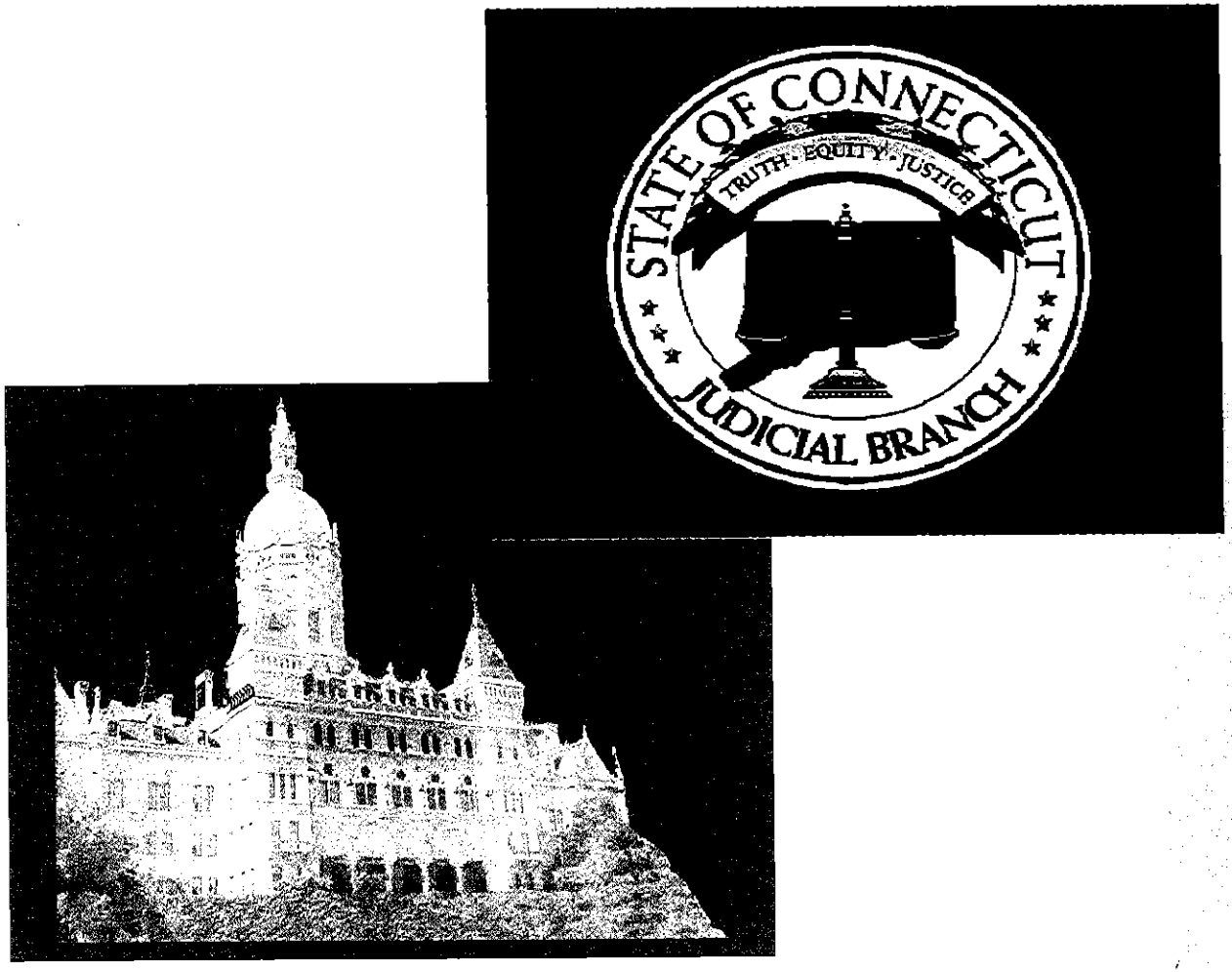
# STATE OF CONNECTICUT
# JUDICIAL BRANCH
# FORECLOSURE MEDIATION PROGRAM



# Number of Foreclosures Added
# by Court Location
# Q4-2008 vs Q4-2009

| LOCATION | 10/1/008 to 12/31/08 | 10/1/009 to 12/31/09 | Percent Change |
|---|---|---|---|
| Ansonia-Milford | 273 | 363 | 33.0% |
| Danbury | 275 | 336 | 22.2% |
| Fairfield | 910 | 848 | -6.8% |
| Hartford | 819 | 920 | 12.3% |
| Litchfield | 225 | 253 | 12.4% |
| Meriden | 58 | 50 | -13.8% |
| Middlesex | 212 | 348 | 64.2% |
| New Britain | 454 | 459 | 1.1% |
| New Haven | 853 | 1085 | 27.2% |
| New London | 416 | 538 | 29.3% |
| Stamford | 366 | 584 | 59.6% |
| Tolland | 138 | 182 | 31.9% |
| Waterbury | 490 | 536 | 9.4% |
| Windham | 193 | 240 | 24.4% |
| State | 5682 | 6742 | 18.7% |

# Increase in Foreclosure Cases

- **Continuing Increase in Foreclosure Cases Filed Since July 2008**

- **Causes of the Increase**
  - Subprime, Alt A and Option Arm Mortgages
  - State and Nationwide Economic Downturn/ Increasing Unemployment/Loss of Income
  - Decreasing Property Values/Inability to Refinance

- **Predictions for the Future**
  - Additional Default of Alt A and Option Arm Mortgages with Recent and Future Reset Dates

# Foreclosure Mediation Staff
# Mediation Specialists

**4 mediators in each of the following Judicial Districts:**

- Fairfield (Bridgeport)
- Hartford

**3 mediators in each of the following Judicial Districts**

- New Haven

**2 mediators in each of the following Judicial Districts:**

- New Britain
- New London
- Stamford-Norwalk
- Tolland (also covers Windham JD)
- Waterbury (also covers Litchfield JD)

**1 mediator in each of the following Judicial Districts:**

- Middlesex (also covers Meriden JD)
