



Michigan Foreclosure Task Force 2009-2010 Policy Agenda

The Michigan Foreclosure Task Force is a coalition of more than 250 individuals and organizations that serves as a statewide clearinghouse and unified voice to keep families, including homeowners and renters, in their homes despite the foreclosure crisis currently plaguing Michigan communities. The Task Force also is focused on addressing the impacts of concentrated foreclosures on neighborhoods across the state. Task Force members include housing counseling agencies, legal service providers, nonprofit organizations, state and local government agencies and officials, lenders, community development corporations, and private sector partners who are committed to protecting consumers and helping distressed communities. In 2009-10, MFTF members are committed to:

1. Enacting Basic Consumer Protections against Predatory Lending. Over two dozen states have now enacted basic consumer protections against the most abusive and usurious lending practices that sparked much of the current foreclosure crisis. Laws are needed that:

- Ban predatory lending practices, such as making loans without requiring borrowers to prove their ability to repay the loan, encouraging borrowers to default, charging excessive late fees and charging fees for a payoff statement.
- Protect homeowners' equity by prohibiting home refinancing to generate fees for the lender unless there is a tangible net benefit to the borrower.
- Protect consumers from being steered toward high-cost loans when they would otherwise qualify for a traditional loan.
- Prohibit the financing of any points and fees that hide the true costs of the loan.
- Prohibit prepayment penalties.
- Give injured and aggrieved homeowners legal recourse so they can independently enforce these consumer protections against unscrupulous lenders.

During the 2007-08 legislative session, a bipartisan package of bills moved through the Michigan House with over 80 votes of the 110 House members. The bills were never given a hearing or considered in the Michigan Senate. Similar legislation (House Bills 4065-67 and House Bills 4585 - 4593) has been introduced in the current legislative session, and the Task Force is drafting a set of bills with stronger consumer protections. House Democrats have pledged to take up the issue in the coming months.

- 2. Creating Meaningful Pre-Foreclosure Mediation Incentives.** Nearly half of all foreclosed borrowers fail to contact their lenders to determine if alternative solutions can be reached. Nonprofit housing counselors are the single most cost effective strategy in stemming the foreclosure tide, often saving a family's home with only a few hours of negotiation with lenders and servicers on behalf of a delinquent borrower. House Bills 4453-55 will make Michigan one of the national leaders in leveraging the skill and effectiveness of nonprofit housing counselors by insuring that all lenders and servicers provide distressed borrowers notice of their local nonprofit housing counselor at least 90 days before a foreclosure notice can be filed. Lenders and servicers who reject loan modification offers of borrowers who qualify for such modifications will be forced into judicial foreclosure, a more cumbersome and time-consuming process. In order for these new laws to be effective, however, we must insure that there are enough nonprofit housing counselors to meet the demand. More resources will need to be developed to fund certified, nonprofit housing counseling agencies.
- 3. Ensuring Adequate Protections for Renters Caught in the Foreclosure Crisis.** One of the most devastating impacts of the foreclosure crisis has been the harms experienced by renters who are current on their rent, but whose landlord loses the property to foreclosure. Legislation is needed to insure that leases are carried through a change in ownership due to foreclosure and that tenants have reasonable options to remain in their homes provided they meet their rent obligations.
- 4. Providing Protections Against Foreclosure "Rescue" Scams.** Sadly, a new breed of scam artists has been bred by the foreclosure crisis, preying upon the vulnerable families who are in danger of losing their home to foreclosure. Utilizing foreclosure notice filings, the scam involves approaching homeowners facing foreclosure and offering to help provide counseling and negotiation services to save their home, only to abscond with the hundreds or thousands of dollars charged up front. When hundreds of nonprofit housing counselors are toiling to provide their MSHDA- and HUD-certified services for free, there is no reason consumers should pay fees to a housing counselor up front. Legislative protections and aggressive prosecutions are needed to end these scams.