



"Preventing Foreclosure: Potential Tools for Delawareans"

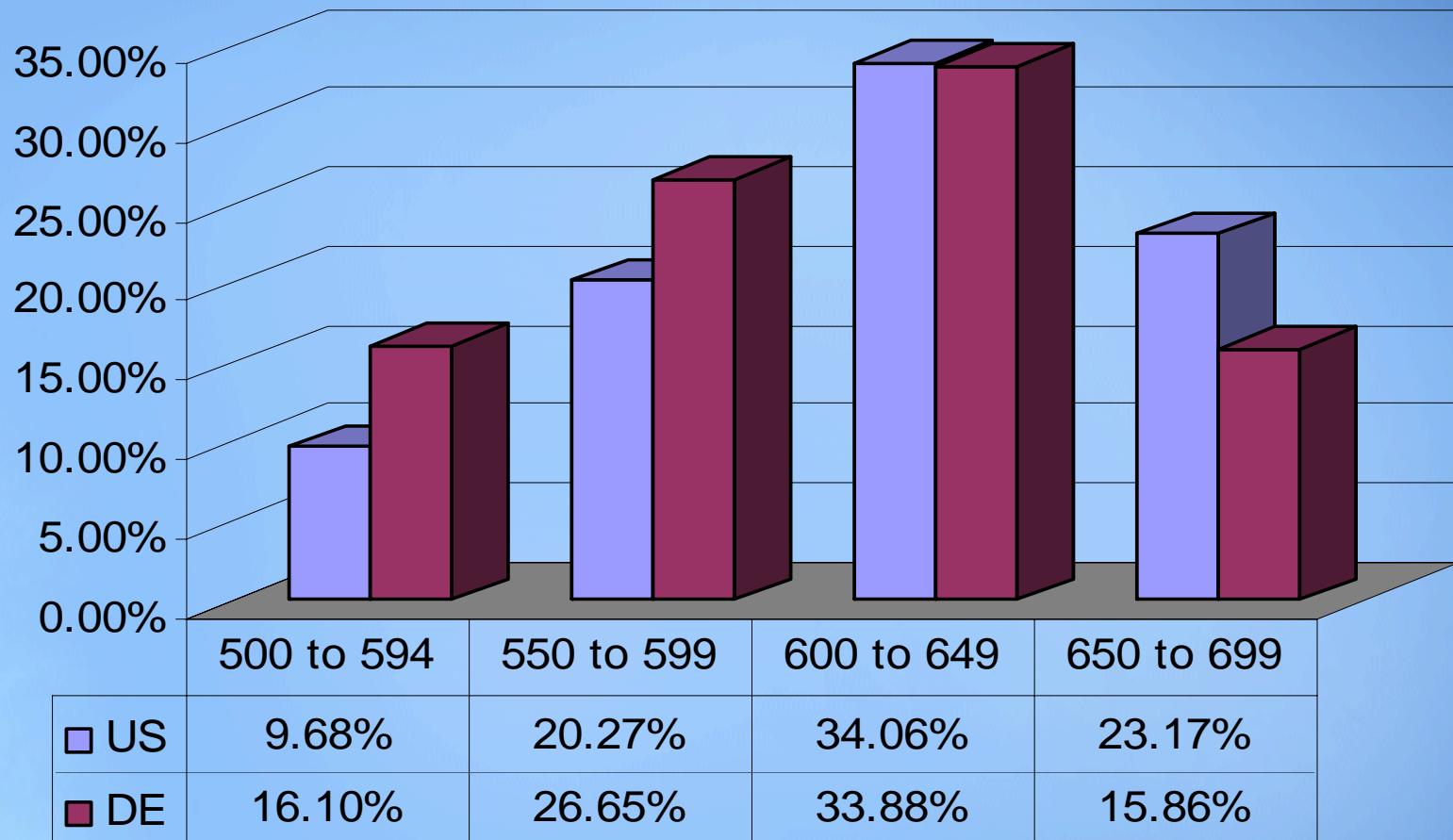
Outline

- Sub-prime Snapshot
- Delaware Emergency Mortgage Assistance Program (DEMAP)
- Refinance Program

Sub-Prime Snapshot

- Delaware sub prime information versus national sub prime information.
- Source is Loan Performance Data base.
- The balances as of May 2007:
 - Delaware: \$1.5 billion.
 - US: \$700 billion
- All other statistics represent origination data for all loans originated in US and DE between 2005 and 2007.