- Danbury
- Ansonia-Milford

# Foreclosure Mediation Staff Caseflow Coordinators

## 9 staff members covering 14 Judicial Districts

- Fairfield (Bridgeport)
- Ansonia-Milford
- Hartford
- New Haven
- New Britain, Middlesex and Meriden
- New London
- Tolland and Windham
- Stamford-Norwalk and Danbury
- Waterbury and Litchfield

# Foreclosure Mediation Staff Office Clerks

**17 staff members within the following Judicial Districts:**

- Ansonia-Milford JD
- Fairfield (Bridgeport) JD
- Danbury JD
- Hartford JD
- Litchfield JD
- Middlesex JD
- New Britain JD
- New Haven JD
- New London JD
- Stamford-Norwalk JD
- Tolland JD
- Waterbury JD
- Windham

# Staff Training and Outreach

- **Continuous Review and Application of Federal Guidelines in Mediation Process**
- **Participation in Online Classes for HAMP and FHA Underwriting Process**
- **Education Through Outreach Programs**
  - HUD, CHFA, Housing Counselors, Legal Exchange, CT Fair Housing Center, Community Interest Groups
- **Attendance at Monthly Training Sessions with Presentations from Outside Agencies**
  - HUD, CHFA, Housing Counselors, Workplace, Inc., CT Fair Housing Center, Fannie Mae

# Settlement Options Available in Mediation

**Homeowner Remains in Home**

- Home Affordable Modification Program (HAMP)
- Internal Modification With Lender
- CHFA (EMAP; CT FAMLIES)
- Partial Claim (FHA Loan for Arrearage)
- Forbearance Plan
- Reinstatement
- Repayment Plan

**"Graceful Exits"***

- Short Sale (HAFA in April)
- Deed In Lieu of Foreclosure (HAFA in April)
- Extended Sale Date or Law Day
- Sale

* The Center for American Progress Report, "It's Time We Talked, Mandatory Mediation in the Foreclosure Process", June 2009

