



Alternatives to Foreclosure for Housing Counselors

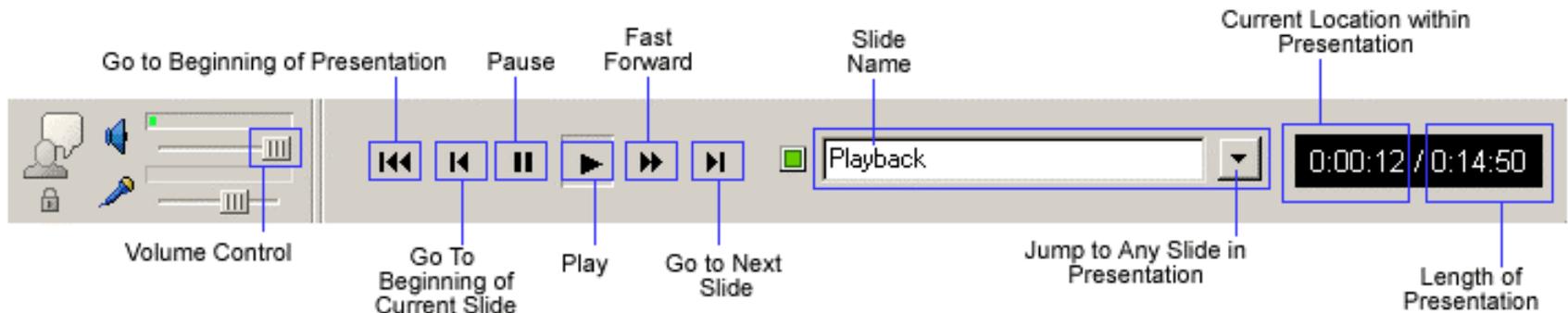


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Course Objectives

Enable Counselors to ...

- Evaluate a borrower's situation
- Understand the alternatives to foreclosure
- Evaluate scenarios to suggest the best possible workout option





Agenda

Our Philosophy

Foreclosure Timeline

Reinstatement and
Relief Options

Workout Options

Questions





Our Philosophy

At Freddie Mac, we...

- Care about the borrower, the property and the mortgage
- Believe in the American dream of homeownership
- Are committed to helping borrowers who find themselves having trouble making their mortgage payment to find a solution to the delinquency when financially feasible



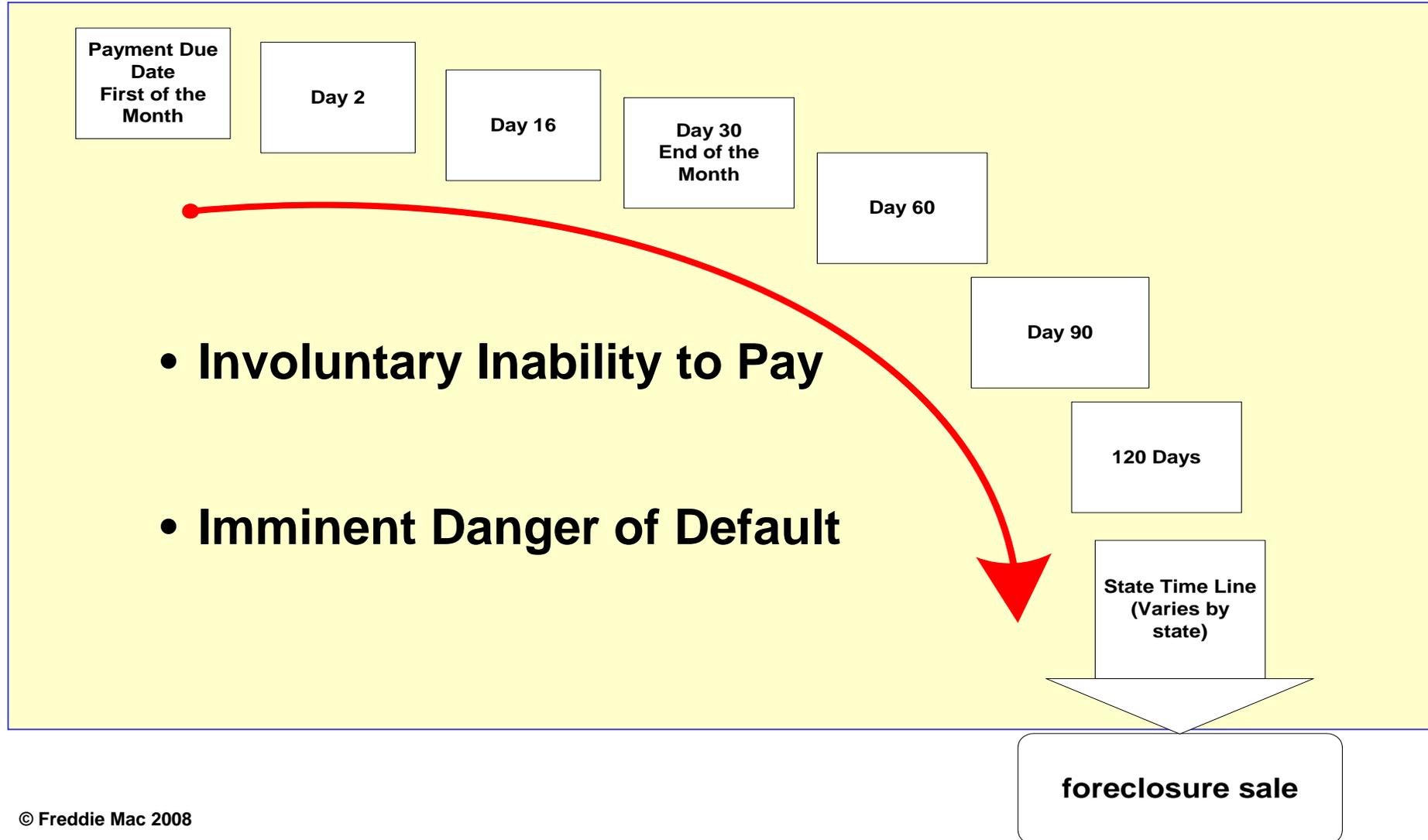
Borrowers Truly Need to Know ...