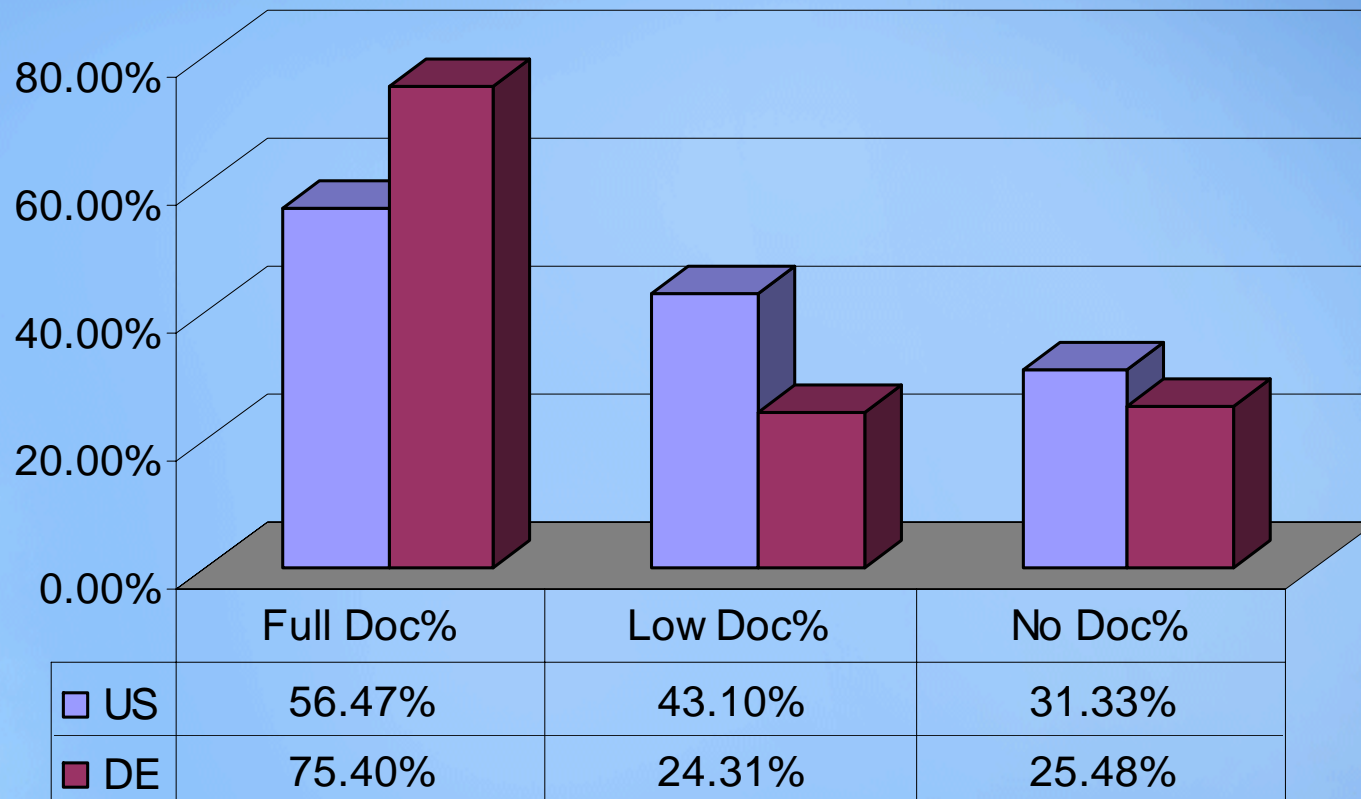
Sub-prime loans: FICO Scores



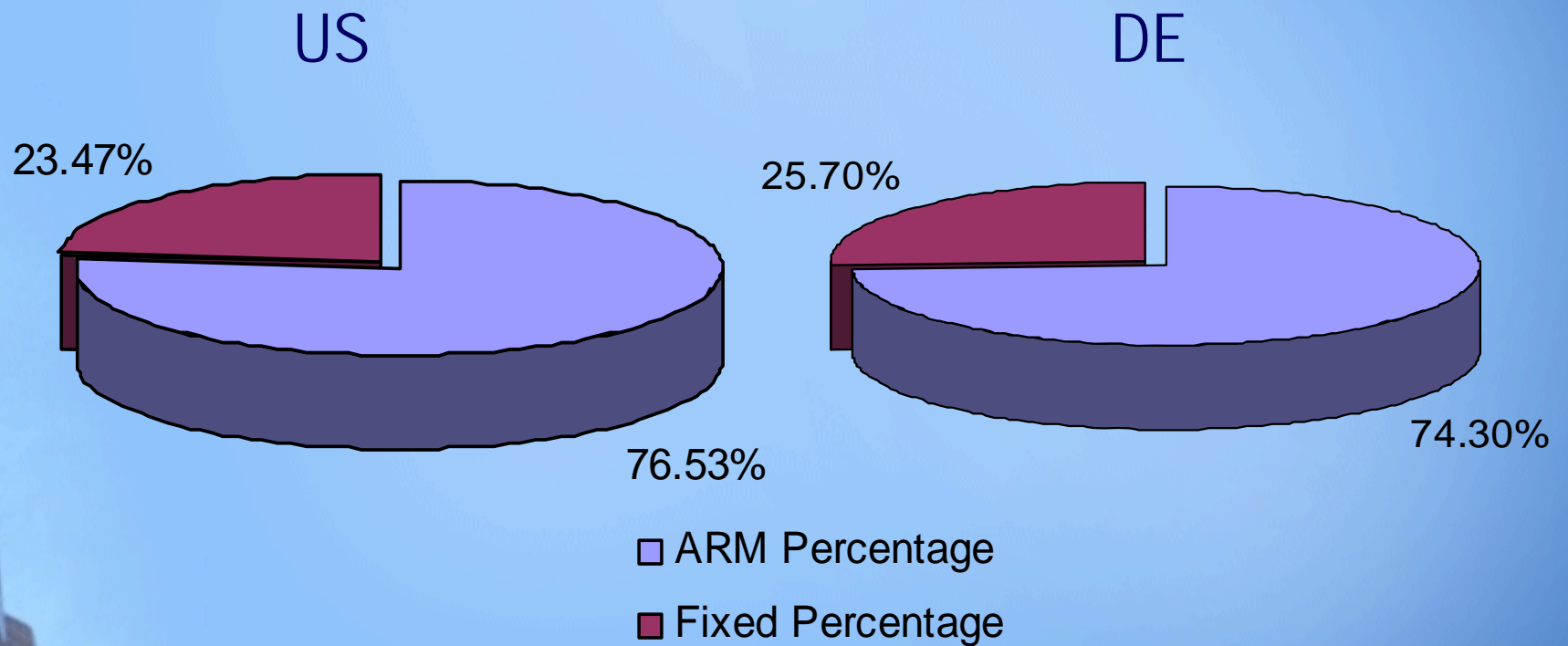
•Average FICO Delaware: 610

•Average FICO US: 630

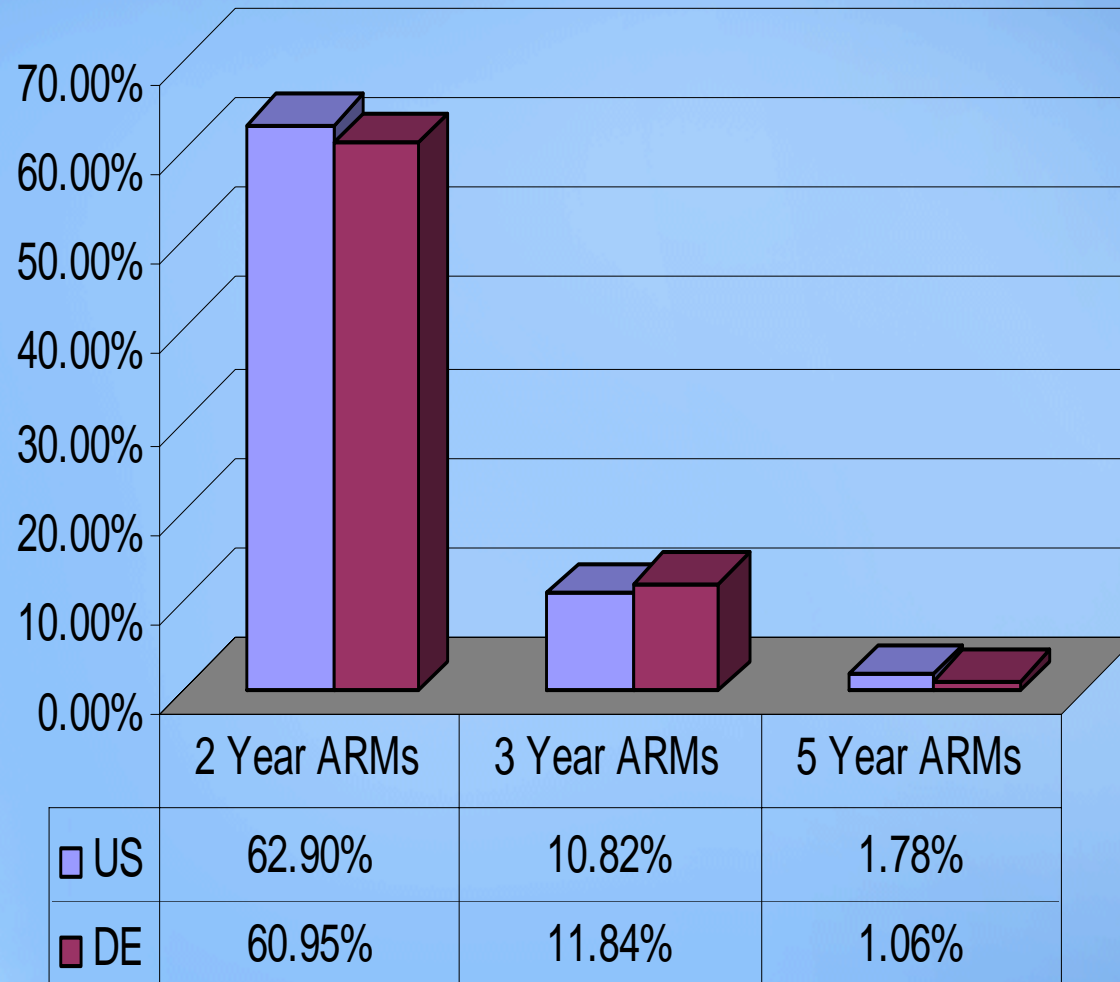
Sub-prime loans: Documentation



Sub-prime loans: Fixed Vs. ARM



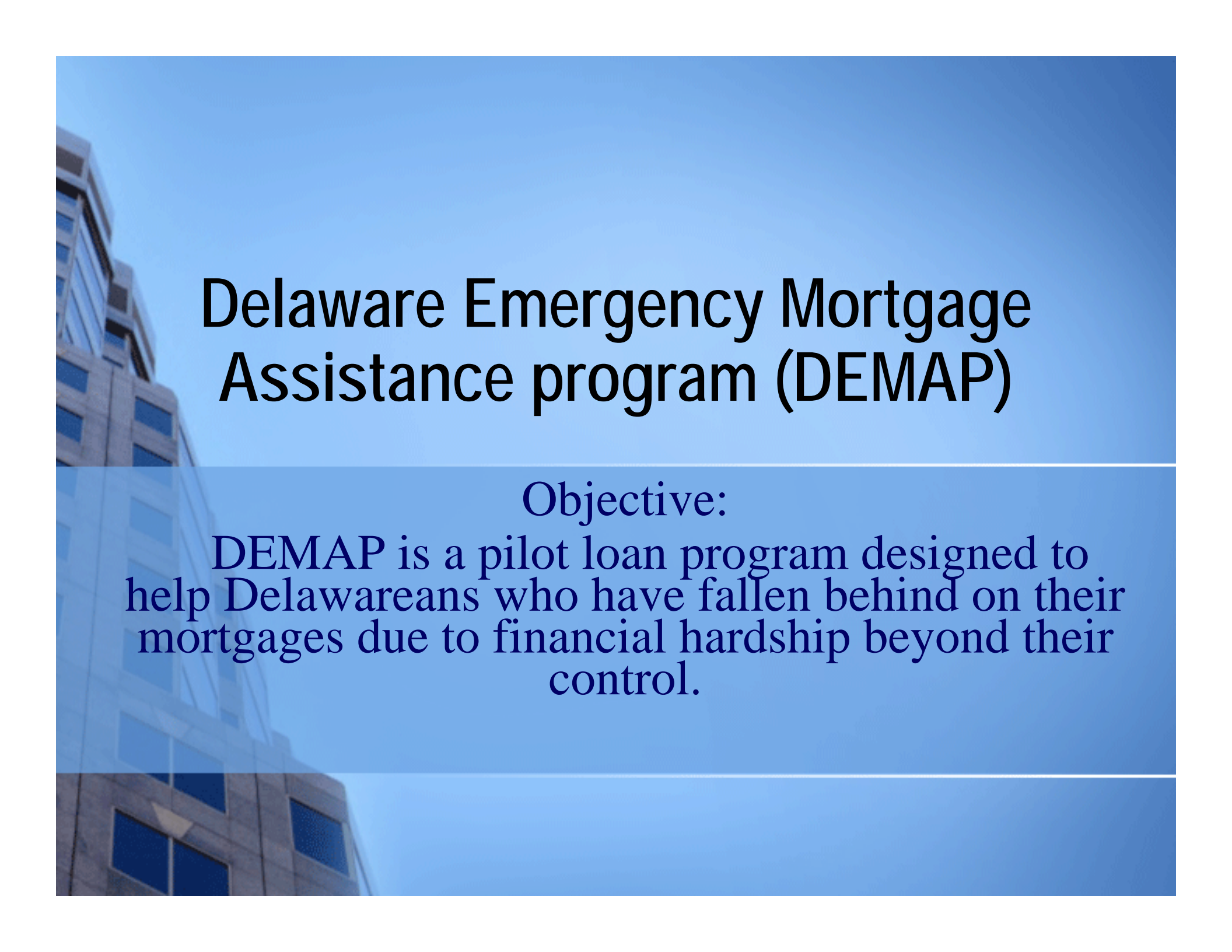
Sub-prime loans: ARM Structure



The Costs of Foreclosure

- Cities – an estimated \$27,000*
- Neighborhoods – Negative neighborhood image and a decline in property values of up to 1.8%.
- Lenders – average estimates of \$50,000-\$58,792
