



Short and Long Foreclosure Timelines: Balancing the Needs of Homeowners and Neighborhoods

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The following slides are intended to provide a positive rather than normative description of factors that add to the foreclosure timeline; when various interventions succeed, foreclosure is avoided, which is beneficial to all parties. When the interventions fail to avoid foreclosure, however, the neighborhood effects are magnified as a result of the increased time the property is in foreclosure. Policy makers continue to struggle with striking the ideal balance between helping homeowners and their communities.

Interventions Along the Foreclosure Continuum

- **Pre-foreclosure**
 - Modification efforts (HAMP, etc.)
 - Borrower assistance to bridge unemployment
 - Hardest Hit Funds/EHLP
 - State programs
- **In Foreclosure**
 - Additional modification efforts
 - Foreclosure alternatives
 - Mediation (varies by state and county)
- **Post-foreclosure**
 - Neighborhood Stabilization Program
 - Land banking and property donations
 - REO to Rental

Balancing Foreclosure Timelines

	Short	Long
Homeowner	<ul style="list-style-type: none">•Brief time to review options•Harder to guarantee due process•Miscommunications cannot be resolved before foreclosure sale	<ul style="list-style-type: none">•Better chance of helping committed borrowers, identifying those who are eligible•More opportunity to fix errors in process, find lost documents•Improved compliance with borrower protections (i.e., SCRA)
Neighborhood	<ul style="list-style-type: none">•Less deterioration of stock (pre-foreclosure)•Reduced likelihood of abandonment	<ul style="list-style-type: none">•Greater deterioration of properties•Increased walkaway risk (both owners and banks)•Ongoing pressure on prices and market function

Understanding Sources of Extended Foreclosures

- **Statutory**
 - **Judicial vs. Non-judicial States**
 - Average time in foreclosure: 654 days vs. 297 days
 - Inventory in judicial states is 2.5 times higher
 - **Right of Redemption**
 - Where available, can cloud title and delay REO purchases, even if rarely claimed
 - **Mediation programs**
 - Build in time to exchange documents, schedule sessions

Understanding Sources of Delay

- Program/Servicer-related (even when done right)
 - Voluntary moratoria (particularly Thanksgiving-New Year's)
 - Failed HAMP trial mods (especially “stated income”)
 - Post-mod redefaults
- Program/Servicer-related (when things go badly)
 - HAMP non-compliance
 - OCC/OTS foreclosure deficiency reviews
 - Robo-signing and the AG Settlement
 - Bank “walkaways”

Policy Recommendations

- **Pre-Foreclosure**
 - Centralized Guidance for Program Compliance
 - Consistent analysis of program eligibility
 - Optimized recommendations for borrowers
- **In Foreclosure**
 - Fast-track Resolution for Vacant Properties
 - Allow local government to certify vacancy and expedite foreclosure, particularly in judicial states
 - Institute and Expand Expedited Mediation Programs
 - Mediation programs can relieve burden on courts
 - Programs should aim to halve time to resolution
 - Increase Capacity in Judicial Foreclosure States
 - Temporary investment in additional capacity to reduce backlogs
 - Should be paired with mediation

Policy Recommendations

- In Foreclosure (continued)
 - End Bank Walkaways
 - Building off anti-blight provisions in AG Settlement
 - Servicers must provide municipality with notice if they plan to abandon foreclosure process
- Post Foreclosure
 - Expand Rental Options
 - Bulk REO sales to qualified investors with commitment to long-term stewardship of properties
 - Sweep unsold REO into bulk pools within 90 days of original listing to prevent further deterioration and neighborhood blight

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