Foreclosure Prevention Methods During COVID-19 and How to Navigate the Paycheck Protection Program

LIVE Webinar
April 28, 2020
This webinar is being recorded, and all audience members are muted at the onset.

Please use the Chat Feature to submit questions during the presentation.

Audience members will be muted throughout the duration of the webinar. Please use the chat feature if you have questions.

All participants will receive a copy of today’s webinar recording and PowerPoint slides.

Please be patient with technical difficulties.
ONE DAY every person will have an affordable home in a vibrant community, filled with promise and the opportunity for a good life.

OUR MISSION is to create opportunity for low- and moderate-income people through affordable housing in diverse, thriving communities.
What sets Enterprise apart is how we work.
We’re one of the only social enterprises in the U.S. with deep expertise in each of the **three catalysts for systems change**:

### Capital.
At Enterprise, we direct public and private capital to the right places, having delivered more than $36 billion to low-income communities across the U.S.

### Policy.
Enterprise is a crucial voice for America’s low-income communities with a strong presence in Washington, D.C., and city halls across the country.

### Solutions.
We work with local partners to test and scale new solutions to some of the most pressing housing and economic problems facing low-income communities.
Paycheck Protection Program and Healthcare Enhancement Act

• Signed into law last Friday - 4/17/2020

• Replenishes the Paycheck Protection Program (PPP) and Economic Injury Disaster Advance Loan (EIDL) programs and provides additional funding for hospitals and testing:
  • $321 billion to replenish the PPP
    • The package earmarks $60 billion for depository institutions such as community banks and smaller lenders, CDFIs
      • $30B is for those institutions between $10-$50B in assets
      • $30B is for those institutions with less than $10B in assets
  • $60 billion for emergency business grants and loans – EIDL
    • $50 B in loans
    • $10 B in grants
    • For the first time, agricultural enterprises are now eligible
  • $75 billion for hospitals and community health centers
  • $25 billion to boost COVID-19 testing, divided between state and federal governments
What is next? CARES 2

- 4th broad stimulus package under consideration
- Aimed at addressing gaps in immediate needs from CARES 1
- Likely to see first action come out of the House
- Timeline pushed back to early May
Notably missing from CARES Act are supplemental appropriations for:

- HUD:
  - $48B for HOME Investment Partnership Program
  - $40 million for Section 4 Capacity Building Program

- USDA’s Rural Development housing programs

- FEMA
CARES Act /Foreclosure Moratoriums

• No foreclosures allowed until May 10th (60 days past CARES Act enactment of March 18th).

• Homeowners with a federally backed mortgage experiencing hardship due to Covid-19 can request a forbearance.

• No additional fees, penalties, or additional interest added.

• Resources:
  • Consumer Finance Protection Bureau - Guide to coronavirus mortgage relief options
  • Freddie Mac’s Sustaining Homeownership in a Crisis
  • Consumer Finance Protection Bureau’s Homeowner’s Guide to Success (what to do if you can’t pay your mortgage.)
Q. (Added 4.17.20) Will I be required to make a “lump sum” payment to my loan servicer for the total missed payments at the end of the COVID-19 Forbearance period?

A. (Added 4.17.20) No. A “lump sum” repayment for the total missed payments is not required immediately at the end of the COVID-19 Forbearance period. However, your lender will then evaluate you to see what loss mitigation options may be available. If you are an owner-occupant borrower who indicates they have the ability to resume making on-time mortgage payments, and were current or less than 30 Days past due as of March 1, 2020, you may be eligible for a COVID19 Standalone Partial Claim. A partial claim is a no interest, junior loan secured by your property. No payments are due on the COVID-19 Standalone Partial Claim until the payoff, maturity or acceleration of your insured mortgage, including for the sale of your Property or a refinancing, or the termination of FHA insurance on your mortgage. If you are not eligible for the COVID-19 Standalone Partial Claim, your servicer will evaluate you with FHA’s other loss mitigation tools to help you repay the balance owed over time.
CARES Act /Foreclosure Moratoriums

