

THE HFA INSTITUTE 2021

ENSURING HOMEOWNER SUSTAINABILITY

EDUCATING THE MORTGAGE
CUSTOMER FROM DAY 1



National Council of
State Housing Agencies



**MRBs and
Other Federal
Homeownership
Programs**
FEBRUARY 1 – 3



Housing Credit
FEBRUARY 3 – 5



**Section 8 and
Other Federally
Assisted
Multifamily
Housing**
FEBRUARY 8 – 10



**HOME and
Housing Trust
Fund**
FEBRUARY 10 – 12



VERONICA DEPOTTY

**HUD Grant Manager &
Housing Education Specialist**

Michigan State Housing Development Authority

WHY: To build equitable pathways for individuals to become successful and sustainable homeowners

- MSHDA's mission is to serve the people of Michigan by partnering to provide quality housing that is affordable, a cornerstone of diverse, thriving communities.
- To provide counseling to consumers on seeking, financing, maintaining, renting, or owning a home. The program also addresses homelessness through counseling and assists homeowners in need of foreclosure assistance
- In accordance with the Final Rule, all counseling is provided by HUD certified Housing Counselors

WHAT: To increase opportunities to achieve homeownership for underserved populations through housing education and pre-purchase counseling and financial investment

- To invest in communities of need
- Increase housing opportunities in rural communities and urban neighborhoods
- Creatively deliver housing counseling and education services to ensure equitable access in all communities

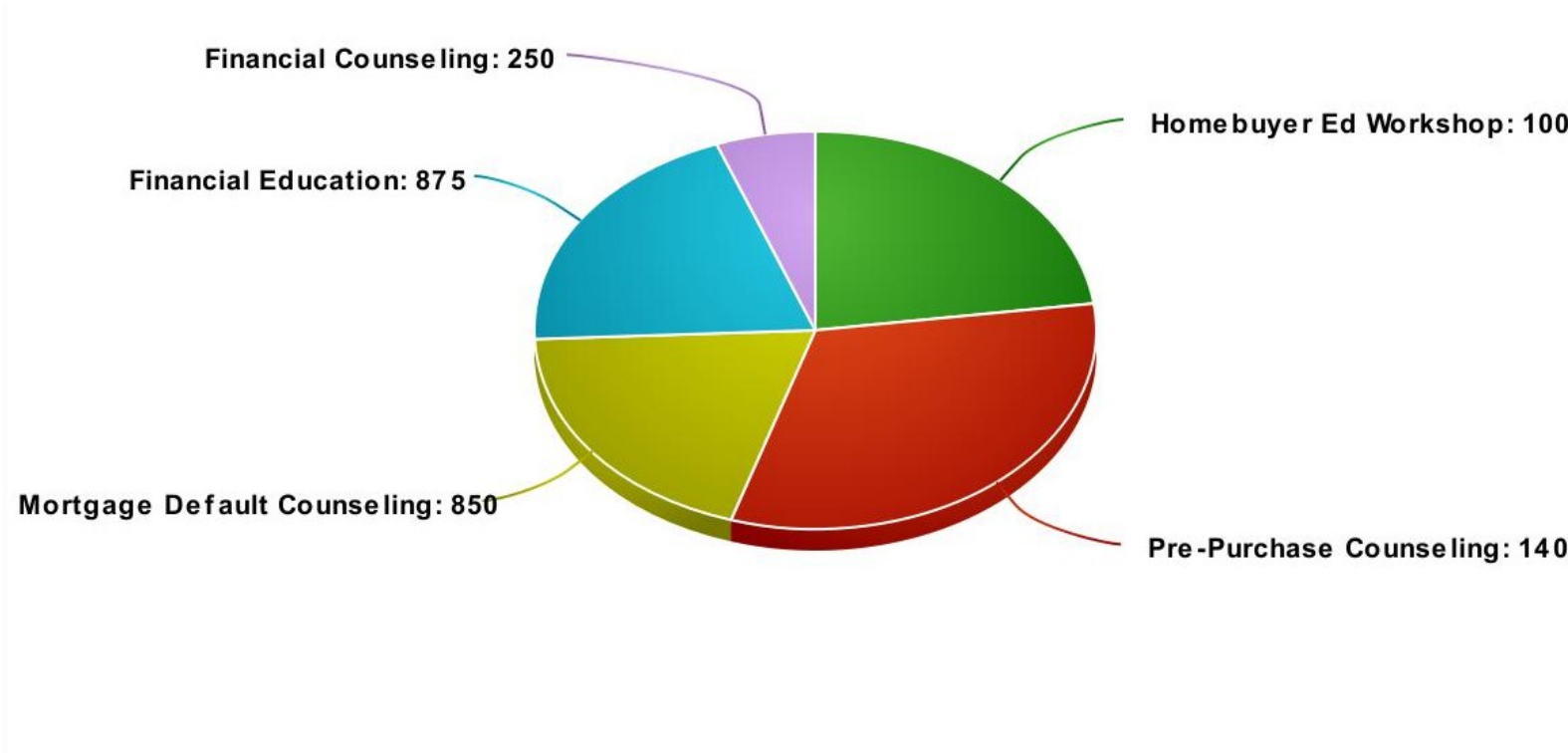
HOW: Through the delivery of high-quality housing counseling services and the development of partnerships with community and lending stakeholders