Freddie Mac and our servicers are in the business of making home possible for more Americans, not the business of property management. Therefore...

- Borrowers should communicate with their servicers early and as often as necessary
- Working with their servicers may save borrowers' credit and equity in the property
- There are alternatives to foreclosure



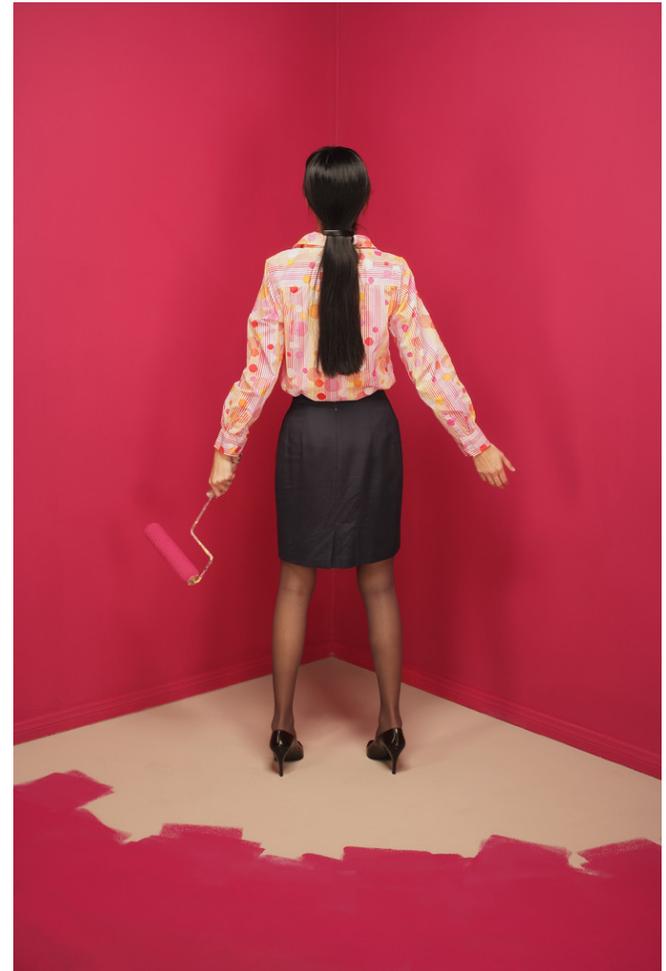
When Should a Borrower Pursue an Alternative to Foreclosure?





Involuntary Inability to Pay?

The inability to pay monthly mortgage payments because of an involuntary reduction of income or an unavoidable increase in expenditures





Involuntary Inability to Pay?

Mr. Lowell has been employed as an airplane mechanic for ten years. Six months ago, his company announced a mandatory pay reduction for all employees. His income was reduced from \$25 per hour to \$14 per hour. He exhausted his savings and cannot continue to make his mortgage payments.

Does Mr. Lowell have an involuntary inability to pay?

- Yes
- No



Involuntary Inability to Pay?

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Does Mr. Lowell have an involuntary inability to pay?

■ Yes

■ No



Involuntary Inability to Pay?

Mr. Frank quit his job to return to school. He can no longer afford his mortgage payments.

Does Mr. Frank have an involuntary inability to pay?

- Yes
- No



Involuntary Inability to Pay?

Mr. Frank quit his job to return to school. He can no longer afford his mortgage payments.

Does Mr. Frank have an involuntary inability to pay?

