



**The Case for Extending the 90-Day Pre-Foreclosure Negotiation Law:
Michigan's Foreclosure Crisis Isn't Over Yet & It's Hurting ALL of Us!**

- 1) According to the Center for Responsible Lending, between 2009 and 2012, **327,000 Michigan homeowners are expected to lose their homes** to foreclosure. That means we're roughly 2/3 of the way through this crisis.
- 2) With Michigan's persistently high unemployment rates, the vast majority of Michigan foreclosures in the past couple years have been **driven by unemployment and underemployment** but the **costs accrue to** not just the homeowner but to **all of us**. According to the Joint Economic Committee of the U.S. Congress, the **average cost of a single foreclosure is \$78,000** (broken down below) while **preventing a foreclosure costs \$3,300**:
 - a. \$50,000 – Lenders (recent Standard & Poor's study breaks this down)
 - b. \$19,227 - Local government – shrinking tax base, erosion of basic services for everyone
 - c. \$1,508 - Neighbors – decrease in home value, harder to sell, refinance or move.
 - d. \$7,200 - Homeowner – equity, moving expenses, legal fees, etc.
- 3) Distressed (foreclosed and delinquent) properties accounted for 37% of all home sales in April and that percentage is growing. - National Association of Realtors, <http://www.housingwire.com/2011/05/19/existing-home-sales-slip-in-april-nar-reports>
- 4) According to James Saccacio, chief executive officer of Realty Trac (a real estate data tracking firm) "At the first quarter foreclosure sales pace, it would **take exactly three years to clear the current inventory of 1.9 million properties** already on the banks' books (repossessed), or in foreclosure." – Housing Wire, May 26, 2011
- 5) CoreLogic, one of the nation's premiere property data firms, estimates that between April 2010 and April 2011, Michigan homeowners suffered the second worst decline in average home prices, with an *average* decline of 13.2 percent. <http://thenewmortgagecompany.files.wordpress.com/2011/06/corelogic-percent-homeowners-with-negative-equity-by-state.jpg>
- 6) CoreLogic also estimates that as of the 1st quarter of 2011, Michigan ranked fourth in terms of percentage of homes "underwater," with an estimated 36 percent of homeowners owing more on their mortgage than their property is worth. <http://thenewmortgagecompany.files.wordpress.com/2011/06/corelogic-percent-homeowners-with-negative-equity-by-state.jpg>
- 7) Overall, from the peak of the housing boom in 2005, Michigan property values have dropped 33.8% and have dropped 29.7% since the crisis began in 2008. – Michigan Association of Realtors, Residential Sales Reports at <http://www.mirealtors.com/content/housingstatistics.htm>
- 8) Home values nationally are expected to fall 5% before the end of 2011, according to Moody's Analytics, and rise only modestly over the following year. – New York Times, May 22, 2011

Michigan's 90-Day Pre-Foreclosure Negotiation Law has Worked & Should Be Renewed for Two Years to Get Us Through the Crisis!

- 9) The **best way to prevent a foreclosure is to require that the lender meet with the homeowner** before triggering the foreclosure process to see if they can come up with an alternative to foreclosure. Yet, 50% of all homeowners never contact their lender during the foreclosure process. **Michigan's 90-Day Law requires this meeting.**
- 10) **Prior to the 90-Day Pre-Foreclosure Negotiation law, at-risk Michigan homeowners were rarely able to get through to their lenders** (over 90% of whom are large national banks) to discuss alternatives to foreclosure. **Since the law** was enacted in July 2009, thousands of Michigan homeowners have been able to meet with their lenders to try and negotiate an alternative to foreclosure.
- 11) **Surveys in June 2010 & April 2011 of certified foreclosure counselors and legal service attorneys** working with at-risk homeowners across the state on a daily basis indicated that 79% of respondents **consider Michigan's 90-Day Pre-Foreclosure law a success.**
- 12) **Michigan's 90-Day Law is in keeping with best practices across the country.** Legislatures and courts in over 24 states, including Michigan, have created new options for homeowners to participate in various types of mediation, pre-foreclosure negotiation or conference programs which allow homeowners and lenders to explore mutually beneficial alternatives to foreclosure.
 - National Consumer Law Center's Report on the states and their foreclosure laws.