



Briefing

HAMP report card shows number of failed trial mods

The number of trial modifications canceled under the Home Affordable Modification Program (HAMP) totaled 60,476, according to the most recent Servicer Performance Report. The new report, issued on Feb. 17, for the first time broke out the number of trial mods that have been cancelled, as well as the number of permanent HAMP modifications that have been cancelled (1,005). The new report contains cumulative data through January 2010.

The report also documented that the number of permanent modifications under HAMP has climbed to 116,297, up from 66,465 in December. The permanent mod number was up significantly from November, when just 31,382 had been recorded.

The administration included a chart along with the latest report that shows of the estimated 5.6 million borrowers who are 60 days delinquent, only 1.7 million are likely to be eligible for HAMP. Fully 600,000 of the 60-days-past-due loans fall out of eligibility because the servicers are non-participating HAMP servicers. Another estimated 800,000 loans drop out of HAMP eligibility because the loans were for non-owner-occupied properties at origination. An additional 900,000 loans are not eligible because the debt to income ratio is less than 31 percent.

Clear Capital sees first year-over-year national home-price gains

For the first time in 37 months, a new home-price report has found evidence that home prices

on a national level are recovering. The latest Home Data Index™ (HDI) Market Report from Clear Capital, Truckee, California, found national home prices gained 2.3 percent (year-over-year) in the report covering sales activity through January.

The Northwest region was the only one posting a drop in quarterly home prices (-1 percent). The Midwest saw prices up by 5 percent, the South was up 1.5 percent and the West gained 1.3 percent, all on a quarterly basis.

In an interview with *Mortgage Banking*, Alex Villacorta, senior statistician with Clear Capital, said, "The major free fall in home prices is over." He added that since the start of the decline in home prices in 2006, the fact that we are now seeing the first year-over-year increase in prices nationally "speaks volumes."

IAS 360 finds yearly decline in national home prices

Denver-based Integrated Asset Services LLC released its latest IAS360® House Price Index (HPI) on Feb. 9 and found the index for national home prices fell by 5.3 percent in the period from December 2008 to December 2009. The quarterly decline in December was 0.7 percent.

Summing up the findings, Dave McCarthy, president and chief executive officer of Integrated Asset Services, said, "We're still in a mess."

The latest report found that the index is now down by more than 22 percent from its high-water mark in July 2007. The HPI is now at a level last seen in mid-2004. In a press release announcing the findings, McCarthy said, "I still think the risk of continued weakening in house prices nationally is considerable."

The latest HPI report found the index turned positive in only one census region in the monthly results for December 2009 compared with November 2009. The South saw the home-price index rise by 2.3 percent in that period. The Midwest saw the index drop by 4.2 percent in the same period.

HAMP rules revised to get income documentation upfront

On Jan. 28, the Obama administration issued revised guidelines to help boost the number of trial loan modifications that can be converted to permanent modifications under the Home Affordable Modification Program (HAMP). The new rules require that key documents, including proof of income, be obtained at the front end of the modification process. The announced goal of the change is to enable quicker conversion from a trial HAMP mod stage to a permanent modification and to enable servicers to more effectively use their resources.

The Treasury Department and the Department of Housing and Urban Development (HUD) issued a joint press release announcing the new guidance, which is contained in Supplemental Directive 10-01. The guidance states that before borrowers can be evaluated as to their eligibility for a trial HAMP modification, they must provide a simple standard package of documents. The release notes, "This process will be required for all new HAMP modifications that became effective after June 1, although mortgage servicers may implement it sooner."

The new approach requires servicers to verify income/eligibility before any borrower can be offered a

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trial period plan. The second component of the guidance attempts to offer help to servicers seeking to make eligibility determinations for borrowers currently in trial plans, including borrowers subject to the temporary review period required under Supplemental Directive 09-10.

Freddie Mac and non-profits launch borrower help centers

On Jan. 28, Freddie Mac announced it was joining 13 national and local non-profit groups in a pilot effort to help persuade discouraged delinquent borrowers to pursue loan modifications. Freddie is launching new Borrower Help Centers in Chicago, Phoenix, San Bernardino (California) and Washington, D.C.

The centers will provide free, confidential one-on-one mortgage counseling to past-due borrowers with Freddie Mac-owned mortgages. A separate Borrower Help Network is being launched to contact borrowers and offer counseling over the phone.

The efforts are targeting borrowers who may be eligible for a loan modification but who never contacted their lender or were frustrated or unsure about the process and gave up trying to pursue a modification.

California posts highest mortgage fraud risk in Q4

In a new report, Agoura Hills, California-based Interthinx found California passed Nevada in terms of the risk of mortgage fraud in the state. Nevada had led all other states with the highest index reading for the previous five consecutive quarters, but California took over the top spot

with an index value of 222 in the fourth quarter of 2009. That compared with Nevada's index reading of 220 in the final quarter of last year.

Interthinx publishes a quarterly *Mortgage Fraud Risk Report*, and the latest report found that most types of mortgage-related fraud were on the rise at the end of last year. The new report specifically found increases in the risk index for occupancy fraud, employment/income fraud and property valuation. A press release noted, "Despite a slight (4 percent) quarter-on-quarter decrease, the property valuation fraud risk index is up 40 percent over last year [2008] and up more than 100 percent from two years ago. Schemes involving short sales, REO inventories, wholesale flipping and refinancing by borrowers whose equity has been impaired by falling real estate values continue to drive this index."