- Homeowners – loss of home equity and cost of acquiring home, severe damage to personal credit potentially limiting future housing options.

* In the event that the property becomes vacant and boarded.



Delaware Emergency Mortgage Assistance program (DEMAP)

Objective:

DEMAP is a pilot loan program designed to help Delawareans who have fallen behind on their mortgages due to financial hardship beyond their control.

Facts about DEMAP

- DEMAP is funded by a \$227,800 allotment by the Delaware General Assembly. New Castle County and Wilmington have both pledged \$75,000 each to DEMAP.
- DEMAP was modeled after Pennsylvania's HEMAP program (1983).
- DEMAP is a loan for up to \$15,000. Not a grant.
- There is a required monthly payment.
- All DEMAP loans are to be repaid at an interest rate of 3 percent.

Participating Counseling Agencies

- First State Community Action Agency
- YWCA Centers for Home ownership Education
- Neighborhood House
- Hockessin Community Center
- NCALL Research
- Interfaith Housing of Delaware
- Housing Opportunities of Northern Delaware

What will DEMAP pay?

DEMAP will provide up to \$15,000 for the payment of:

- Delinquent principal and interest
- Late charges or other penalties.
- Real estate taxes
- Mortgage, credit and hazard insurance
- Reasonable court costs and attorney fees incurred by the mortgagee

Two types of assistance loans:

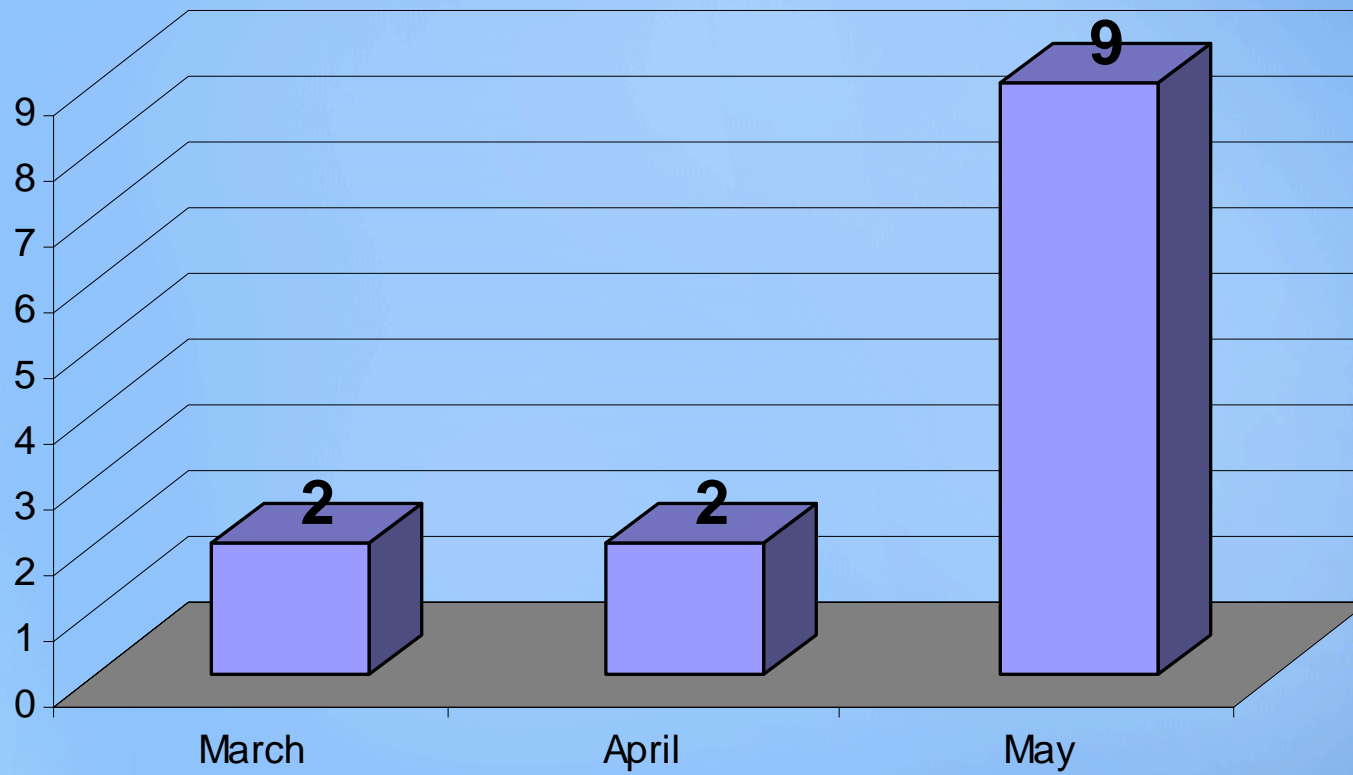
- Non-Continuing – (only available to applicants who are already able to resume their mortgage payments) DEMAP makes a one time disbursement to reinstate delinquent mortgages and real estate taxes.
- Continuing – In addition to reinstating the delinquent mortgage and real estate taxes, DEMAP also provides monthly mortgage payment assistance to the borrower for a period of up to 12 months from the beginning of the delinquency period.
- Total disbursements for either type of loan cannot exceed \$15,000.00.