- Yes

- No



Steps for Housing Counselors to Help Borrowers Avoid Foreclosure

- Evaluate the borrowers situation including their ability to repay
- Contact the servicer and know the timelines
- Evaluate the options
- Counsel the homeowner



Reinstatement

A full reinstatement occurs when a borrower restores a delinquent mortgage to current status by paying the total amount delinquent.





Partial Reinstatement

A partial reinstatement occurs when a borrower...

- Pays all outstanding fees and expenses.
- Completes a written repayment plan, including a stipulation agreement.
- Makes the first payment due under a repayment plan.



Relief Options

Repayment plan

Short-term forbearance

Long-term forbearance





Repayment Plan

An agreement that gives the borrower a fixed amount of time to bring delinquent mortgage payments current by paying the normal monthly payment plus an additional amount.





Short-term Forbearance

An agreement to temporarily let a borrower pay less than the full amount of his or her mortgage payment, or pay nothing at all during the forbearance period.

- Payments may be suspended for up to three months or reduced for up to six months.
- Mortgage must be brought current at end of the forbearance period.



Long-term Forbearance

An agreement to let the borrower pay less than the full amount of his or her mortgage payment, or pay nothing at all, during a forbearance period of four to 12 months from the date of the agreement.

Mortgage must be brought current at end of the forbearance period.



Workout Options

Loan modification

Workout mortgage assumption

Short payoff

Deed-in-lieu of foreclosure





Loan Modification

A written agreement between the servicer and the borrower that permanently changes one or more of the original terms of the note, such as:

- A reduction in the note rate
- A reduction in the monthly payment
- An extension of the maturity date
- A change in the product type
- An increase in the UPB caused by capitalization



Short Payoff

The sale of a property for less than the total amount necessary to satisfy the mortgage obligation, resulting in a shortfall.



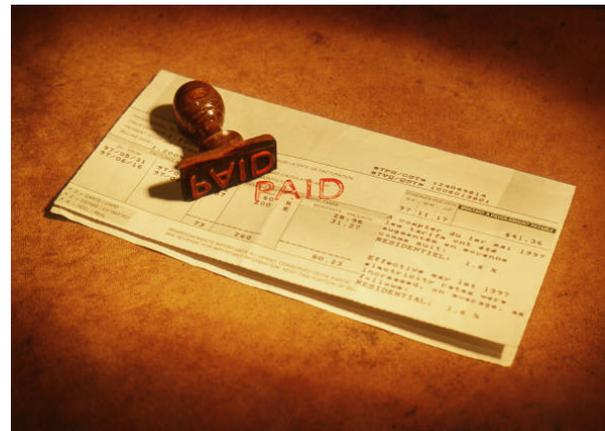


Make-whole Preforeclosure Sale

A short payoff becomes a make-whole preforeclosure sale when the servicer determines that the shortfall between the net sale proceeds and total indebtedness will be paid so that Freddie Mac does not sustain a loss.

The shortfall may be paid by...

- MI
- Cash contribution
- Insurance proceeds
- SBA loan
- Combination of sources





Deed-in-lieu of Foreclosure

A workout option in which a borrower voluntarily conveys clear property title to us in exchange for a discharge of the debt.





Workout Mortgage Assumption

A workout options that permits a qualified applicant to assume both the title to the property and the mortgage obligation from a borrower who is currently delinquent in his or her mortgage payments, or in imminent danger of default.



True or False?

A borrower is not considered to be delinquent in his or her mortgage payments until at least one full payment is 30 days past due.

- True
- False



True or False?

A borrower is not considered to be delinquent in his or her mortgage payments until at least one full payment is 30 days past due.

- True

- False



True or False?

A borrower is considered to be in imminent danger of default when he or she is likely to default on his or her mortgage payments within the next twelve months.

- True
- False



True or False?

A borrower is considered to be in imminent danger of default when he or she is likely to default on his or her mortgage payments within the next twelve months.

- True
- False



True or False?

A borrower may reinstate the mortgage at any time, even after foreclosure proceedings begin, or while a relief or workout option is in progress.

- True
- False



True or False?

A borrower may reinstate the mortgage at any time, even after foreclosure proceedings begin, or while a relief or workout option is in progress.

■ True

■ False



True or False?

The partial reinstatement and its corresponding repayment plan must include a stipulation agreement that allows the servicer to recommence foreclosure at the point the foreclosure was suspended.

- True
- False



True or False?

The partial reinstatement and its corresponding repayment plan must include a stipulation agreement that allows the servicer to recommence foreclosure at the point the foreclosure was suspended.

- True
- False



What All Industry Players Can Do

Let's all join forces to:

Build on your early intervention successes

- ✓ Pre-purchase education
- ✓ Post-purchase education

Know the available options before financial difficulties arise

Help homeowners work with their lenders when unable to make their mortgage payments on time





Questions?

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One Request

Please take a moment to complete
our on line evaluation

Thank you