- Housing Counseling agencies employ HUD certified Housing Counselors
- Partner with the lending and real estate communities for full support of the client
- Provide customized counseling services to meet the needs of the borrower to help turn the mortgage denial into an approval
- Goal is to make the job of the lender and realtor easier by ensuring the borrower is confident in all areas of the home purchase process
- Counselors offer to hold a pre-closing meeting with the borrower to review documents that will be signed at the closing table.
- Borrowers receive materials that will serve as a reference guide to common post-purchase homeowner questions

OUTCOMES: The reported impacts of HUD Certified Housing Counseling Services

- Increase in the number of educated and confident borrowers
- Partnership between housing counselor and loan officer will ensure support is offered to those who received a mortgage denial
- Generational and economic impacts
- More likely to remain current on their mortgage in the first five years as opposed to those who do not receive Housing Counseling services
- Ensures the lender and realtor have a well-equipped borrower which leads to greater transaction success
- Review: MSHDA and Michigan State University partnership: Pre-Purchase Counseling Matrix

MSHDA Pre-Purchase Matrix Report



IMPACT & RESULTS:

Homebuyer Education & Counseling:

- 89% are more likely to remain current on their home
- 72% first time homebuyers
- 24% were first generation owners

Financial Education & Counseling:

- 87% paid off collections & reduced debts
- Average credit score increase was 30 points
- 91% who were denied a mortgage received approval after counseling

Foreclosure Counseling:

- 70% households received a mortgage remedy to save their home
- 56% cured their defaults

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Homeowner's Sustainability

Examining the following factors that may impact homeownership sustainability:

- Measuring and assessing an individual's mortgage readiness
- Accessing to housing education services
- Building wealth empowerment
- Understanding the importance of stability

Homeowner's Benefits

- Shelter and security for your family
- Source of pride
- Long term investment
- Freedom to make improvements
- Tax benefits
- Build and establish equity

Homeowner's Responsibilities

- Understand your mortgage type
- Create and establish a long-term financial management
- Plan the new and unexpected expenses
- Maintain home repairs and other home maintenance including yard work
- Invest in your community
- Know your resources

CHFA Programs for Homebuyers and Homeowners

- Pre-closing Homebuying Education
- Foreclosure Prevention Workshops
- Foreclosure Prevention Individual Counseling
- Financial Fitness Education

Pre-closing Homebuying Education

- Closing pre-requisite for homebuyers who have CHFA funds reserved for financing.
- 3 hour in-person or virtual class.
- Content covers becoming a successful homeowner; preparing for the loan closing; home maintenance, and foreclosure prevention.

Foreclosure Prevention Workshops

- Individuals and families who are seeking education on the consequences of default or foreclosure.
- Minimum of 2 hours in-person or virtual class
- Content covers the process of loss mitigation, foreclosure prevention programs, including the State of Connecticut's Emergency Mortgage Assistance Program, foreclosure procedures and timelines.