# Home Affordable Modification Program (HAMP)

- **Guidelines Issued 3/4/2009 for Participating Lenders**
  - Participation is Voluntary for Lenders Except: Fannie Mae/Freddie Mac Loans, FHA Loans and Lenders in Receipt of TARP Funds
  - Mortgage Payment May Be Lowered to 31% of Borrower's Gross Income (PITI)
  - Lender May: Reduce Interest Rate, Fix Interest Rate, Extend Term of Loan and/or Reduce Principal Balance
- **Provides Incentive for Lenders to Modify Loans**

# Obstacles to HAMP Implementation

- Guidelines Issued in March 2009 But Not Implemented Until May 2009
- Lengthy Review Process (Minimum of 30 Days, With Many Cases Taking Significantly Longer)
- No Oversight For Servicers in Review Process
- New Guidelines Are Released and Improperly Applied by Servicers
- 3 Month Trial Plans Being Extended (As Long As 9 Months)
- Borrowers Denied For Trivial or Wrong Reasons (No Returned Phone Call; No Profit & Loss For Borrower Not Self-Employed)

# Mediator Role in Achieving Settlement

- Provide Oversight for Implementation and Application of Federal Guidelines
- Apply Knowledge About Programs and Guidelines to Mediations
- Keep Trial Plans in Mediation Until Permanent Approval or Legitimate Denial
- Provide Encouragement and Explanation to Borrowers in Arduous Resolution Process
- Refer to Outside Agencies for Possible Assistance (CHFA, HUD, HUD Counselor, Workplace, Inc.)

