

Resources to Help Address the Mortgage Crisis



Prepared by the Office of Congressman Christopher Shays

ADDRESSING THE MORTGAGE CRISIS

In light of the challenges facing our economy, I believe it is the responsibility of Congress and the Administration to enact measures that will promote economic growth and employment. For this reason, I voted for the economic stimulus package, which passed the House on January 29, 2008. The economic stimulus package will provide necessary liquidity to turn the markets around.

In addition, I support the initiative of mortgage brokers and loan servicers to work with troubled borrowers to keep home owners in their homes if they can afford it. I also believe we need to ensure that, going forward, borrowers are not offered attractive loans they will not be able to repay when their introductory "teaser" rates expire.

I voted for the Mortgage Reform and Anti-Predatory Lending Act, which passed the House by a vote of 291 to 127 on November 15, 2007. The bill creates minimum regulatory standards for mortgage brokers and lenders and establishes disclosure requirements that intend to protect borrowers from bad loans.

While a national standard for predatory lending makes sense, we need to be careful in striking the appropriate balance between protecting consumers from abusive lending and avoiding overly burdensome federal regulation of the mortgage and lending industries that will restrict credit for those to whom it would be otherwise unavailable.

I am pleased Secretary Paulson has led the Department of Treasury, in conjunction with several private banks and associations, in establishing industry-wide standards for foreclosure mitigation. The Hope Now Alliance is a cooperative effort between the US government, counselors, investors and lenders to help homeowners who may not be able to pay their mortgages.

The Hope Now Alliance has set up an official website [www.hopenow.com] where you can learn about the services offered and assistance available in this time of financial difficulty. In December, the Hope Now Alliance announced an industry-wide agreement that would increase the efforts of loan servicers to contact borrowers at risk of default.

The industry also established criteria that would allow a significant portion of loan servicing to be streamlined, thus providing servicers with more time to deal with more difficult situations on a borrower-to-borrower basis. One-on-one loan modifications, while time consuming, will maintain the greatest possible stability in the volatile subprime market.

This alliance will maximize and expand the outreach efforts currently being made and will work to reduce obstacles and create solutions to help homeowners in trouble by providing counseling, contacting borrowers ahead of a reset and exploring alternatives to keep home owners in their homes.

The Alliance has estimated that 1.8 million subprime adjustable rate mortgages will reset between 2008 and 2009; 1.2 million of which will be eligible for fast track services. There are over 5,000 residents in Fairfield County alone who have financed their homes through subprime mortgages, which account for over \$1 billion in Fairfield County real estate. I am supportive of initiatives encouraging these borrowers to contact their loan servicers immediately to restructure their mortgages so they may remain in their homes.

Foreclosures do not have to happen. Foreclosures are bad for everyone: the homeowner, the neighborhood, the community, the lender and the investor. The Data shows almost half of homeowners who are in distress but who get counseling are able to stay in their homes. It is crucial for homeowners in distress to contact their lender or visit a credit counseling agency.

There are steps to take when you can't pay your mortgage. First and foremost, if you can keep your mortgage current, do so. But, if you find you are unable to make your mortgage payments, you might qualify for a loan workout option. Check with your lender to see which options may be available.

Some options may not apply if your loan is not insured by the Federal Housing Administration (FHA) www.FHA.com .

If you can make payments on your loan, but don't have enough money to bring your account current, or you can't afford your current payment, your lender may be able to change the terms of your original loan to make the payments more affordable. Your loan could be permanently changed by adding the missed payments to the existing loan balance, changing the

interest rate (including making an adjustable rate into a fixed rate), or extending the number of years you have to repay.

If your mortgage is insured, your lender might help you get a one-time interest-free loan from your mortgage guarantor to bring your account current. You may be allowed to wait several years before repaying this loan.

If you can no longer afford your home, your lender will usually give you a specific amount of time to find a purchaser and pay off the total amount owed. You will be expected to use the service of a real estate professional who can aggressively market the property. In the event you can't sell the property for the full amount of the loan, your lender may accept less than the amount owed.

It is vitally important now that industry, non-profits and government all work together to help homeowners in distress. As a member of the Housing and Community Opportunity Subcommittee of the House Committee on Financial Services, I will continue to remain actively engaged in this issue.

Please do not hesitate to contact my office. If you would be interested in receiving my e-newsletter to update you about my work on your behalf in Washington, or for other information, please visit my website at www.house.gov/shays to sign up or to contact me.

My office has prepared the following listing of resources available to you covering such topics as foreclosure avoidance, financing, mortgage counseling, loss mitigation, renter assistance debt management and legal services.