Foreclosure Prevention Individual Counseling

- Individuals and families who own and occupy their homes and are in default and/or in danger of foreclosure.
- One on one counseling and up to 4 sessions.
- Services includes, but are not limited to:
 - a. Client intake, disclosures, and authorization form(s),
 - b. Budget verification and review of pertinent financial documentation, including hardship letter,

Foreclosure Prevention Individual Counseling (cont.)

- c. Assess loss mitigation options, including the Emergency Mortgage Assistance Program and submit recommendations to the servicer or lender,
- d. Written action plan with timely follow-up communications,
- e. Identify additional referral services and discussion of alternatives.
- e. Timely case management follow-ups

Financial Fitness Education

- Individuals seeking education on financial management.
- 3 hours in-person or virtual classes
- Content covers basic personal finance skills, financial planning, setting and achieving financial goals, consumer decision-making and spending, saving and investing, money management, and using credit wisely

DLS

servicing
consultants, llc.
Diligent Loan Solutions

Presentation for:



Presenter:
Donna Schmidt

SERVICING CHALLENGES

- Housing Crises changed collection activity
- No longer Collectors, now Loan Counselors
- Must open Lines of Communication Early in the relationship
- Higher origination DTIs limit post default resolutions, makes it harder to stay current
- Any out of the ordinary event can cause default

WELCOME- We are here for you!

- Issue separate colored flyer in billing statement first 6 mos of loan.
- Explain we have programs to assist when life gets rough.
- Not in origination papers or part of billing statement. Already overwhelmed with info.
- Had to be simple and memorable.

FIRST YEAR

- 1st year “Needs” – Best Buy credit card, etc.
- Calls should start by the 10th of the month if payment not received by 1st.
- Every call/message should include opportunity for budget counseling.
- Managing expectations for a first time home buyer is set in this first year.

DEFAULT-COLLECTIONS

- Ineffective – speak in generalities regarding loss mitigation programs. Lacks credibility and is akin to Charlie Brown’s teacher. WHA WHA WHA!!!!
- Effective – default staff needs to be trained on how to discern Reason for Default (RFD) and what options, based on the insurer and investor makes sense to resolve.
- SPOC employees should be your most seasoned and highest level employee, short of supervisors and management.

LOSS MITIGATION COUNSELING

- High Frontend DTIs has lowered possibility of a successful repayment plan to cure a default.
- Repeat defaults.
- Less disposable income – especially for the first time homebuyer
- Imperative that servicers engage in some level of counseling to help a borrower maintain current status and plan for unforeseen events.
- Invest now to avoid repeated expenses later.

Financials - Monthly Budget

LMRLoan# 0040004186	LMRID 5807	Insurer RHS	Investor DHCO	Reviewer Michelle Bernham	Reviewed Date 12/8/2014
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Borr1 First Name DAMON	Borr1 Last Name STEWART	Total Household Gross Income \$12,044.47	Flag
Borr2 First Name	Borr2 Last Name	Total Household Net Income \$8,162.11	

Expense	Borr Provided Monthly Pymt	Adj Monthly Pymt	Adjustment Explanation	# Mos Delq	Balance Due
None	\$340.00	\$324.00		0	\$7,463.00
None	\$0.00	\$0.00			\$0.00
HOA Payment	\$60.00	\$60.00			\$0.00
Vehicle 1 NASA FCU	\$215.00	\$215.00		0	\$10,362.00
Vehicle 2	\$0.00	\$0.00			\$0.00
Vehicle 3	\$0.00	\$0.00			\$0.00
Citi	\$763.00	\$429.00		4	\$2,815.00
BOA	\$0.00	\$556.00		4	\$23,656.00
State EMP CU of MD	\$0.00	\$0.00		5	\$17,382.00
Credit First NA	\$0.00	\$107.00		4	\$1,838.00
AMEX	\$0.00	\$0.00		2	\$229.00
NASA	\$0.00	\$517.00		0	\$25,843.00
GDYR/CBNA	\$0.00	\$25.00		0	\$1,065.00
NASA FCU	\$0.00	\$60.00		0	\$2,946.00
	\$0.00	\$0.00			\$0.00
	\$0.00	\$0.00			\$0.00
NASA FCU	\$66.00	\$66.00		0	\$2,618.00
Student Loans - Paying	\$217.00	\$216.00		0	\$25,424.00
Student Loans - Deferred					\$0.00
Allmony	\$0.00	\$0.00			\$0.00
Child Support	\$0.00	\$0.00			\$0.00
Utilities	\$165.00	\$180.00	From Bank Statement		\$0.00
Water	\$36.00	\$36.00			\$0.00
Telephone	\$175.00	\$152.90	From Bank Statement		\$0.00
Cell Phone	\$0.00	\$0.00			\$0.00
Health or Life Insurance	\$40.00	\$40.00			\$0.00
Doctor's Bills	\$37.50	\$37.50			\$0.00
Medicine	\$0.00	\$0.00			\$0.00
Auto Insurance	\$162.00	\$162.00	Could not confirm		\$0.00
Gas and Parking	\$200.00	\$439.00	From Bank Statement		\$0.00
Auto Repairs	\$0.00	\$0.00			\$0.00
Food and Groceries	\$425.00	\$1,298.77	From Bank Statement		\$0.00
Clothes and Cleaning	\$50.00	\$50.00			\$0.00
Cable-Internet-Entertainment	\$48.00	\$48.00			\$0.00
Childcare	\$1,642.50	\$1,642.50	No adjustment needed		\$0.00
Donations	\$0.00	\$0.00			\$0.00
Other	\$30.00	\$30.00			\$0.00
	\$0.00	\$0.00			\$0.00
	\$0.00	\$0.00			\$0.00
	\$0.00	\$0.00			\$0.00

