

Indiana Foreclosure Prevention Interventions – an Overview

Indiana's Foreclosure Prevention Efforts to Date

- Indiana Foreclosure Prevention Network
- Hardest Hit Funding
- Settlement conferences under Indiana Code 32-30-10.5
- Court facilitators for settlement conferences and local court rules
- Mortgage foreclosure best practices
- Multi-state investigation of foreclosure practices and settlement

Overview of IHCDA Interventions

- Indiana Foreclosure Prevention Network (“IFPN”)
 - Provides free, confidential foreclosure prevention counseling to Indiana homeowners at risk of foreclosure
 - Created by the Indiana General Assembly in 2007 under Indiana Code 5-20-6
 - Through its free foreclosure helpline (1-877-GET-HOPE) and counseling services, the IFPN touches approximately 25% of all homeowners in foreclosure each year.
 - Administers, through the IFPN counseling agencies, the State of Indiana’s Hardest Hit Fund program. This provides mortgage assistance for qualified unemployed Hoosier homeowners.

Overview of IHCDA Interventions

- Indiana Foreclosure Prevention Network (“IFPN”)
 - Administers the state housing counseling/financial education training and certification program
 - Provides a limited amount of legal assistance to Indiana homeowners who are unable to access legal representation through other means
 - These clients were assisted by Indiana Legal Services, who administers the program on behalf of IHCDA.
 - It is IHCDA’s wish to expand the legal assistance portion of the program by providing similar funds to Neighborhood Christian Legal Clinic in Indianapolis in 2012.

2011 IFPN Outcomes at a Glance

	Clients Assisted	Value
Documented Successful Workouts	576	\$28.8 Million
Estimated Successful Workouts of Those Still In Negotiation with Lender/Service*	3,500	\$180 Million
Successful Legal Assistance Program Workouts	53	\$2.12 Million
TOTAL VALUE		\$210.92 Million

* In many of these cases, counselors are still negotiating “workouts” on behalf of their clients. In some cases, homeowners have opted to continue negotiations on their own, after counseling, where it is often difficult to document successful outcomes. The estimated value is based on a nationwide study of programs, such as the IFPN, which found that homeowners who had missed a payment on their mortgage were 45-50% more likely to catch up on payments if they received counseling. Up to 7,000 additional clients are assisted in some form by the IFPN helpline staff and counselors but do not opt to participate in comprehensive foreclosure counseling.

Overview of IHCD A Interventions (Cont.)

- Mortgage Foreclosure Trial Court Assistance Program (MFTCAP)
 - Funded by IHCD A through the \$50 Foreclosure Filing Fee and administered by the Indiana Supreme Court Division of State Court Administration.
 - Matches court-appointed facilitators to assist the parties in the settlement conference process. Upon resolution, facilitators must report outcomes to the trial court and the Division of State Court Administration.
 - Available in over 20 counties, including those hardest-hit by foreclosure. This covers 65% of all foreclosure filings and also covers the 10 hardest-hit areas within the State.
 - Enabled over 2,500 clients to avoid foreclosure in 2011.
 - Over 45 court-appointed MFTCAP facilitators are paid a maximum of \$135 per case, and approximately 50% of cases end in a workout, saving the state millions each year.
 - Without MFTCAP, it is likely that judges would send many foreclosure lawsuits to mediation, thereby greatly increasing the expense to both lenders and homeowners.

2011 MFTCAP Outcomes at a Glance

	Homeowners Assisted	Value
Successful Workouts	1,500	\$75 Million
TOTAL VALUE		\$75 Million

Benefits of IFPN and MFTCAP

- **IFPN**

- Homeowners who receive counseling are at least 67% more likely to remain current on their mortgage 9 months after receiving a modification.
- Homeowners on average receive modifications that lower their payments by \$176 more per month with counseling, as opposed to without counseling.
- Some estimate that nearly 1 in 7 foreclosures is prevented due to counseling programs such as Indiana's.
- Since its creation by the Indiana General Assembly in 2007, the IFPN has assisted well over 120,000 Indiana homeowners.
- Over 130 counselors provide services to at-risk homeowners in 32 non-profit organizations that cover all 92 Indiana counties.

- **MFTCAP**

- In MFTCAP counties, 44% of borrowers request a settlement conference, compared with less than 15% in non-pilot counties.
- Of the conferences that take place in MFTCAP counties, 46% result in a workout, with 15% still in negotiations.
- Homeowners who receive a modification in a MFTCAP county are 29% more likely to be current six months after the conference.
- Nearly 1 in 4 eligible borrowers successfully negotiate a foreclosure-prevention agreement under this program.
- Over 45 court facilitators currently work on MFTCAP.

Benefits of IFPN and MFTCAP (Cont.)

- It costs stakeholders (homeowners, lenders, mortgage insurance companies, neighborhoods, local units of government, courts, etc.) between \$44,000 and \$58,000 for each foreclosure that occurs*.
- The total cost to operate the IFPN and MFTCAP is roughly \$3-4 million per year, depending on the rate of foreclosure activity within the market and the number of client referrals into the system.
- In 2011 alone, the IFPN and MFTCAP demonstrated a conservative value of close to \$286 million to stakeholders.
- Therefore, in 2011, the IFPN and MFTCAP together net a value of over \$282 million to the State of Indiana.

* For the purposes of this analysis, we have used a mid-range value of \$50,000 per foreclosure.

Current Funding Sources

- IHCD currently receives the following funding sources to use towards the previously outlined activities:
 - \$2 million in Indiana Mortgage Foreclosure Filing Fee revenue each year. Lenders pay \$50 per foreclosure.
 - \$2.8 million in federal National Foreclosure Mitigation Counseling Program (“NFMC”) funds to use towards counseling for 2012. This is expected to pay for approximately 70% of all of the counseling activity performed by the IFPN in 2012 and first quarter of 2013.
- IHCD expects a loss in these and other funding sources for these programs:
 - The \$50 Foreclosure Filing Fee sunsets on January 1, 2013. IHCD currently has less than \$400k in these funds available, and we expect that we will not receive more than \$1 million in additional funds in total before the funding source expires.
 - IHCD anticipates legislation will be introduced in the 2013 session to extend the filing fee.
 - Federal funding is precarious:
 - Congress has indicated NFMC funds will not be renewed by Congress after 2012.
 - Congress eliminated HUD housing counseling funding to non-profits in 2011, restoring it in 2012 at 50% levels.