Freddie Mac & Fannie Mae

- The Federal Housing Finance Agency (FHFA) guidance that Freddie Mac and Fannie Mae back mortgages do not require lump payment at the end of forbearance.
- Script the GSE provided to mortgage servicers here

USDA 502 Direct & Guaranteed

- Loss Mitigation Guide which is found at Attachment 18-A in Chapter 18 of 3555 Technical Handbook
  - Special forbearance; Loan modification; Special loan servicing modification

Veterans Affairs Home Loans

- Loan modification OR the VA allows the missed payments to be deferred or become due at the end of the loan with the last payment.
Fern Orie, CEO of Wisconsin Native Loan Fund An Oneida Tribal member who is the founding Executive Director of Wigamig with 17 years working in Native communities in housing and community development, including land management and operating a tribal housing authority.
A Native Hawaiian CDFI Serving Hawaiian Home Lands on 6 Islands in the 50th State
Sharing Our Work to Prevent Foreclosures

• **Hawaiian Homes Commission Act of 1920**
  - Enacted by Congress in the Same Policy Era as Allotment Acts
  - To Establish a Land Base & Land Allotments for the Hawaiian People

• **203,000 Acres of Trust Lands on 6 Islands**
  - Allotments for Residential ~ Farm ~ Ranch ~ Mercantile
  - Blood Quantum is Half to Qualify ~ Quarter to Inherit
  - Oversight by the DoI ~ Administered by the **State of Hawaii**
  - 10,000 Allottees ~ 28,000 On the Waitlist
What We Learned……

• **Most Foreclosure Prevention Programs……**
  • Start with the Premise that our Borrowers…..Needs “Budget Counseling”
  • Assumes that a Home Delinquency is Caused by Poor Money Management
  • Or Caused by an Unwillingness to Pay

• **What We Learned……**
  • Most Home Delinquencies Are Caused by a “Bad Event” not “Bad Habits”
  • Most Delinquent Borrowers, have Low to No Revolving Credit
  • The Right Premise is that our Borrowers…..need Financial Analysis
Counseling VERSUS Mitigation/Analysis

• **Bad Habits = Counseling**
  Typical Counseling is for delinquent families that make bad choices financially, poor budgeting, poor spending habits. Families are sent to counselors to learn to be better money managers to fix the delinquencies.

• **Bad Event = Mitigation**
  When a bad event happens......no amount of counseling can fix the delinquency.....its not about budgeting better.....its about adjusting to a bad event. Job Loss ~ Income Loss ~ Divorce ~ Death ~ Health
Foreclosure Prevention….on Homesteads

1. Good Loan Made Against a Home on Our Trust Lands

2. Loan Becomes Delinquent (*Bad Habit OR a Bad Event*)
   ✓ **Bad Habits** = Financial Counseling……Saved with Change of Habits
   ✓ **Bad Event** = Mitigation Assistance……Saved with Change of Loan Terms

3. We Have Decided to Become Financial Analysts – Mitigation Svcs
   ✓ **Success** = Loan Becomes Performing Based on New Underwriting
   ✓ **Failure** = Foreclosure, Eviction, Home Sold, Family/Kids Displaced
What Mitigations Are Typical?

……..But Often, Not for Us

A. Informal Forbearance – Allow to “catch up”

B. Military Forbearance – Suspension or Interest Only Payments

C. External Cure – Full payment of delinquency by an external source

D. Loan Modification – Change of Loan Terms to Match New Reality
What Mitigations Are Typical?

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E. Loan Assumption – Delinquency Cured, Borrower Replaced

F. Short Sale/Deed in Lieu – Suspend Payments, Stay any Foreclosure, Borrower and Lender Agree to Transfer the Home, Payoff Debt

G. Direct Mitigation Assistance – Interest Rate & Principal Buy Downs, Partial Loan Forgiveness, Silent Seconds, etc
BAD HABIT - Hwns Counseling Fix

Catch Up with Payments (Informal/Formal Forbearance)

