

## Northwest Justice Project Foreclosure Prevention Unit Cases in past 12 months Statewide Cases

### Highest number of calls

Seattle – 63  
Tacoma – 55  
Vancouver - 68

### Outcome: Avoided Foreclosure

60 (286 cases still open)

### Client Income

0 - 200% FLP - 639  
200% - 400% of FPL – 371  
201% - 400% FLP – 6

Race	Total
Asian - Pacific Islander	61
Black	64
Group/Organization	1
Hispanic/Latino	108
Mixed	28
Native American	23
Unknown	53
White (blank)	678
<b>Grand Total</b>	<b>1016</b>

### FLP = Federal Poverty Level

Household Size	100%	133%	150%	200%	250%	300%	400%
1	\$11,670	\$15,521	\$17,505	\$23,340	\$29,175	\$35,010	\$46,680
2	15,730	20,921	23,595	31,460	39,325	47,190	62,920
3	19,790	26,321	29,685	39,580	49,475	59,370	79,160
4	23,850	31,721	35,775	47,700	59,625	71,550	95,400
5	27,910	37,120	41,865	55,820	69,775	83,730	111,640
6	31,970	42,520	47,955	63,940	79,925	95,910	127,880
7	36,030	47,920	54,045	72,060	90,075	108,090	144,120
8	40,090	53,320	60,135	80,180	100,225	120,270	160,360

Case Disposition	Total
Closed	614
Open	286
Rejected	116
<b>Grand Total</b>	<b>1016</b>

Case Close Reason	Total
A - Counsel or Advice	437
B - Limited Action	111
F - Negotiated Settlement w/o Litigation	35
G - Negotiated Settlement with Litigation	3
IB - Contested Court Decision	1
L - Extensive Service	28
<b>Grand Total</b>	<b>615</b>

## Seattle Cases

Race	
Asian - Pacific Islander	11
Black	12
Hispanic/Latino	8
Mixed	5
Unknown	2
White	25
(blank)	
<b>Grand Total</b>	<b>63</b>

Default Reason	
1 = Reduction in income	5
3 = Loss of income	5
4 = Medical issues	3
8 = Business Venture Failed	3
(blank)	
<b>Grand Total</b>	<b>16</b>

### Client Income

0 - 200% FLP - 23

201% - 400% of FPL - 40

> 400% FLP - 0

### Outcome: Avoided Foreclosure

7 (16 cases remain open)

Case Disposition	
Closed	36
Open	16
Rejected	11
(blank)	
<b>Grand Total</b>	<b>63</b>

Case Close Reason	
A - Counsel or Advice	23
B - Limited Action	8
F - Negotiated Settlement w/o Litigation	3
L - Extensive Service	2
(blank)	
<b>Grand Total</b>	<b>36</b>

Wednesday, March 26, 2014

## SUMMARY OF CHAO MODIFICATION

Mr. Chao's loan matter was referred to NJP from partners at the Seattle Urban League.

Due to the other issues, Mr. Chao had not paid on his mortgage since Oct of 2012.

We prepared a loan modification packet for him. The matter was a bit complicated because of multiple types of income: normal wage income, self-employment income, and home rental to a relative involving a subsidized housing subsidy.

We prepared the modification application packet, Profit & Loss statement, and support to document rental income.

We responded to requests for clarification and documentation regarding details of the rental program and other issues.

The servicer was Wells Fargo, who administered the modification process effectively.

Mr. Chao received a trial modification agreement in September. We assisted with that review and advised regarding follow up best practices.

In early November, Mr. Chao received a favorable final HAMP modification agreement. At the time he owed \$ 309,000 in principal, and \$ 28,000 in accrued interest totaling \$ 337,000.

The final mod terms include:

- An affordable payment for Mr. Chao;
- Principal forgiveness of \$ 81,000, and reduced new principal of \$256,000;
- Reduced interest rate to 2% for the first 5 years;
- Additional HAMP principal forgiveness of \$ 5,000 if he is current for the first 5 years.