Who does DEMAP help?

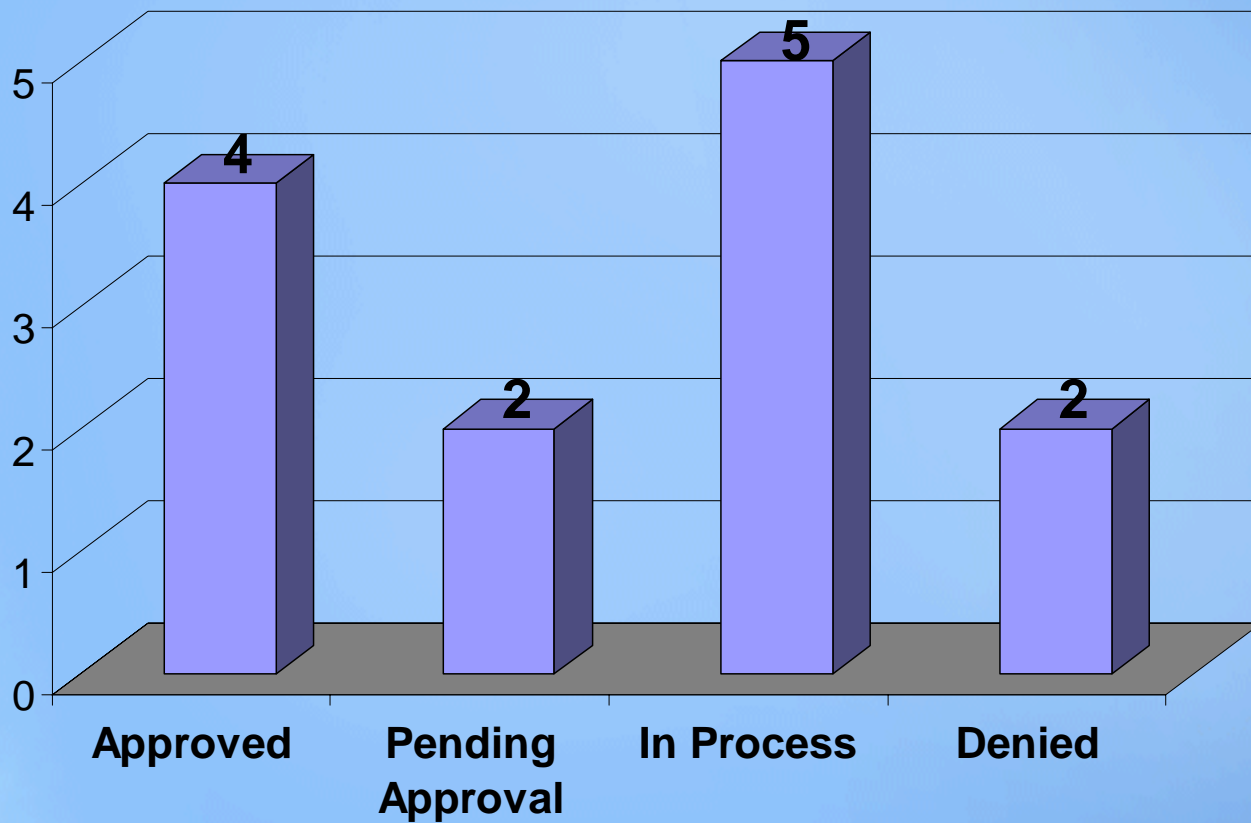
To be eligible for DEMAP, applicants must:

