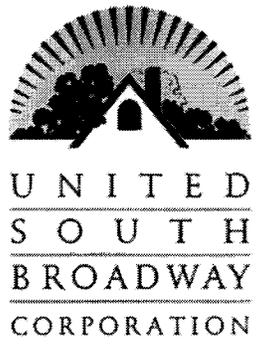


FORECLOSURE PROCESS TASK FORCE UPDATE

Presentation to the Economic and Rural
Development Committee

July 8, 2014



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SUMMARY

Review of House Memorial 15 sponsored by Rep. Gail Chasey and Rep. Patricia Roybal-Caballero and passed on February 15, 2014; and Senate Memorial 11, sponsored by Senator Michael Padilla and passed February 16 2014.

- The Memorials passed by large margins with bi-partisan support, affirming the NM Legislature's commitment to preserving due process rights guaranteed under the Home Loan Protection Act for all New Mexicans threatened with the loss of their homes through foreclosure, and requesting that United South Broadway Corporation convene a task force to study the foreclosure process in New Mexico.
- Task force composition and meeting schedule
- Governance and Scope of Work
- The violations that brought about the National Mortgage Settlement with five major banks in 2012 are still rampant:
 - ◆ Failure to process people for loan modifications in time to avoid foreclosure
 - ◆ Proceeding with foreclosure while homeowners are still working on payment plans with their loan servicer
 - ◆ Improper or repeatedly lost paperwork
 - ◆ Denying borrowers the opportunity to obtain accurate information about their loans
 - ◆ Understaffing loan-servicing personnel, making it difficult for homeowners to negotiate reasonable loan terms to prevent foreclosure in a timely fashion
 - ◆ Selling and reselling loans to new loan servicers without transferring paperwork with the sale and then requiring homeowners to go through the time-consuming process of filing new applications with each resale of the loan.

- The task force is charged with recommending improvements to the foreclosure process in order to prevent unnecessary and improper foreclosures; developing a plan to educate homeowners, lenders, loan servicers and the judiciary on removing barriers to meaningful loss mitigation and preventing improper or unnecessary foreclosures.
- The task force will report its findings and recommendations to the appropriate interim committees by November 1, 2014 and to the House and Senate Judiciary Committees by January 21, 2015.

National Foreclosure Facts and Trends

- 61% of subprime loans in 2006 went to people with credit scores high enough to qualify for better loan terms.
- 94% of subprime loans were made by entities not subject to requirements under the Community Reinvestment Act
- Experts project that more than 10 million foreclosures are still ahead.
- One out of every five homeowners is at serious risk of foreclosure
- Equal opportunity threat in that white homeowners have experienced the majority of foreclosures but African-Americans and Latinos have been affected disproportionately

New Mexico Foreclosure Facts and Trends

- In the first three months of this year, 7,800 homeowners became seriously delinquent on their mortgage payments
- In the first three months of this year, 1500 homes in New Mexico either went into foreclosure or were sold at a foreclosure sale
- Between 2009-2013, \$2.1 billion in home equity was lost statewide due to nearby foreclosures
- 461,179 homes in New Mexico are experiencing foreclosure-related declines
- The average loss per affected home is \$4,559

Center for Responsible Lending Presentation August 8: What States Can Do

FACT SHEET: HOUSE AND SENATE MEMORIALS TO PRESERVE THE NEW MEXICO HOME LOAN PROTECTION ACT AND TO PREVENT UNNECESSARY FORECLOSURES

Sponsors: Representatives Gail Chasey and Patricia Roybal Caballero and Senator Michael Padilla

