

In The News

Highlights

- 49 States Part of NMSA (Oklahoma excluded)
- 25 Billion Dollars dispersed in monetary sanctions and relief
- 5 Banks involved in NMSA
 - Bank of America
 - Ally (GMAC)
 - CITI
 - JP Morgan Chase
 - Wells Fargo
- 3 year process to contact targets and fulfill commitments
- 5 Keys items NMSA Addresses
 - Relief for Struggling Homeowners
 - Refinancing of Underwater Homes
 - Mortgage Servicing Reforms
 - Payments to Foreclosure Victims
 - Payments to the States
- Loans with Fannie Mae & Freddie Mac are not impacted by this settlement

Websites:

Nationalmortgagesettlement.com/
 Fanniemae.com/loanlookup
 Freddiemac.com/mymortgage

What is it? How does it affect you?

National Mortgage Settlement Act

Last month, The FED government and 49 states agreed to a \$25 billion settlement between five leading banks regarding Robo-signing and the challenges it created in the foreclosures process.

The disbursement of funds will be preformed over a three-year period, borrowers will not immediately know if they are eligible for relief.

Synopsis of Key Settlement Terms

- I. Relief for Struggling Homeowners - 17 billion will be allocated to assist borrowers who have the intent and ability to remain in their homes while making reasonable payments. This money will be to reduce the principle balance of home loans or are in default. In addition to this, bank will help in other forms of assistance such as: facilitation of short sales, unemployed payment forbearance, relocation assistance for those facing foreclosure and waiving of deficiency balances.
- II. Refinancing of Underwater Homes - This program is for those that are NOT DELINQUENT but cannot refinance to lower rates due to negative equity. The banks will be required to notify eligible homeowners of the availability of these programs.
- III. Mortgage Servicing Reforms - There are new standards that will prevent mortgage servicers from engaging in robo-signing and other improper foreclosure practices. There will be a increase in transparency of the loss mitigation process, and imposed timelines to respond to borrowers, amongst a few.
- IV. Payments to Foreclosed Victims - 1.5Billion will be allocated to compensate borrowers who were foreclosed on after January 1, 2008 who were not properly offered loss mitigation or otherwise improperly foreclosed upon.
- V. Payments to States - Remaining funds, approximately 2.5 Billion will be paid to participating States which will then be dispersed to the attorneys general to foreclosure relief and housing programs.

What does this mean for those facing Foreclosures Moving forward?

Banks have been holding off the foreclosure process on millions of homes over the last 18 months as they waited for the particulars of the settlement. Now they know how they can move forward without penalty. The result will be an increase in foreclosures coming to the market. These homes what are called Shadow Inventory. See our definition of SI in our side column.



What is the Percentage of Homes in Foreclosure by State:

National Average - 3.2%

Florida - 11.9%

ILL - 5.4%

NY - 4.6%

Oregon - 2.7%

Washington - 1.3%

How many months of Shadow Inventory by State:

NY -50+ months

ILL - 10-50 months

Florida - 5-9 months

Oregon - 0-5 months

Washington - 0-5 months

Many states that are judicial states, meaning in order to foreclosure on a home it must go through the court system, take longer to foreclose and have many more months of shadow inventory. Although Florida has one of the large amount of shadow inventory, the state has been dealing with this for a couple of years, where as states such as NY, NY, Main, Ill etc... have not had the experience in absorbing REO properties.

How will this affect us?

This settlement will open the valve for shadow inventory to be placed on the market. Banks will be using these homes as comps and thus many feel that we will not see appreciation on the market for at least a couple of years. If you are a homeowner, thinking about selling, the timing is now to be placing your home on the market. As the next couple of years proceed there will be a steady flow of REO properties that will be very competitive. When selling in an area where there are REO properties, there is great consideration upon pricing. Prices need to be compelling, not just competitive. Meaning, buyers need to leave your home wondering if anyone else is going to see it. Not just wondering if there are any others like your home.

What is Shadow Inventory?

1. Homes that are 90 days delinquent on their payments (97% never catch up and thus will be coming on the market)
2. Homes that are in the Foreclosure process
3. Homes that are Foreclosed upon and waiting to be released onto the public market

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Material also taken from:
National Settlement Website
Steve Harney KMC blog post