- Be at least 60 days contractually delinquent in their mortgage payments.
- Be suffering financial hardship beyond their control.
- Exemplify a reasonable prospect of being able to resume mortgage payments.
- have an annual household income **Not** exceeding \$ 77,452 (115% of state average median income)

Applications Received



Applications Status



Applications Status - Contd.

Nine households have been deemed eligible for DEMAP :

- Four experienced involuntarily lay-offs from work.
- Five experienced an illness or injury.
- Four are households with children.

What challenges does DEMAP face?

- Adjustable rate mortgages
- Foreclosure notice requirement
- Maintaining responsiveness between all parties involved in DEMAP application process



Refinance Program - Research Phase -

Objective:

To provide an affordable, fixed-rate financing alternative to owner-occupied households whose current loan is inappropriate for their financial circumstances.

Potential Borrowers

Potential Customers to be served by this program include, but are not limited to:

- Borrowers whose mortgages are at a rate higher than that available through the DSHA Refinance Program.
- Borrowers with an adjustable rate of interest
- Borrowers with an interest-only component resulting in a monthly payment that is no longer affordable to the household.
- Borrowers with non-traditional mortgage product inappropriate for them.

Loan terms

- Fixed rate first mortgage loans
- 30years and/or 40 years
- The interest rate will be based on the bond pricing and will depend on market conditions.

Eligibility

- Eligible Mortgagors:
 - No first-time homebuyer requirement; however, the home must be owner-occupied for the life of the loan.
 - Borrowers may not own any other residential real estate at time of loan closing.
- Eligible Properties:
 - Single-family, owner-occupied, residential dwellings, including single family detached housing condominiums, townhouses.

Homebuyer Education

- DSHA will require one-on-one counseling with a HUD-approved counseling agency.
- The counsel will focus on financial literacy, debt management, savings, predatory lending and how and when to deal with should financial issues arise in the future.
- Borrower must provide documentation of completed counseling prior to closing.

Financing Structure

- Potential Funding:
 - Taxable Housing Bonds
 - Daily pricing window from Fannie Mae or Freddie Mac
 - Private line of credit
- Final investors:
 - DSHA will not hold the loans in its portfolio
 - DSHA will securitize or sell the loans to Fannie Mae or Freddie Mac.

10 ways to Avoid Foreclosure

Before you buy the home: 3 steps to avoid trouble

(1) Knowledge:

- Homeownership workshops: Learn about predatory lending, prepayment penalties, points, the home inspection, and forms such as the HUD 1. Shop around for the best rate. Do not use one reference or someone's friend for this major transaction. If you cannot shop around for the best rate then RENT!

- Web sites:

www.ftc.gov the best government web site with a wealth of information for consumers. (Also link to your free web site for credit reports at www.annualcreditreport.com) Check ftc site weekly to learn what the federal trade commission is working on in there press releases.

www.hud.gov Learn about homeownership, a wealth of information about the home buying experience including mortgage definitions, how to shop for mortgage and even questions to ask a home inspector BEFORE HIRING!!.

www.delaware.gov

www.state.de.us/attgen

www.destatehousing.com

www.state.de.us/bank

www.de.us/sos/hr/default.shtml

- Brochures: A to Zs of Mortgage Lending and foreclosure prevention
- Videos/ DVD: Buried by Debt (Philadelphia Federal Reserve) "Buried by Debt: The Dangers of Borrowing" is an educational video designed to raise awareness about the practice of abusive lending and to let borrowers know how they can protect themselves. The video can be used as an instructional tool for financial educators and for viewing by guests in waiting rooms and vestibules. Individual consumers are also invited to request the video. Available at no cost.
For more information, e-mail: Info.communityaffairs@phil.frb.org
Tel: (215) 574-6458
Fax: (215) 574-2512

(2) SHOP FOR A MORTGAGE

<http://www.hud.gov/utilities/intercept.cfm?buying/booklet.pdf>

(3) **Home inspection:** www.hud.gov (10 questions to ask a home inspector before hiring!!) Write down all questions you have about house and take the time to be there for home inspection. Make sure you have inspector take the time to walk you through house and learn where water cut off/electric cut off are located. Watch as he/she checks furnace, learn about your house. Ask about the roof, how old does it look etc.

