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- Compare benefits
- Prepare house
- Listing agreement
- Find a new home
- Home inspection
- Disclosures



# 5.1- AVOIDING FORECLOSURE AND EVICTION

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Industry foreclosure issues and practices

The foreclosure crisis

How to avoid foreclosure

The foreclosure process

Emergency budget

# Foreclosure Crisis

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- ☹ Began 2007
- ☹ Concerns
  - ☹ HELOC
  - ☹ Negative Amortization
  - ☹ 100+% financing
  - ☹ Subprime lending
  - ☹ Teaser Rates

# 3 Big Programs

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# Judicial Versus Non-Judicial Foreclosure

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# Evaluate Financial Situation

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## Primary Reasons for Default

Reduction in Income	37%
Loss of income	25%
Medical Issues	7%
Poor Budget Management Skills	5%
Increase in Expenses	4%
Divorce/Separation	4%
Increase in Loan Payment	3%
Death of a Family Member	2%
Business Venture Failed	1%
Other	12%

Taken from HUD Study Guide 5.1 Page 18 of 41

## 5.2 Retention Options

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- Modify or Refinance
- Work with Servicers
- FHA Loss Mitigation Options
- National Loan Modification Scam Alert Campaign

# Foreclosure Prevention Options

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## Making Home Affordable (MHA)

- ☀ Home Affordable Modification Program (HAMP)
- ☀ Home Affordable Refinance Program (HARP)
- ☀ Principal Reduction Alternative (PRA)

# Home Affordable Modification Program (HAMP)

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- Purpose – Assist HO struggling to make payments
- Benefit-Lowers mortgage payments, sustainable
- Status- expired 12/30/16 modification effective 9/30/17
- Next Phase – lessons learned to guide other programs.



# Home Affordable Refinance Program (HARP)

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- Purpose** Assist GSE HO current but unable to secure traditional refinance due to declining home value
- Benefit** Helps eligible HO secure ,pre affordable, stable mortgage
- Eligibility** LTV great than 80%, Mortgage owned by FM or FM by certain date current on mortgage at time of refinance & demonstrate 12 mo of good payment history
- Status** Extension through 09/0/17
- Next Phase** FHFA FM and FM offer high LTV streamlined refinance in Oct 2017 (flex mod)

# Principle Reduction Alternative (PRA)

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- Purpose** Assist Homeowner with non-GSE mortgage whose homes are worth less than mortgage
- Benefit** Encourage servicers & investors to reduce amount Homeowner owes
- Status** Expired 12/30/2016
- Next Phase** Alternative principal reduction options may be included with certain loan mod programs

# Loss Mitigation Process

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In your groups – order the loss mitigation steps and line up in order when finished.



# Loss Mitigation Submission Process

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- Determine **reason** for falling behind
- Determine if the client **wants to remain** in the home
- **Identify the type of mortgage** to decide options and processes available with that servicer
- **Gather the required financial** documentation and determine affordability

# Loss Mitigation Process (Cont.)

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- Complete the necessary forms
- Submit the request to the servicer
- Respond to additional requests for information
- If approved, discuss if it is affordable. If it is denied, ask why and escalate if appropriate.

# Possible Indicators for Not Keeping the Home

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Temporary or permanent disability which prevents them from working

Drastic reduction in income which will not change

Death on an income-earning borrower

Divorce or separation

Job transfer when the home cannot be sold for what it is worth

# HOPE Loan Port (HLP)

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- How to gain access to the site
- Key features
- How to submit loan modification
- How to track an application
- HLP Learning center.

SG Module 5.2 p.16-23

# FHA Mitigation Options

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Bring mortgage current

Forbearance Plans

Special Unemployment Forbearance

Loan Modifications

FHA Hamp

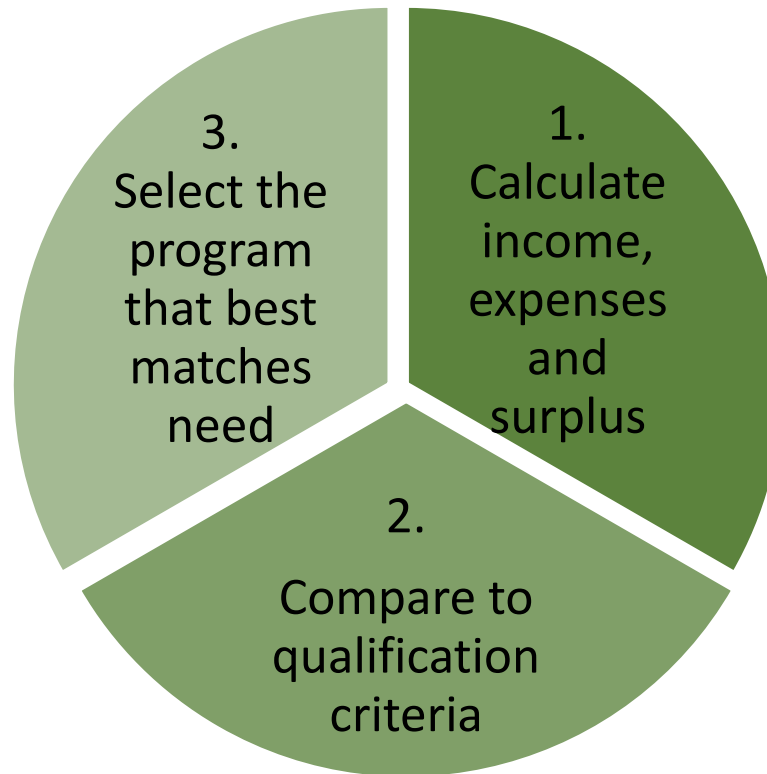
Pre-foreclosure sale (Short Sale)