Mtg UPB
\$234,778.76
Mortgage Payment
\$1,731.83
Frontend DTI
14.4%

Credit Balances
\$121,641.00
Credit Monthly Pmt
\$2,575.00
Backend DTI
35.8%

Other Expenses
\$4,116.67
Net Result
(\$261.39)

Net %
-3.20%

Budget Awareness

- Bank Statements are reviewed line by line to designate a specific budget line item.
- Non-Judgmental explanation and discussion of where the income is being spent.
- Recommend that our clients include a copy of our Financial Review with the Denial letter or Loss Mitigation Approval offer (trial payment plan).
- Expect 10-15% lift

Understanding RFD

- Critical to document and understand the hardship.
- Make sure dates line up with the default – if not – keep questioning
- Failure to address the true hardship means you will consistently treat the symptoms and never truly get to the root of the problem.
- The cost to service is too high to constantly deal with the same people over and over again.

POST RESOLUTION COUNSELING

- After a loan is brought current through a loss mitigation option – critical to ensure there is consistent follow up for the first year.
- Re institute call campaign on 10th of the month if payment not received by 1st.
- If a borrower defaults – USE THE LOSS MIT BUDGET to highlight where the borrower needs to adjust spending to ensure mortgage is kept current.

Thank you from
DLS
servicing
consultants, llc.

Also offering WaterfallCalc.com – Loss Mitigation Waterfall
analysis and calculation web-based application!

5025 Plainfield Ave, Suite D
Grand Rapids, MI 49525
Phone: (616) 570-0199
E-mail: dschmidt@assistanceoptions.com




Homeowner Sustainability

Educating the Mortgage Customer from Day 1

Ginger Fox
Mortgage Servicing Compliance Officer
Kentucky Housing Corporation


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Customers Don't Know,
What They Don't Know