After you buy home/ signs of trouble: 7 Things to do

- (1) Understand foreclosure process (see attached diagram)
9-10 month process, you have choices in first few months and then costs pile up as your case is transferred to an attorney and filed in Superior Court.
- (2) Speak Up and save your home:
 - Notify the servicer of your loan (loss mitigation) Talk to the loss mitigation department of the bank or company servicing your loan and explain your situation especially if it may take sometime to resolve. See if you are presented with options such as forbearance agreements or loan modifications (defined in Mortgage Late brochure).
 - 1-888-995-HOPE, 24 hour hotline
 - Call housing counselors in foreclosure brochure
 - www.delawaremoneyschool.com schedule of classes
 - First Saturday of every month at Woodlawn Library, 10 AM to Noon, come ask questions. Call 577-5092 for more information.
- (3) www.hud.gov or www.state.de/bank consumer education for knowledge
 - Reinstatement, Forbearance, Repayment plan, or mortgage modification are choices you may have to keep your home.
 - Sale, Pre-foreclosure sale, Assumption or deed-in-lieu
- (4) Ask housing counselors about DEMAP program (Delaware Emergency Mortgage Assistance Program).
- (5) Be aware of scams:
 - Phantom help- say they will save you and grab a fee from you and you never see them again
 - Offer to buy your home from you/ save you from foreclosure and then you can rent property back from them until you are ready to repurchase. Sounds good? Be careful and never sign any papers you do not fully understand.
 - Make sure you get all promises in writing and have your own attorney review deal and explain the important facts
- (6) Do not sign anything you do not understand. And remember that SIGNING OVER THE DEED TO SOMEONE ELSE DOES NOT NECESSARILY RELEASE YOU OF YOUR LOAN OBLIGATION.
- (7) **bankruptcy** may be also be used to save your home from foreclosure.

BE IT ORDAINED BY THE MAYOR AND COUNCIL OF THE CITY OF DOVER, IN COUNCIL MET:

That Chapter 22, Section 22-351 be amended by inserting the text indicated in bold, red and deleting the text indicated in red strikethrough, as follows:

Sec. 22-351. Generally.

(a) *Single-family dwellings.* It shall be unlawful for any person to operate any single-family rental dwelling without obtaining a permit from the licensing division of the department of planning and inspections in order to determine compliance with the appropriate provisions of this article. The permit shall expire annually on January 31. The fee for the annual permit shall be ~~\$90.00~~ **\$120.00** for each single-family detached dwelling, and ~~\$70.00~~ **\$90.00** for each single-family attached dwelling.

(b) *Multiple-family dwellings.* It shall be unlawful for any person to operate any multiple dwelling without first obtaining an annual permit therefore from the licensing division of the department of planning and inspections in order to determine compliance with the appropriate provisions of this article. The permit shall expire annually on January 31, and the fee for the annual permit shall be ~~\$90.00~~ **\$100.00** for multiple dwellings consisting of three or less dwelling units, ~~\$90.00~~ **\$100.00** for the first three dwelling units of a multiple dwelling with four or more dwelling units, and ~~\$30.00~~ **\$50.00** for each additional dwelling unit in excess of three. The fee for condominium units and accessory apartments located within structures principally used for owner occupancy shall be ~~\$30.00~~ **\$50.00**.

(c) *Late payment penalty.* In the event that the permit fee set forth herein is not paid on the date due, then the permittee shall incur a penalty fee in the amount of ten percent per month of the amount of the license fee until the same is paid.

(d) *Reinstatement fee.* An owner whose permit has been suspended in accordance with section 22-352 shall pay a \$100.00 reinstatement fee.

(e) *Lien.* In the event that the property owner fails to pay said fees within 30 days from the date a notice thereof is mailed to the owner, then such fees shall be entered in the municipal lien docket as a lien owing the city; and the same may be turned over to the city solicitor for collection.

(f) *Utilities.* The owner or occupant of any rental unit shall not be entitled to receive city utilities until the permit fee required in this section is paid in full and city personnel shall refuse to provide sewage, water and electricity to the property until satisfactory proof is furnished that such permit fee has been paid.

(Code 1981, § 10-96; Ord. of 4-10-2000)