External Cure of Delinquency

Foreclose, Evict
BAD HABIT - Hwns Counseling Fix

Catch Up with Payments (Forbearance + Military)

External Cure of Delinquency

BAD EVENT – Everyone Else Mitigation Fix

Catch Up with Payments (Forbearance + Military)

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- Catch Up with Payments (Forbearance + Military)
- External Cure of Delinquency
- Loan Mod or Loan Assumpt
- Short Sale/Lease Transfer
- Direct Assist (reduce principal, forgive, etc)

Foreclose, Evict
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Catch Up with Payments (Forbearance + Military)

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Foreclose, Evict

Foreclose, Evict
Kaupea – Single Mom Profile

• 54 Year Old Female – 3 Sons, 1 Grandchild in the Home
• 19 Year Employee of State Government
• 80% AMI – College On Line to Get Bachelors to Increase Income
• Delinquent to Lender - $900 Bucks……Total Loan - $45,000
• Cause? Loss of Partial Income – An Event.
• Needs Mitigation, Not Counseling – Modify, Add Sons
The Foreclose, Evict Process for Hawaiians on Trust Lands

- Lender Makes a Good Loan!
- Bad Event Happens! Needs Mitigation Not Budget Counseling
- Poor Mitigation & No Foreclosure Process – Lender Assigns to State
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- State Then Treats Hawaiians As Landlord Tenant, Not Homeowners
- State Has No Written Loan Servicing Policies on Mitigations
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30 Days to Challenge Administrative Process in Circuit Court

If Its Missed.....Ejectment in District Court by Attorney General
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Home Asset is Left Vacant for Years, Til State Sells.....Losing Equity

Hawaiian Family Displaced, Equity Stripped, Allotment Lost
A New Approach to Foreclosure Prevention

1. No More Counseling that Starts on the Faulty Premise…..
   • That Delinquency is Caused by a “Bad Habit” – needs budgeting. NO.
   • Vast majority are Caused by a “Bad Event” – needs financial analysis.

2. No More Reliance on Lenders to offer Mitigation…..
   • We Must Know What Mitigations Are.
   • We Conduct Financial Assessment (not counseling to budget better)
   • We Identify the Bad Event.
   • We Write Up Mitigation Requests to the Lenders with Financial Analysis
A New Approach to Foreclosure Prevention

3. Publish a Family Guide to Trust Land Foreclosure Prevention
   - Invest in Knowledge about Trust Lands
   - Conduct Broad Seminars Across Our Trust Lands

4. Establish a Legal Defense Fund to Ensure Court Representation.
   - Invest in Knowledge of a Pool of Attorneys about Trust Lands
   - No More Standing Alone in Court Against the State Attorney General
A New Approach to Foreclosure Prevention

5. Move State & Federal Policies to Protect Trust Land Homeowners
   • Require HUD/ONAP to Monitor Lender Mitigation
   • Require State Govt to Treat as Homeowners, Not Tenants, Written Policies!

Result? Hawaiians Pass On Their Allotments to the Next Generation
Sharing Our COVID 19 Response Product

Homestead Unit Self Quarantine (HUSQ) – a Loan Product

- 24 - 48 Month Loan of $2,500 - $7,500
  - Payments of $90 to $183 per Month – 1\textsuperscript{st} payment starts in 60 days

- To Purchase Materials and Build a 10x12 Comfort Shed
  - Secured by the Comfort Shed itself

- Essentially - Adds a Backyard Bedroom
  - For Elders, for High Risk Family Members
  - Protects Our Multi-Generational Living, that has now become dangerous

H·C·D·C
Homestead Community Development Corporation
### MATERIAL LIST – 10 x 12 Backyard Unit $2,957.68 – Prices are ESTIMATES

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<td>4” x 8” x 5/8” (Sides)</td>
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This material list is shared based on HCDC’s own experience in building shed units. It is by no means all-inclusive and is only shared with applicants interested in purchasing a material kit to either build themselves or to hire labor. Pricing are estimates, not based on HCDC’s experience, and for informational purposes only. HCDC is not a material supplier.