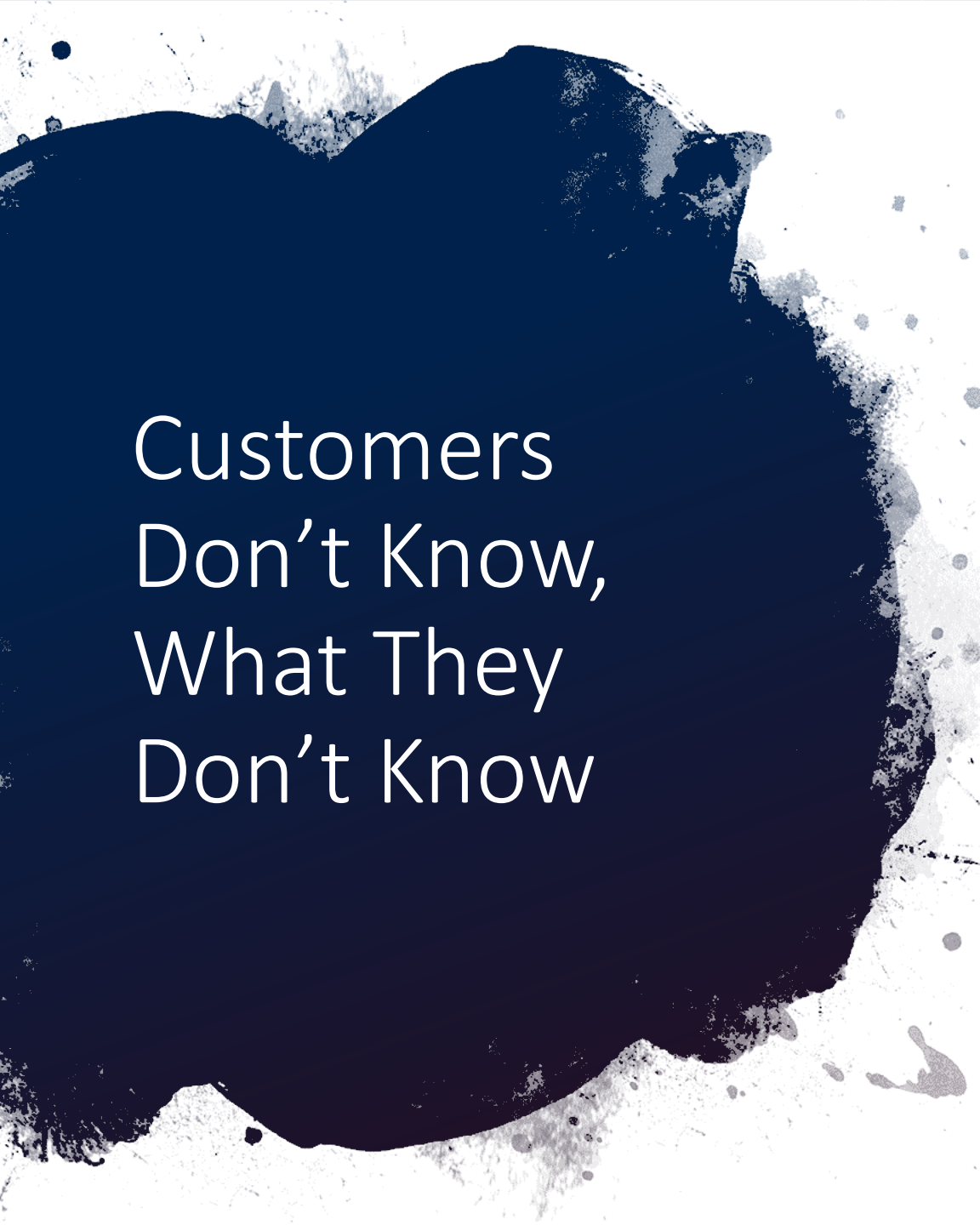
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➤ Most have never owned a home before



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- Most have never owned a home before
- Have never had to pay anything but rent
 - ✓ General Maintenance & Major Repairs
 - ✓ Insurance
 - ✓ Taxes

