



The Case for Protecting Michigan's 6-Month Post-Foreclosure Redemption Period A Foreclosed Home is a Vacant Home: Vacant Homes Hurt Us ALL!

- 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) **Foreclosed homes mean vacant homes** and **vacant homes decrease the value of the surrounding homes** in the neighborhood. Those decreased values in turn erode the tax base used to pay for basic services for all of us. (See 9a below)
- 3) 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>
- 4) 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>
- 5) 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.html>
- 6) 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). Shortening Michigan's redemption period would add to this backlog.

Michigan's Six-Month Post-Foreclosure Redemption Period should be Preserved, not Shortened

- 7) The purpose of **Michigan's longstanding six-month Post-Foreclosure Redemption Period** is to give homeowners who have been foreclosed on/whose homes have been auctioned at a sheriff's sale, a reasonable amount of time to:
 - a. Regain employment
 - b. Refinance the home
 - c. Sell it on a short sale
 - d. Transition to new housing
 - e. Negotiate a loan modification. (Fannie Mae and others are increasingly approaching homeowners about loan mods during the Redemption Period.)
- 8) **Proposals to Shorten Michigan's Six-Month Redemption Period would:**
 - a. In the short term, **hurt, not help** during this crisis by increasing the number of foreclosures and vacant properties, further depressing home values, eroding the local tax base, threatening basic services and further delaying economic recovery. The average cost of a single foreclosure results in a **\$1,508 loss in property value for a neighboring home owner and a \$19,227 loss in tax revenue for the local unit of government**. -Joint Economic Committee of Congress as reported by Mortgage Daily News, June 2, 2011
 - b. In the long term . . . it's an **extreme measure** and an attempt to fix something that isn't broken, that is reasonable and has worked well. Most states in the country are working hard to find ways to help homeowners save their homes and avoid foreclosure, not rushing to evict them. Additionally, the timing couldn't be worse when we're just beginning to see signs of both the housing and job markets recovering; making it much more likely homeowners will increasingly have the ability to redeem their homes.
- 9) **Common Myths:**
 - a. **Michigan has one of the longest foreclosure timeframes in the country. MYTH!**
REALITY: At 9 months, Michigan's foreclosure time frame is the shortest in the 8-state Great Lakes region with the longest being New York's at 13 months. With the exception of Minnesota, all of these states have temporarily lengthened these time frames with some type of program to assist at-risk homeowners. Michigan's redemption period is actually shorter than many in the country which range from 3 months to 2 years. <http://www.nclc.org/issues/foreclosure-mediationprograms-by-state.html>. - National Consumer Law Center's Report on the states and their foreclosure laws.
 - b. **Homeowners use the redemption period to game the system and live rent-free. MYTH!**
REALITY: According to an April 2011 survey of certified foreclosure counselors and legal service attorneys in Michigan working daily on the ground with at-risk homeowners, over 88% of respondents said that "homeowners stay, on average, in the home all six months of the minimum redemption period." They use this time to pursue refinancing, to negotiate a successful short sale or to relocate.
 - c. **Homeowners live in their homes "rent-free" during the foreclosure process and during the redemption period. MYTH!**
REALITY: Debt owing on a mortgage follows the homeowner even after foreclosure in states like Michigan. Lenders are entitled to pursue homeowners' other assets similar to other debts to seek repayment for lost payments.
 - d. **Homeowners staying in their homes during the redemption period often destroy or "trash" the home. MYTH!**
REALITY: There is no evidence that homes are deteriorating, being destroyed and losing value during the redemption period. It is vacant properties that are being destroyed and losing value. Under Michigan law, those properties have a 1 month redemption period.