Resource Listing

Reputable Housing Counselors

Department of Housing and Urban Development (HUD) maintains a list of approved housing counselors who give advice for free or at low cost covering topics including mortgage delinquency and default resolution, home equity conversion mortgage counseling, loss mitigation, and homebuyer education programs. <http://www.hud.gov>
860-240-4800

NeighborWorks America helps people avoid foreclosure and tries to help those already in foreclosure achieve the best possible outcome by providing advice for free or at a low cost. www.nw.org/network/home.asp
1-888-995-4673

Consumer Credit Counseling Service (CCCS) is a nonprofit, community service agency whose services are open to all members of the community. CCCS provides free, confidential budget counseling, community-wide education programs in money management, debt management programs for consumers who are overextended and comprehensive housing counseling. www.cccsatl.org
1-800-208-2227 (Stamford) 1-800-845-5669 (Milford)

ACORN Housing may be able to intervene on your behalf with your lender in order to come to a resolution that will ultimately bring your loan current. www.acornhousing.org
203-366-4180

The Urban League of Southern Connecticut's Housing and Economic Development Department offers a variety of supportive services to empower all people to attain economic self sufficiency. They address the wealth gap by providing training for their constituents in the form of homeownership, entrepreneurship and other financial assets building programs. <http://www.ulswc.org/ULSWC/housingprograms.htm>
203-327-5810

Mortgage Relief Assistance

Mortgage Relief Fund: Citizens Bank, Sovereign Bank, TD Banknorth, Webster Bank and Bank of America have committed \$125 million to create the Mortgage Relief Fund to help homeowners in good standing with their current mortgage loan who may be experiencing difficulty making payments now and who expect to have greater difficulty when their interest rates reset. The program is not designed for borrowers who are delinquent on their current mortgage or who are facing imminent foreclosure.

www.mortgagerelieffund.com

Federal Housing Administration (FHA): FHA Secure Program is a refinancing option that gives credit-worthy homeowners, who were making timely mortgage payments before their loans reset but are now in default, a second chance with a FHA-insured loan product.

<http://www.hud.gov/news/fhasecure.cfm>

Connecticut Finance Housing Authority (CHFA): CT FAMLIES Program, a refinance mortgage assistance program, provides assistance to low-to-moderate income homeowners who purchased properties with a subprime Adjustable Rate Mortgage (ARM) or subsequently refinanced into another adjustable rate product. www.chfa.org/FirstHome/CTFAMLIES.htm
860-721-9501

United States Department of Agriculture (USDA) Rural Housing Service: Depending on your household income and the location of your residence, the Rural Housing Service of the United States Department of Agriculture has loan programs that may be available to refinance your mortgage. Available guidelines and loan limits can be obtained directly through the Rural Housing Service. www.rurdev.usda.gov
860 688-7725, x. 130 (Fairfield County)

Reverse Mortgages: If one or both of the homeowners on the title is over age 62, you may want to consider a reverse mortgage.

www.ftc.gov/bcp/edu/pubs/consumer/homes/real13

Housing/Rental Assistance

Department of Housing and Urban Development (HUD) provides a guide “Looking for HUD-Associated Rental Housing in Connecticut.”
860-240-4800

Connecticut Department of Social Services (DSS) provides comprehensive housing related services through their offices and through grants to municipalities and community based organizations.
www.ct.gov/dss/cwp/view.asp?a=2353&q=305202

Family Services Woodfield provides bridge loans and grants on an emergency basis for rent and security deposits. <http://www.fswinc.org>
203-368-4291

Housing Development Fund of Lower Fairfield County provides a Housing Assistance Directory of services designed to assist people with affordable or subsidized housing programs. A directory of housing aid grant providers can be found at the following web site:
www.business.com/directory/real_estate_and_construction/residential_real_estate/affordable_housing/assistance
203-969-1830

Credit Counseling/Debt Management

Credit counseling agencies can assist individuals who need to reduce their debt and improve their credit ratings.

Legal Services:

Statewide Legal Services is an entry point for accessing legal assistance and may provide advice over the telephone or refer you to a legal services office or a private attorney at no cost. Legal Services provides a homeowners guide about foreclosure. There are certain income limits to qualify for their services. www.slsct.org/Home/PublicWeb

Consumer Law Project for Elders (CLPE) provides free legal assistance to Connecticut seniors 60 and over who have consumer questions or problems, including debt collection, predatory lending and identity theft.

www.ctelderlaw.org

1-800-296-1467

Lawyer Referral Service through the Connecticut Bar Association

If you do not qualify for Statewide Legal Services or are not over 60, you can contact the bar association in your county, which has a lawyer referral service. The referral service will set up an appointment for you with an attorney in your area. There is a flat fee for a half-hour consultation and additional services will be at the attorney's market rate.

www.ctbar.org/article/articleview/291

203-335-4116

If you are facing challenges due to the subprime mortgage crisis and need additional guidance, please don't hesitate to contact my office via my website www.house.gov/shays/ or at one of the numbers listed below:

Bridgeport 203/579-5870

Norwalk 866-6469

Stamford 357-8277

Ridgefield 438-5953

Shelton 402-0426

We are here to help.

Sincerely,

Christopher Shays
Member of Congress