



# Homeownership Program Bulletin

December 19, 2007

Program Bulletin #2007-42

To: CalHFA Approved Lenders

## FORECLOSURE AVOIDANCE

The California Housing Finance Agency (CalHFA) has been closely monitoring the continuing increase of foreclosures in California. Foreclosure is not only devastating to the individual borrower losing her or his home, but can also trigger value decreases in the neighborhood. Many neighborhoods are already experiencing these value declines, which depress the economy.

CalHFA requests that all Servicers be proactive by providing loss mitigation assistance, not only on loans serviced for CalHFA, but for all California borrowers.

Fortunately, CalHFA loan products do not contain “teaser rate” or “sub-prime” loans, both of which result in an interest rate adjustment with a payment too high for many borrowers to afford. However, CalHFA borrowers can encounter unavoidable situations that render them unable to keep their mortgage payments current. Examples include: unemployment, reduced income, divorce, death, permanent or short term disability. With these types of hardships, assuming the borrower is cooperative in providing required verification; CalHFA Servicers are encouraged to explore all available alternatives that will result in eventually bringing the loan current and allowing the borrower to remain in their home. Possible solutions may be a short or long term repayment plan, special forbearance to suspend payments for a period of time, loan modification, or partial claim. If there is no hope for the borrower retaining the property, the possibility of a short sale or loan assumption should be explored.

Servicers can refer to CalHFA Servicer’s Guide, Section 6, Delinquencies, for options which require CalHFA prior approval. In order to further encourage the use of repayment plans and make the processing less cumbersome for Servicers, CalHFA is making the following changes to the Servicer’s Guide:

- For repayment plans up to and including eighteen months, if a Trustee Sale has not been scheduled, CalHFA prior approval is not required.
- Once the Repayment Agreement has been executed, the Servicer should notify CalHFA in writing, indicating the reason for default, and the terms of the repayment plan.
- The Servicer must certify to CalHFA that it performed all required verifications and determined that the borrowers qualify and have met all HUD or MIS guidelines for approval.

Both Servicers and borrowers benefit from early communication, which can foster a caring, trusting relationship. As we all know, the most common reaction from a delinquent borrower is fear, resulting in calls not being answered or returned and mail ignored.

Your assistance would be appreciated in directing borrowers to three web sites which contain consumer information:

- [www.995HOPE.org](http://www.995HOPE.org)
- [www.yourhome.ca.gov](http://www.yourhome.ca.gov)
- [www.sucasa.ca.gov](http://www.sucasa.ca.gov).

Borrowers can also contact:

- HUD's toll free Housing Counseling and Referral Line at 800-569-4287
- The Homeownership Preservation Foundation hotline at 888-995-HOPE

Servicers are also encouraged to consider partnering with consumer credit counseling agencies to initiate contact with borrowers who are not responding to contact attempts by the lender.

Thank you for your continued support of CalHFA loan programs. With your assistance, many low and moderate income families who are facing foreclosure may retain their homes and their dignity.

For questions about this bulletin, contact CalHFA Homeownership Programs by phone 916.324.8088; by fax 916.324.6589; by email at [homeownership@calhfa.ca.gov](mailto:homeownership@calhfa.ca.gov) and you can always visit CalHFA's web site at: [www.calhfa.ca.gov](http://www.calhfa.ca.gov)

Unless otherwise directed, please send all loan files and documents to:  
CalHFA Homeownership Programs  
1121 L Street, 7<sup>th</sup> Floor  
Sacramento, CA 95814