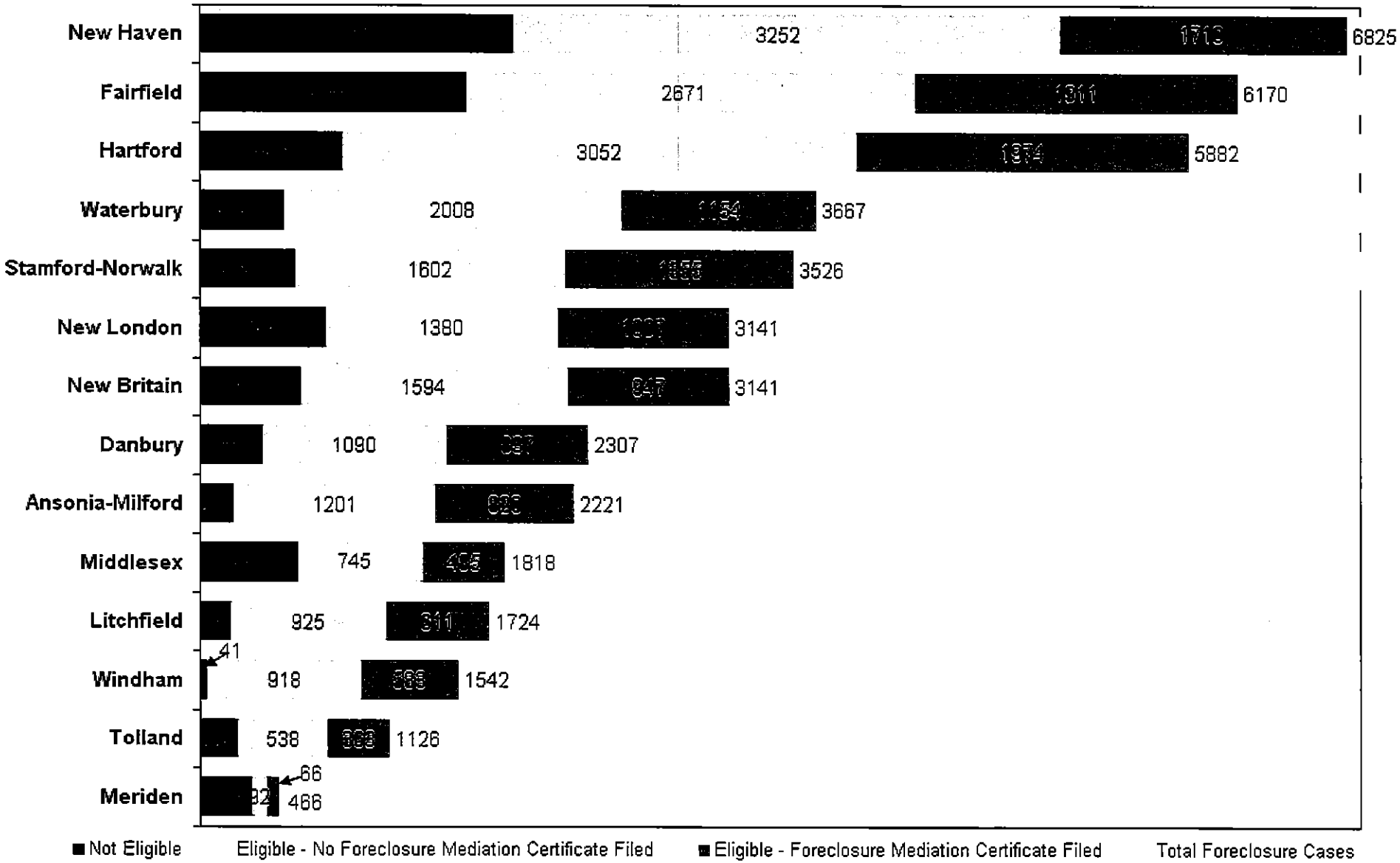
# Alternative Solutions to HAMP

- **Internal Modification**
  - No Independent Regulation
  - Ranging From Stringent Repayment Plan to Full Modification With Lower Interest Rate
- **CHFA**
  - EMAP: Loan to Reinstate or Monthly Assistance
  - CT FAMLIES: Refinance
- **Short Sale**
  - No Current Regulations (HAFA in April)
  - Lengthy Review Process
- **Deed In Lieu of Foreclosure**
  - No Current Regulations (HAFA in April)
  - Lengthy Review Process
- **Extended Sale Date or Law Day**

# Mediator Caseload

- As of February 28, 2010, 5629 Cases Have Completed the Mediation Process
- To Date, 9610 Cases are Pending in the Foreclosure Mediation Program
- Judges Have Referred Over 1400 Cases to the Mediation Program from Short Calendar
- Majority of Cases Require Multiple Mediation Sessions (average 4-5 but as many as 12)

# Foreclosure Mediation Program (FMP) Statistics
## As of February 28, 2010




- Statewide, there were 43,556 foreclosure cases filed between July 1, 2008 and February 28, 2010.
- Foreclosure mediation certificates(13,823) have been filed in 40% of the 34,891 eligible cases.

# Eligibility of Foreclosure Cases for Mediation

## What does Eligibility Mean?

Cases are deemed eligible and included in the bar graph based on two criteria only:

1. The return date is on or after July 1, 2009
2. It is a mortgage foreclosure action

***These are the only criteria for the program that can be determined from the foreclosure papers that are filed in court.**

