

Arizona Agency Foreclosure Training January 28, 2007

Presented by:

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Arizona Foreclosure Process: Notice of Default

- Notice must specify:
 1. The default
 2. The action necessary to cure the default
 3. A date, not less than 30 days from the date the notice is given the Borrower, by which the default is cured
 4. Failure to cure ... will result in acceleration of sums ... and sale of property



Arizona Foreclosure Process: Notice of Default

- Notice must also specify:
 - a) Borrower's right to reinstate
 - b) Right to bring a court action to assert the non-existence of a default
 - c) Or other defense of Borrower to acceleration and sale



Arizona Foreclosure Process:

“If Lender invokes the power of sale, Lender shall give written notice to Trustee of the occurrence of an event of default and of Lender’s election to cause the Property to be sold. Trustee shall record a notice of sale in each county in which any part of the Property is located and shall mail copies of the notice as prescribed by Applicable Law to Borrower and to the other persons prescribed by Applicable Law.”



Arizona Foreclosure Process:

“After the time required by Applicable Law and after publication and posting of the notice of sale, Trustee, without demand on Borrower, shall sell the Property at public auction to the highest bidder for cash at the time and place designated in the notice of sale.”



Arizona Foreclosure Process:

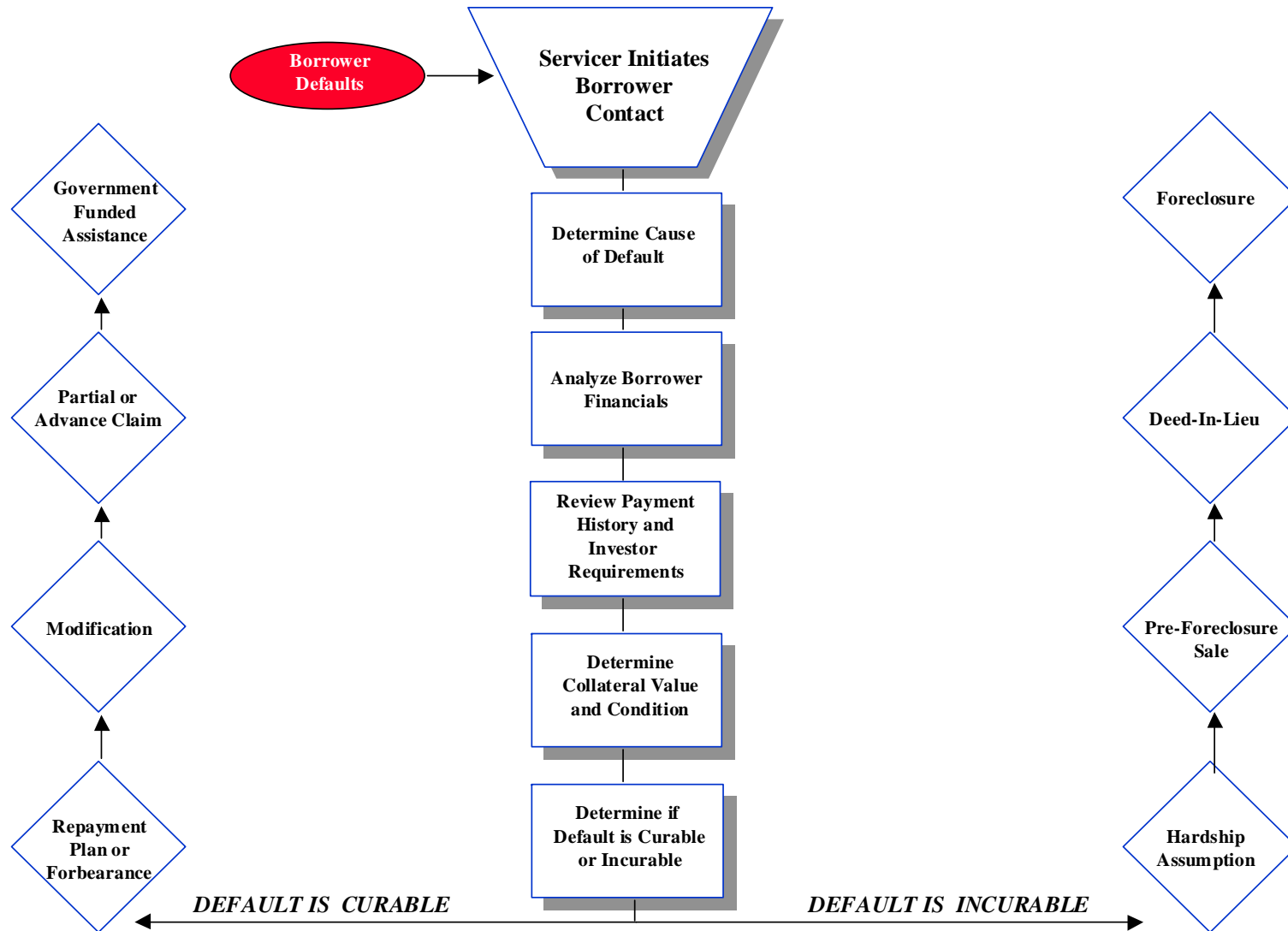
“Trustee may postpone sale of the Property by public announcement at the time and place of any previously scheduled sale. Lender or its designee may purchase the Property at any sale.”



