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Loan Servicers Rarely Offer Relief to Illinois Homeowners Facing Foreclosure *Federal Moratorium on Foreclosures and Mandate to Modify Loans Needed*

Chicago—Even as the number of home foreclosures continues to increase, 75% of loan servicers rarely agree to workout plans that allow homeowners in Illinois to maintain their homes.

These survey findings, reported in *Who's Serving Whom? Analyzing The Frequency Of Loan Servicer Modifications*, provide evidence to support federal legislation to systematically and automatically modify loan terms, a temporary federal moratorium on home foreclosures until such legislation becomes law, and other measures.

Housing Action Illinois conducted a survey of HUD-certified housing counseling agencies in September 2008 to determine how often specific loan servicers offered workout plans to homeowners in order to avoid foreclosure.

Nearly three-quarters, or 27 of the 38, servicers evaluated were found to agree to workout plans in less than one in four cases. Among those active servicers with the highest volume of loans who were found least likely to agree to workout plans were:

- America's Servicing Company (a subsidiary of Wells Fargo)
- First Franklin Loan Services/Home Loan Services
- Bank of America
- Saxon Mortgage
- American Home Mortgage Servicing
- Aurora Loan Services (a subsidiary of Lehman Brothers Bank)

The other 11 other servicers were evaluated to agree to workout plans at least half the time or more: JPMorgan Chase, Chase (a subsidiary of JPMorgan Chase), CitiMortgage (a subsidiary of Citi), Dovenmeuhle Mortgage, Litton Loan Servicing, National City, Countrywide Home Loans (acquired by Bank of America), Washington Mutual (acquired by JPMorgan Chase), Liberty Savings Bank, Fifth Third Bank and Everhome Loss Mitigation.

However, the most popular type of workout plan offered was a repayment plan, which is of limited or no value to most homeowners at-risk of foreclosure because there is no change in loan terms and all past due principal and interest payments in the loan must be paid in full.

Refinances into a new affordable loan were almost never offered; only 3% of counselors reported this often occurred.

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Despite the difficulty in securing workout plans from servicers, the survey results suggest that homeowners facing foreclosure are much better off seeking assistance from a HUD-certified housing counseling agency. A September 2008 study by the State Foreclosure Prevention Working Group showed that nearly 80% of seriously delinquent homeowners were not engaged in any type of loss mitigation efforts and are proceeding directly to foreclosure.

“In order to effectively address the current and growing foreclosure crisis, the federal government needs to mandate that servicers proactively modify the loan terms of homeowners facing foreclosure,” said Bob Palmer, Policy Director for Housing Action Illinois. “Without such a requirement, sustainable loan modification plans that allow families to remain in their homes are difficult to achieve, despite the best efforts of HUD-certified housing counseling agencies and the families who go to them for assistance.”

Housing Action Illinois’ mission is to increase and preserve the supply of decent, affordable and accessible housing in Illinois, particularly for households with the lowest incomes, through three program areas: Education and Organizing; Public Policy Advocacy; and Training and Technical Assistance. It has more than 150 organizational members statewide, including homeless service providers, nonprofit housing developers and housing counseling agencies.

The entire report is available at www.housingactionil.org.

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