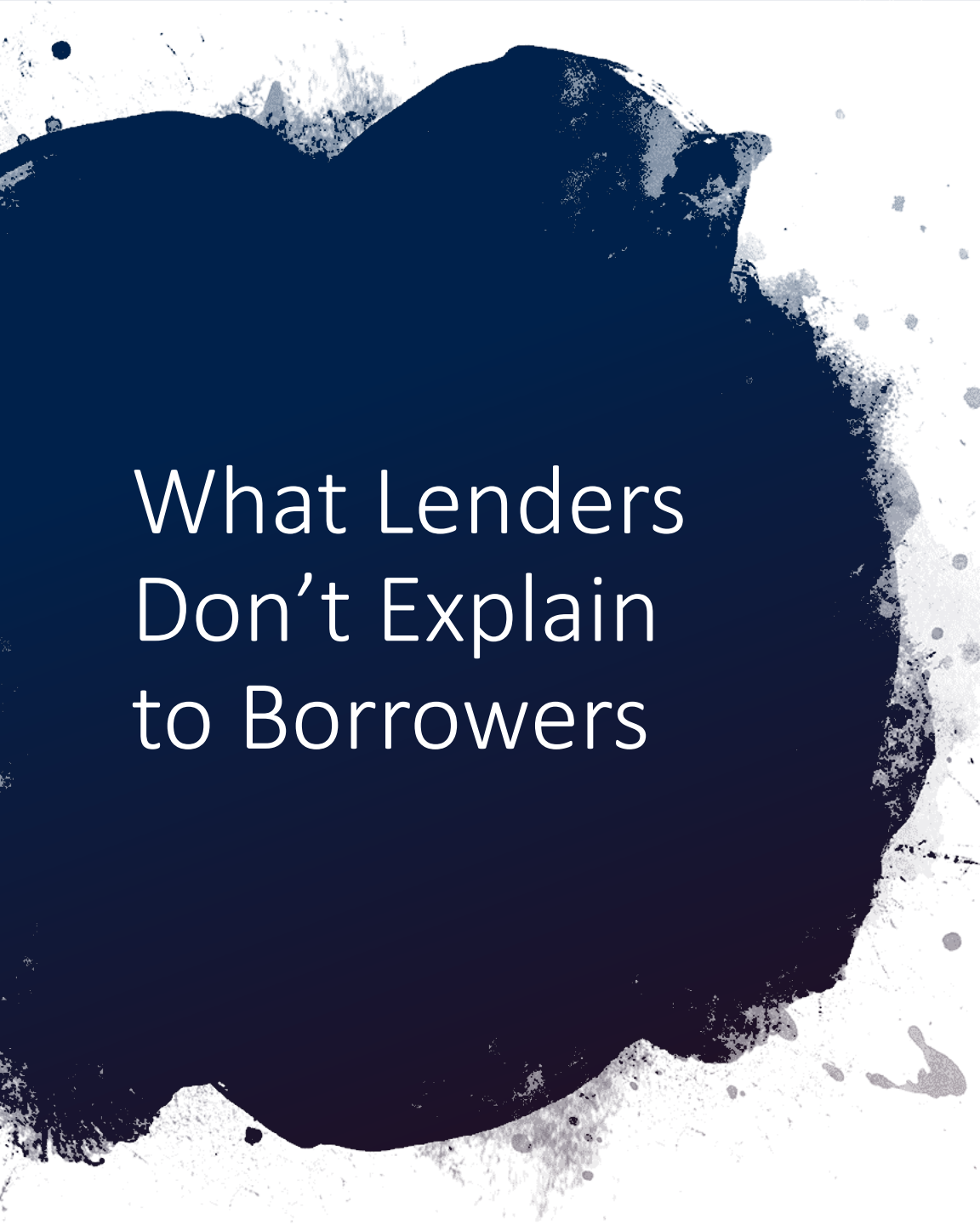


Customers Don't Know, What They Don't Know

- Most have never owned a home before
- Have never had to pay anything but rent
 - ✓ General Maintenance & Major Repairs
 - ✓ Insurance
 - ✓ Taxes
- Unknown variables of being a homeowner
 - ✓ Importance of a Budget & Emergency Fund
 - ✓ Increased utility bills
 - ✓ Cost of moving and furnishing a house
 - ✓ Yard Maintenance



What Lenders Don't Explain to Borrowers



What Lenders Don't Explain to Borrowers

- What Escrow is and how it works
 - ✓ Homeowners Insurance
 - ✓ Taxes
 - ✓ PMI/MIP
 - ✓ Disability/Homestead Exemption on Taxes