Deed in Lieu



# Selecting a Loss Mitigation Program

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## 5.3 Disposition Options

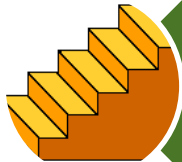
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- Short Sale/Preforeclosure Sale
- Deed In Lieu
- Cash for Keys
- HAFA
- Deficiency Judgement

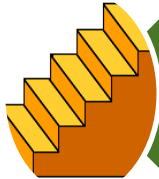


# Steps to transition from Homeownership

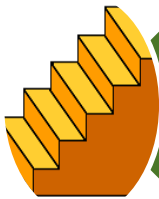
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Determine service options  
based on type of mortgage



Apply for desired option and  
applicable transition assistance



Establish a budget for new  
housing

# Transition Continued

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Secure new housing prior to sale date



Pack belongings and prepare for move



Move into new house



Begin to repair credit



Discuss long-term housing plans

# Transitioning Obstacles

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What are some obstacles for clients trying to transition



## 6.1 - TENANCY

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- Tenant counseling procedures
- Lease agreements
- Landlord/Tenant responsibilities and rights
- Renter Insurance

# Tenancy Counseling

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Determine affordability

Review affordable options

Referrals to assistance programs

Discuss housing needs and wants

# Tenancy Counseling Cont.

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Identify common obstacles and solutions

Steps to uphold lease agreement

Methods for resolving landlord/tenant conflict

Renters insurance.



# Insufficient Savings

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Anticipated costs

- \$ Credit report fee
- \$ Security Deposit
- \$ First & Last months rent
- \$ Moving expenses
- \$ Appliances (possibly)
- \$ Utilities connection fees

# Solutions for Insufficient Savings

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# Other obstacles

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- Weak Credit
- Poor rental history
- Bank OD

# Lease Agreements

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- Legally binding
  - Written
  - Oral
- Types
  - Contractual
  - Tenancy at Will
  - Tenancy at Sufferance



# Before Signing a Lease

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Understand all conditions of the lease

Verify that there are no blanks

Ensure that promises made by the landlord are in writing

Review the terms and dates (length, when rent is due etc.)

# Early Lease Termination

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- State laws dependent
- Sub-let
- Pay early termination fee
- Responsible for full payment under lease terms

Try to work with your landlord

# Landlord Tenant Responsibilities

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**LANDLORD**

**TENANT**



# Responsibilities

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## LANDLORD

- Provide safe sanitary unit, refund of sec. dep.,
- timely repairs,
- prior notice before coming into unit,
- HVAC and appliances work, adequate fire protection,
- ice and snow removal,
- maintain common areas,
- compliance with housing codes

## TENANT

- Pay rent
- remove trash,
- keep clean
- report repairs needed
- limit noise
- maintain property



# Renters' Insurance

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- ❖ Content coverage
- ❖ Loss-of-use coverage
- ❖ Personal Liability Coverage
- ❖ Add-Ons
- ❖ Actual Cash vs Replacement Cost

## 6.2 Eviction

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How to Avoid Eviction

Rental Eviction Process

Legal Aid

After Eviction

## 6.2 Eviction

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Know local processes, programs and shelters

- Churches
- Non-Profit
- Legal
- Veterans
- Emergency shelters

# Eviction Process

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- Notice to Tenant
  - Pay rent or quit 3-5 days
  - Cure or quit Immediately to 30 days
  - Unconditional quit – Immediately – 30 days
- Notice of Petition- typically 5 days to respond
  - Includes reason for eviction, request for answer with dates, request for presence in court with date, consequences of not appearing in court.

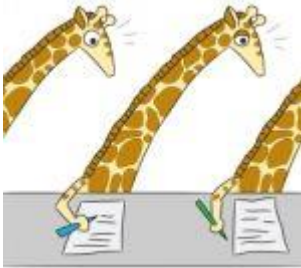
# Eviction Process Cont.

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- **Court Hearing** 5-12 days after Notice of Petition is served
- **Final Judgement** – within 5 days of court hearing
- **Eviction** 72-hr. warned issued after final judgement

# Review and Test Strategies

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# Reduce Test Anxiety

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- ☺ Be prepared
- ☺ Do practice test to see what you don't know then concentrate on that
- ☺ Get enough sleep for 2 nights before a big test
- ☺ Eat well and stay hydrated
- ☺ Get there early so you can settle in



- ☺ Last minute cramming will probably just make you nervous
- ☺ Occasionally stretch and take deep breaths
- ☺ If you go blank, go on and come back to it. Take a deep breath before you try again
- ☺ Remind yourself – “You Know This”

• <http://www.stmarys-ca.edu/academics/academic-resources-support/student-academic-support-services/tutorial-academic-skills-8>





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*THANK YOU  
FOR YOUR PARTICIPATION*



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