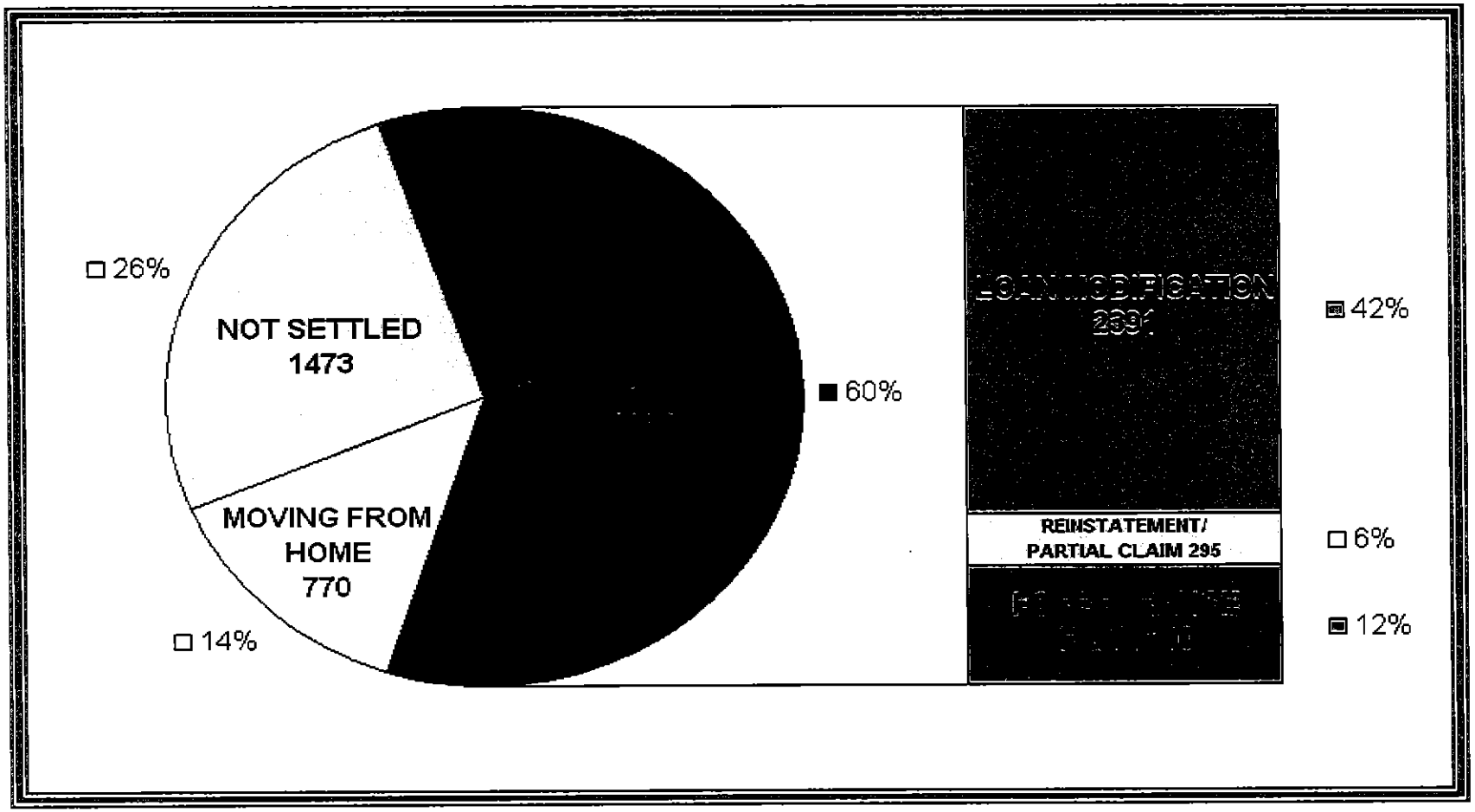
# Why does the participation rate seem low?

Mortgage foreclosure cases with a return date of July 1, 2009 or after may never participate in Foreclosure Mediation because the property is not:

- Residential
- 1-4 Units
- Owner Occupied
- Primary Residence

*** This information cannot be determined from the foreclosure papers that are filed in court.**

# Foreclosure Mediation Program (FMP) Results
## As of February 28, 2010



- STATEWIDE, 5,629 CASES HAVE COMPLETED MEDIATION AS OF FEBRUARY 28, 2010. THIS CHART ILLUSTRATES THE OUTCOME OF THESE CASES.
- THE CATEGORY "MOVING FROM HOME" INCLUDES AGREEMENTS FOR A SHORT SALE, A DEED IN LIEU, OR AN EXTENSION OF THE LAW DAY OR SALE DATE.
- THE CATEGORIES "MOVING FROM HOME" AND "STAYING IN HOME" WHEN ADDED TOGETHER RESULT IN A **SETTLEMENT RATE OF 74%.**

# Foreclosure Mediation Program

- First and Most Successful Statewide Foreclosure Mediation Program in the Nation
- Heralded as the National Model (many other states look to us for guidance)
- Extensive Media Coverage and Acclaim
- Success of Mediation Program has Prompted Proposed Federal Legislation Requiring Foreclosure Mediation

# Foreclosure Mediation Program

Success stories…