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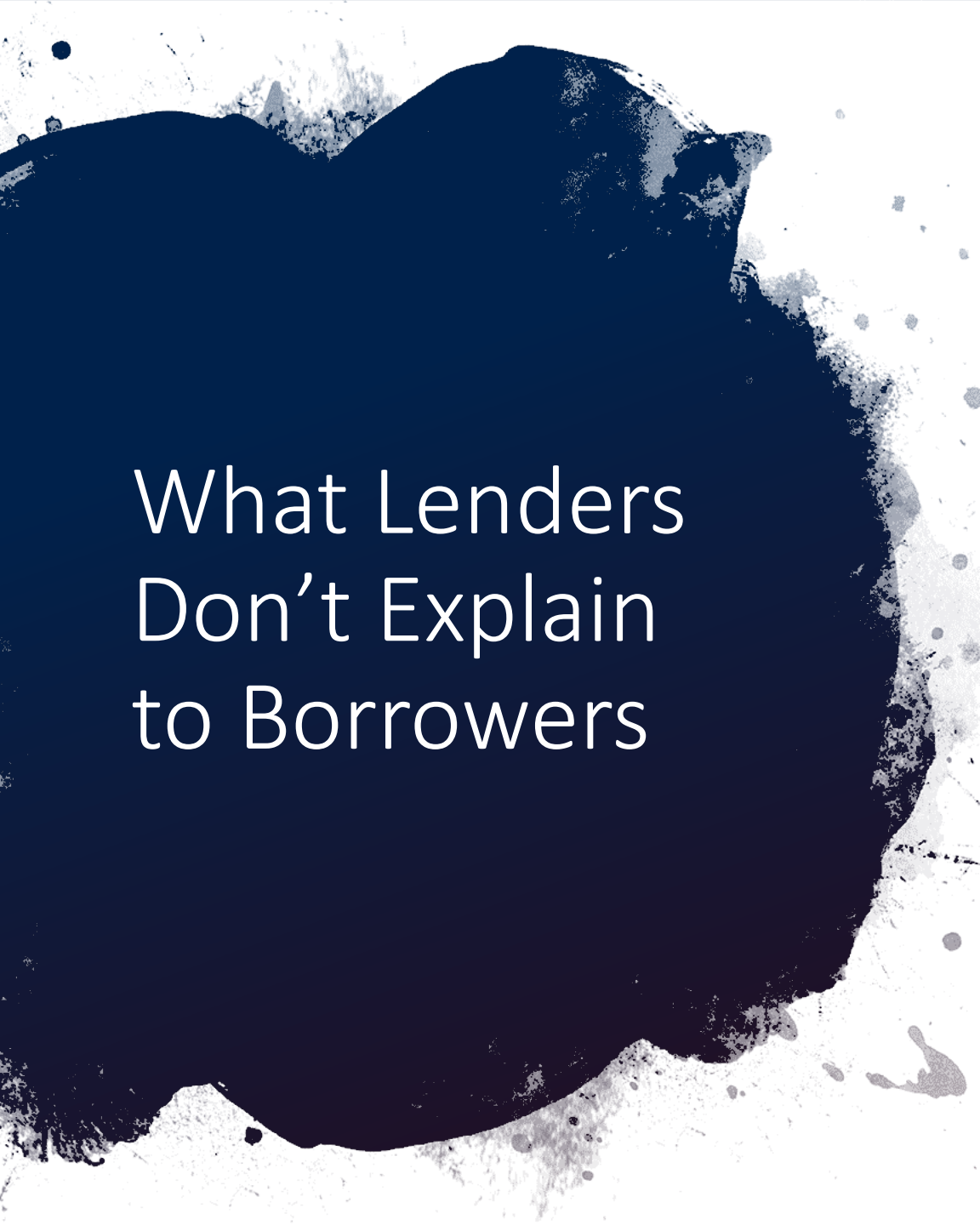


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- Avoid Mortgage Scams
 - ✓ Mortgage Company
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 - ✓ Housing Counselors
- Personal/Financial Hardship



What Lenders Don't Explain to Borrowers

• Contact your mortgage company

CONTACT YOUR MORTGAGE COMPANY

CONTACT YOUR MORTGAGE COMPANY!!

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Credit Scores & Why They Matter



Credit Scores & Why They Matter

➤ How missed payments affect their credit



Credit Scores & Why They Matter

- How missed payments affect their credit
- Setting them up for success
 - ✓ Forget you have a grace period
 - ✓ Late charges are expensive!
 - ✓ Paying at the end of the month



Credit Scores & Why They Matter

- How missed payments affect their credit
- Setting them up for success
 - ✓ Forget you have a grace period
 - ✓ Late charges are expensive!
 - ✓ Paying at the end of the month
- Liens – what are they and how they affect them
 - ✓ Homeowners Association Dues/Condo Fees
 - ✓ Property Taxes
 - ✓ Mechanics Lien
 - ✓ Judgement Liens
 - ✓ Government Liens

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