

# Iowa's Response to the Subprime Foreclosure Crisis

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## Iowa Delinquency Rates

**As of December 31, 2007, Iowa had:**

- **28,230 total Subprime loans**
- **10.39% of inventory in foreclosure (13th in the Nation)**
- **3.20% started foreclosure in the quarter (23<sup>rd</sup>)**
- **15.14% Seriously delinquent (14th)**

## Subprime ARMs

- 11,175 loans
- 17.66% of inventory in foreclosure (7th)
- 4.94% started foreclosure in the quarter (Tied for 23rd)
- 24.16% Seriously delinquent (9th)

## Foreclosure to REO Timeframe

- National Avg - 5.2 months
- Iowa - 8.8 months (4th longest)

# Center for Responsible Lending Projected Foreclosure Statistics

- **Foreclosures expected to occur in 2008-2009**
  - 11,190 homes lost

## **Spillover impact:**

- **Surrounding homes suffering price declines caused by nearby foreclosures**
  - 178,166 homes
- **Decrease in home values / tax base**
  - \$344 million
- **Average decrease in home value per unit affected** - \$1,930

# Iowa Foreclosure Hotline

Launched September 2007

- Act as facilitator between borrower and servicer / lender to avoid unnecessary foreclosures
- Process helps servicers and lenders as much as borrowers
- Nothing mandatory
- Some borrowers are unable to be helped

# Iowa Mortgage Help



IOWA  
MORTGAGE  
HELP.COM  
877.622.4866

## Iowa Mortgage Help (cont.)

- Late February 2008, Iowa received an approximately \$1.5 million federal grant
- More coordinated effort between the Hotline and housing counselors
- Iowa Foreclosure Hotline now called the Mortgage Help Hotline
- Grant is administered by the Iowa Finance Authority

## Affiliated Housing Counseling Agencies:

- Iowa Home Ownership Education Project, Johnston
- Center for Siouxland, Sioux City
- Citizens for Community Improvement, Des Moines
- Community Housing Initiatives, Spencer
- Family Housing Advisory Services, Council Bluffs
- Family Management Credit Counselors, Inc., Waterloo
- Operation Threshold, Waterloo
- United Neighbors, Inc., Davenport

## Iowa Mortgage Help (cont.)

- Housing counselors will pull the borrowers' credit and ascertain their financial situation
- In some instances, financial counseling by itself will resolve the situation
- In other instances, a loan modification or other loss mitigation is needed. In those cases, the borrowers will be sent back to Iowa Mediation Service for negotiations with the servicer.
- Legal Aid will also have two attorneys to answer foreclosure related questions

## National Efforts

### State Foreclosure Prevention Working Group

- Group of 11 Attorneys General, four state banking departments, and Conference of State Bank Supervisors
- Collecting data from most of the top subprime servicers
- Issued Data Report No. 1 in February 2008

# State Foreclosure Prevention

## Working Group report conclusions:

1. Seven out of ten seriously delinquent borrowers were not on track for any loss mitigation option at the end of October 2007
2. Servicers have increased their use of loan modifications and other home retention options
3. Payment resets on hybrid ARMs have not yet been a driving force in foreclosures. Many borrowers are in default prior to loan reset date due to weak underwriting and origination fraud
4. Homeowners are helping themselves (reinstatement was most common method of becoming current)
5. The refinance option has nearly evaporated

# Data Report No. 2 – April 2008

1. Seven out of ten seriously delinquent borrowers are *still* not on track for any loss mitigation outcome.
  - While the number of borrowers in loss mitigation has increased, it has been matched by an increasing level of delinquent loans.
  - The percentage is the same.
2. Loss mitigation departments are severely strained in managing current workload.
  - A. Almost 2/3 of loss mitigation efforts started are not completed in the following month.
  - B. Seriously delinquent loans are “stacking up” on the way to foreclosure.
3. For those homeowners receiving help, more are receiving loan modifications.