## REFERENCES

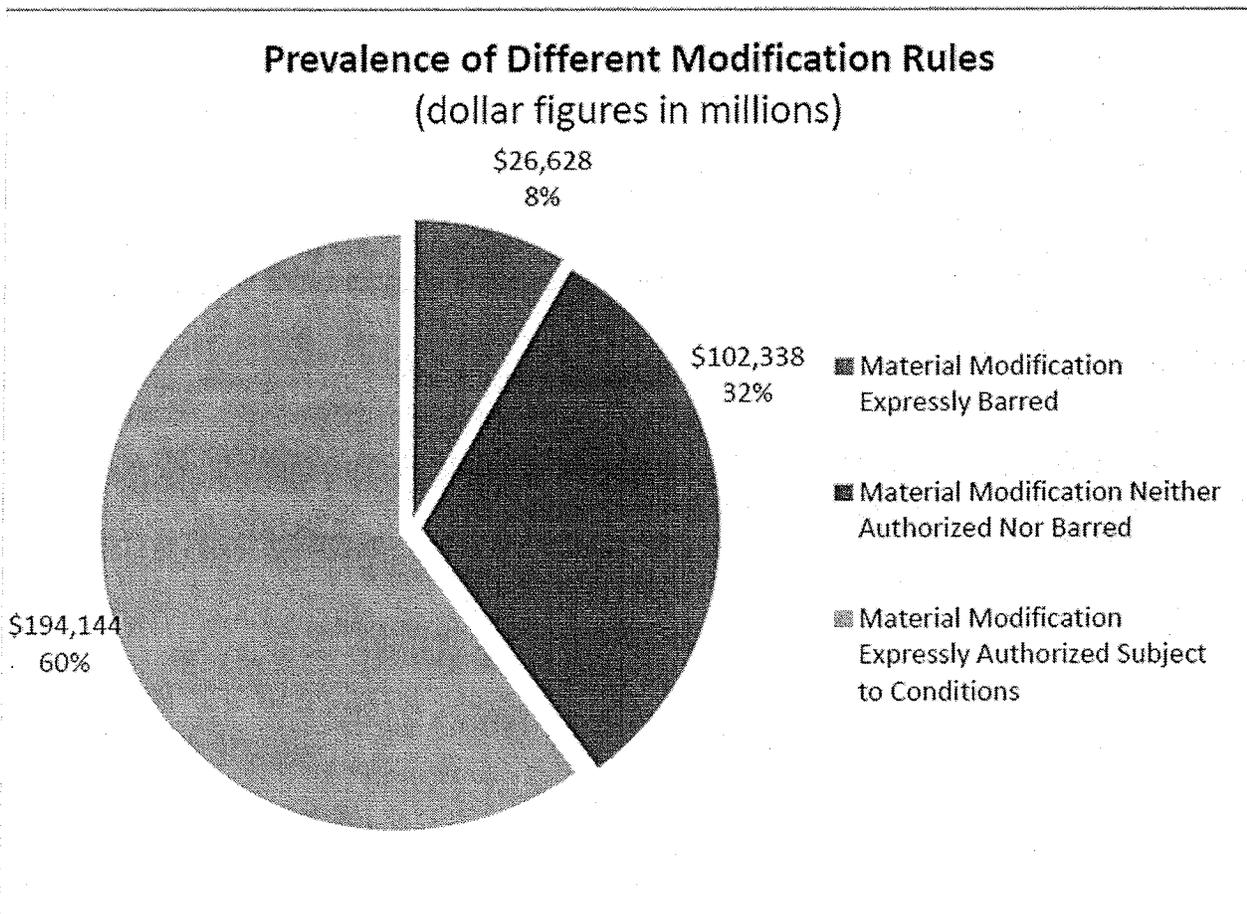
### IMPACT OF SECURITIZATION AGREEMENTS

*Loan Modification Restrictions in Subprime Securitization Pooling and Servicing Agreements from 2006: Final Results*

Author: John Patrick Hunt, Acting Professor of Law, University of California, Davis School of Law  
[http://www.law.berkeley.edu/files/bclbe/Subprime\\_Securitization\\_Paper\\_John\\_Hunt\\_7.2010.pdf](http://www.law.berkeley.edu/files/bclbe/Subprime_Securitization_Paper_John_Hunt_7.2010.pdf)

This paper briefly summarizes the results of a document review of the contract terms governing 65 of the largest subprime securitization programs in 2006. Key findings include:

1. Subprime securitization contracts may expressly bar, expressly authorize, or remain silent on material modification. Express authorization is the most common arrangement (60% of contract volume), followed by silence (32% of volume), and express bar (8%).



2. When material modification is expressly authorized, it is subject to conditions.
3. Even when material modification is expressly authorized, it is not always clear that all types of material modification are permitted.

Wednesday, March 26, 2014

4. When material modification is not expressly authorized, the contract typically contains a broad provision empowering the servicer “to do any and all things that may be necessary or desirable in servicing the loan,” or words to that effect. Even when such language is absent, the grant of power to service is a basis for arguing that the servicer may modify the loans.
5. In cases where material modification is not expressly authorized, there are contractual constraints on the power to modify, frequently arising from the agreements’ general provisions.

*What Do Subprime Securitization Agreements Say About Mortgage Modification?*

Author: John Patrick Hunt, Acting Professor of Law, University of California, Davis School of Law

31 Yale J. on Reg. Online 11

<http://jreg.common.s.yale.edu/what-do-subprime-securitization-agreements-say-about-mortgage-modification-2/>

This paper provides further information about the review process used in the study cited above, and includes the preliminary results of the review of the securitization programs. It presents the results of the only publicly available empirical study of what agreements governing subprime securitized mortgages say about mortgage modification. It includes a number of citations to further articles on the topic. In addition to the findings cited in the above Final Report, the study concludes that subprime securitization agreements’ mortgage modification provisions are quite heterogeneous—there is no typical agreement.

## **IMPACT OF OTHER FACTORS**

*Foreclosing Modification: How Servicer Incentives Discourage Loan Modifications*

Author: Diane E. Thompson, Of Counsel, National Consumer Law Center

86 Wash. L. Rev. 0755

<https://digital.lib.washington.edu/dspace-law/bitstream/handle/1773.1/1074/86WLR755.pdf?sequence=1>

Abstract: “One reason foreclosures outpace modifications is that the mortgage-modification decision maker’s incentives generally favor a foreclosure over a modification. The decision maker is not the investor or the lender, but a separate entity, the servicer. The servicer’s main function is to collect and process payments from homeowners, and servicers do not necessarily have any ownership interest in the loan. Servicers, unlike investors, generally recover all their hard costs after a foreclosure, even if the home sells for less than the mortgage loan balance. Servicers may even make money from foreclosures through charging borrowers and investors fees that are ultimately recouped from the loan pool.”

See page 781: “Servicers are not prevented from modifying loans by securitization contracts or tax and accounting rules.”

See page 782-783: “The securitization contracts offer another example of how the limitations on modifications have been overstated. Servicers have often asserted that they would make loan modifications but are scared of investor litigation or prevented by the terms of their contracts with investors. Although there are restrictions in these contracts on the number and sometimes the types of modifications performed, the vast majority of pools have no meaningful restrictions on loan modifications.”