Arizona Foreclosure Process:

“Trustee shall apply the proceeds of the sale in the following order: (a) to all expenses of the sale, in-cluding, but not limited to, reasonable Trustee’s and attorneys’ fees; (b) to all sums secured by this Security Instru-ment; and (c) any excess to the person or persons legally entitled to it or to the county treasurer of the county in which the sale took place.”

LOAN WORKOUT DECISION TREE





Loss Mitigation Options

If Default is Curable

- Forbearance
- Modification
- Refinance
- Partial Claim
- Assistance Program

Default is Incurable

- Sell the Property
- Hardship Assumption
- Short Sale
- Deed in Lieu of Foreclosure



Forbearance

- Cause of default must be remedied
- Borrower has few liquid assets
- Payments must be realistic and cure default in 12 – 18 Months
- May require cash paid toward accrued past due payments and fees
- Sometimes a lead tactic prior to a modification



Modification

- A permanent change to the Note such as:
 - Change in interest rate
 - Change in length of loan
 - Conversion to fixed rate or adjustable rate
- Appropriate when there is a permanent change in income or other condition that allowed original loan approval
- Hardship letter required



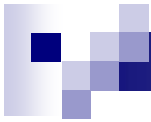
Refinance

- Appropriate when original financing was an 80/20 with the same lender
- Streamlined refinances do not require an appraisal or extensive re-verification of income
- A Reverse Mortgage may be an excellent solution for borrowers over 62 years old with equity



Partial Claim

- Mortgage insurer makes payment to Lender to correct a default
- Often results in a subordinate lien to insurer for amount paid
- Only practical when default caused by a temporary condition that has been resolved
- Allows reinstatement



Assistance Programs

- Money Management International provides assistance up to \$5,000 for certain types of defaults
- Very few examples of assistance programs currently available (as of January, 2008)



Sale of Property

- Practical when adequate equity in place for payment of all liens, selling costs, and funds to Borrower
- Lender will require proof of bona fide effort to sell property with legitimate Purchase Offer
- Lender may require token payments while transaction is completed



Hardship Assumption

- Requires assuming party to qualify for existing loan
- May include a modification to bring loan current if Buyer limited in cash
- Typically very low equity in property unless Buyer has adequate cash to pay costs and proceeds to Seller



Short Sale

- Requires Lender to write down portion of amounts due
- A cost effective alternative when it is cheaper to write down balance than foreclose
- Must be approved by Lender and Mortgage Insurer (if applicable)
- Realtors seeking to use this tool more often



Deed-In-Lieu of Foreclosure

- A cost saving for Lender when foreclosure inevitable – time is money
- Subordinate lien holders take on obligation of senior lien – not often done
- Lender will require property to be in good condition
- Foresee cash-for-keys program if foreclosures increase in volume



Thank You!

For further information call:

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