California entry-level affordability improves slightly in 2009

The California Association of Realtors® (CAR), Los Angeles, announced that housing affordability for entry-level homes improved just marginally in the fourth quarter of 2009 versus a year earlier. CAR reported that the median price

of an entry-level home in the Golden State was \$257,940 in last year's fourth quarter.

The realty trade group's First-time Buyer Housing Affordability Index stood at 64 percent in last year's final quarter, meaning 64 percent of households could afford to buy an entry-level home. That was up from a revised 61 percent in the fourth quarter of 2008, but was identical to the index reading in the third quarter of 2009. CAR reported that the minimum household income needed to buy an entry-level home in the state was \$44,100 in the fourth quarter of 2009.

The income needed to buy an entry-level home was calculated based on adjustable-rate financing at an interest rate of 4.5 percent and assuming a 10 percent down payment. CAR found that the minimum qualifying income was 4 percent lower than a year earlier, when households needed \$45,900 to qualify for a loan on a starter home.

LPS reports more than 7.2 million loans past due

New numbers released by Lender Processing Services Inc., Jacksonville, Florida, show that the total non-current loan rate reached 13.3 percent, based on

Business Barometer	
TOTAL HOUSING STARTS (SEASONALLY ADJUSTED)	
	No. of Starts
January 2010:	591,000
January 2009:	488,000
Year-Over-Year Change:	21.1%

SOURCES: U.S. Census Bureau, Department of Housing and Urban Development (HUD)



data collected as of the end of December 2009. LPS added that if you extrapolate that percentage out over the entire industry, it indicates more than 7.2 million mortgages are now behind on payments.

Further, LPS' January 2010 *Mortgage Monitor* report found that an estimated 1 million properties are now owned by banks.

There were 2.3 million mortgages that started the year current in 2009 but turned seriously delinquent by December 2009, according to LPS. Prime loans have experienced "deterioration at a worse pace on a relative basis than subprime, FHA [Federal Housing Administration] and all loans as a whole." Within the category of prime loans, loans with current unpaid principal balances between \$417,000 and \$600,000 have performed the worst, LPS said.

Phoenix most highly searched housing market online in Q4

In ZipRealty's fourth-quarter 2009 *Home Hunter Report*, Phoenix emerged as the most highly searched housing market online. The finding is based on the total number of home searches on www.ziprealty.com. Emeryville, California-based ZipRealty is a full-service residential real estate brokerage firm.

"We've seen incredible buyer interest throughout 2009 in homes perceived as bargains in the Phoenix area from across the country, and even from 'snow birds' looking for winter retreats from Canada," according to Leslie Tyler, ZipRealty vice president. Tyler added, "Meanwhile, buyers and sellers in Southern Florida still seem to be waiting for the bottom of the market."

Following Phoenix on the list of most popular markets searched online are: Scottsdale, Arizona;

Orlando, Florida; Summerlin (Las Vegas community), Nevada; Chandler (Phoenix metro), Arizona; Mesa (Phoenix metro) Arizona; Gilbert (Phoenix metro), Arizona; Henderson-Green Valley (Las Vegas metro), Nevada; Atlanta; and Kissimmee (Orlando metro), Florida.

The report also lists markets where home sellers are fetching both the highest and the lowest offers compared with asking prices in the 33 markets that ZipRealty tracks. The two hottest markets based on the amount that sales price exceeded list price were: Berkeley, California, and the Tarzana district of Los Angeles.

Congressmen raise commercial real estate market concerns

Congressman Paul Kanjorski (D-Pennsylvania) joined with a Republican colleague in the House, Rep. Ken Calvert (R-California) in sending a letter to Treasury Secretary Timothy Geithner and Federal Reserve Chairman Ben Bernanke raising concerns over the health of the commercial real estate (CRE) market. The letter was signed by 77 other House colleagues, and expressed growing concerns that deteriorating conditions in the commercial real estate market may threaten the economic recovery.

In the letter sent on Feb. 1, Kanjorski, who is also chairman of the House Financial Services Subcommittee on Capital Markets, Insurance and Government Sponsored Enterprises, stated, "[T]he growing bubble in the commercial real estate industry has the potential to infect our economy and slow a recovery." He added, "In order to safeguard the businesses operating on Main Street and protect the millions of jobs depending on com-

mercial real estate, the Treasury and the Federal Reserve now must take needed and urgent action to stave off a potentially devastating wave of commercial real estate foreclosures and bank losses."

Justice Department to increase focus on discrimination in loan mods

The Department of Justice's (DOJ's) lead player in enforcing anti-discrimination laws announced in a speech that his division was launching an aggressive push to investigate and prosecute discriminatory mortgage lending and servicing practices. In a Jan. 14 speech before the RainbowPUSH Coalition's Annual Wall Street Conference, Assistant Attorney General for the Civil Rights Division Thomas E. Perez said the department was creating a Fair Lending Unit within the Civil Rights Division's Housing and Civil Enforcement Section to go after potential wrongdoers.

An account of the speech authored by Paul F. Hancock, Melanie Brody and David McDonough Jr. of K&L Gates law firm noted that Perez indicated that his office would focus special attention on mortgage servicing. The article titled "Opening the Fair Lending Enforcement Floodgates?" states, "The Department said it will soon review loan-modification data compiled by the Treasury Department under the Obama administration's Home Affordable Modification Program. This review will apparently include analyzing whether minority borrowers receive less-favorable terms or conditions than comparable non-minority borrowers in their quest for a loan modification."

Assistant Attorney General Perez co-chairs the non-discrimination working group of DOJ's Financial Fraud Enforcement Task Force.

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