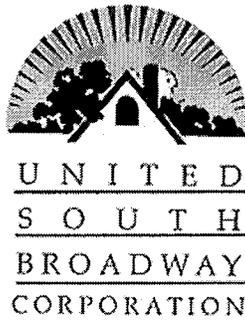
- **The foreclosure crisis that began in 2007 persists for too many New Mexico families.** Foreclosures dislocate families, destabilize neighborhoods and communities increase vandalism and crime in areas with abandoned properties, increase homelessness, lower neighboring property values, and result in a decreased tax base to pay for schools and other public services. Los home equity statewide resulting from foreclosures from 2009-2013 was 42.1 billion. In addition, taxpayers pay approximately \$19,000 for dealing with each abandoned foreclosed property.
- **The New Mexico Home Loan Protection Act (HLPA)** was enacted in 2004 to protect New Mexicans from predatory lending practices that led directly to the foreclosure crisis. HLPA requires lenders to consider a borrowers' ability to repay when originating a mortgage loan; prohibits exorbitant fees; mandates judicial oversight of the foreclosure process and other important consumer protections. Attempts that have been made to weaken HLPA must not succeed.
- **HLPA guarantees judicial oversight for foreclosures** whether a loan is originated as a conventional mortgage or deed of trust. Recognizing that the devastating loss of the family home should be treated differently than repossession of furniture or a car, New Mexico law guarantees all homeowners the due process right to a day in court before foreclosure.
- **It is essential to preserve and protect HLPA's provision for judicial oversight of *all* home loans**, regardless of the financial instrument used to originate the loan, because in today's market virtually all home loans are made using a deed of trust.
- **We should reinforce and strengthen foreclosure procedures**, not weaken or evade them. As the CEO of Bank of America testified before the Financial Crisis Inquiry Commission, "Never has it been clearer how mistakes made by financial companies can affect Main Street, and we need to learn the lessons of the last few years."
- **Given the recent multibillion dollar settlements with five major banks and the state**, including New Mexico, based on claims of unfair, unnecessary and improper foreclosures, "the lessons of the last few years" obligate us to preserve the consumer protections guaranteed by HLPA. The practices prohibited by the settlement remain all too common.
- **The legislatively mandated task force to study the foreclosure process** in New Mexico will recommend methods for protecting families from unnecessary and improper foreclosures, and mitigating against the destabilizing impact and economic hardship imposed on communities hard-hit by foreclosures.

CURRENT FORECLOSURES BY JUDICIAL DISTRICT

Source: RealtyTrac, July 2014

JUDICIAL DISTRICT	COUNTIES	PENDING FORECLOSURE CASES
1	Santa Fe, Rio Arriba, Los Alamos	73
2	Bernalillo	2351
3	Doña Ana	337
4	San Miguel, Mora, Guadalupe	(not tabulated)
5	Eddy, Chaves, Lea	120
6	Grant, Luna, Hidalgo	8 (not regularly tabulated)
7	Sierra, Torraine, Socorro, Catron	7 (not regularly tabulated)
8	Colfax, Union, Taos	(not tabulated)
9	Roosevelt, Curry	6 (not regularly tabulated)
10	Quay, DeBaca, Harding	(not tabulated)
11	McKinley, San Juan	(not tabulated)
12	Otero, Lincoln	19
13	Valencia, Sandoval, Cibola	856

TOTAL**3,777**



Foreclosure Process Task Force MEETING SCHEDULE 2014

The Foreclosure Process Task Force will meet in Albuquerque from 9 a.m. to noon, every three weeks, on the following Fridays: May 16, 2014; June 6, 2014; June 27, 2014; July 18, 2014; August 8, 2014; August 29, 2014; September 19, 2014; October 10, 2014; October 31, 2014

Meetings will be held at the John Marshall Multi-Service Center, 1500 Walter Street SE, Albuquerque NM 87102, in the Fred Ward Community Room on the first floor.

The first three meetings will focus on information gathering and issue identification. During remaining sessions, we will develop recommendations for the appropriate legislative interim committees and the senate and house judiciary committees prior to the opening of the 2015 regular session.

If you have questions, please contact Vicki Plevin at 505-459-1776 (vicplvn@gmail.com) or Diana Dorn Jones at 505-764-8867 (ddj5050@att.net).

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