Date: 2/9/2012
City: Orlando, FL

NAHB Resolution

Title: Foreclosures
Sponsor: NAHB Task Force on Foreclosures
Submitted by: Brian Catalde

WHEREAS, home mortgage foreclosures continue to have a significant negative impact on the housing market and contribute to the lag in the nation's economic recovery. While the majority of foreclosures have been concentrated in a handful of states, no state has avoided the negative effects on prices created by foreclosures;

WHEREAS, state restrictions and cumbersome processes at financial institutions have hampered efforts to utilize alternatives to foreclosures, such as short sales and deeds-in-lieu of foreclosure, and the resulting delays in selling properties causes additional unnecessary declines in value of such homes;

WHEREAS, inconsistent state laws governing the foreclosure process and unclear mortgage servicing guidelines continue to hamper and slow the foreclosure process, while federal and state efforts to impose penalties on servicers involved in improper foreclosure practices have further impeded foreclosure resolutions;

WHEREAS, government efforts to mitigate foreclosures and reduce the inventory of foreclosed homes have had limited success;

WHEREAS, the burgeoning inventory of foreclosed homes, and the use of foreclosure sales in home valuations, have placed significant downward pressure on home prices;

WHEREAS, home prices have fallen by record amounts across the country, making consumers hesitant to undertake home purchases and making it more difficult for homeowners to sell their current home in favor of a new residence;

WHEREAS, the decline in house prices makes it difficult for new home construction to compete in current market conditions, as the cost of building a new home can be higher than the final appraised value;

WHEREAS, stopping this trend in foreclosures ultimately will have benefits beyond the housing industry. Stabilizing home values will improve the balance sheets of financial institutions and will reassure home owners that their biggest asset will retain its value; and

WHEREAS, on January 4, 2012 the Federal Reserve released a white paper entitled The U.S. Housing Market: Current Conditions and Policy Considerations, noting that "restoring the health of the housing market is a necessary part of a broader strategy for economic recovery" and outlining several foreclosure mitigation and REO inventory reduction proposals,

NOW, THEREFORE, BE IT RESOLVED that NAHB urge bank regulators to reduce the number of homeowners going into foreclosure by:

- Improving loan modification programs, such as Home Affordable Modification Program (HAMP), to require principal reductions when net present value tests support this option. Principal reduction should be paired with shared appreciation or other conditions to avoid the risks of moral hazard,
- Implementing further adjustments to refinancing programs, such as Home Affordable Refinance Program (HARP) and FHA Short Refinance, to allow for greater participation,
- Requiring second mortgages be incorporated into the protocol for handling non-performing loans and eligibility criteria for loan modifications.

BE IT FURTHER RESOLVED that NAHB support efforts to establish national servicing standards that include clear procedures for handling non-performing loans.

BE IT FURTHER RESOLVED that NAHB encourage states to develop best practices for handling non-performing loans so that servicers, investors and borrowers understand the rules. Establishing this protocol will ensure that all parties can take the appropriate steps in a prompt manner without fear of litigation.

BE IT FURTHER RESOLVED that NAHB support efforts to persuade America's financial institutions to take more effective loan modification actions and institute reforms in mortgage servicing to help home owners who are in financial need that have behaved responsibly in handling their mortgage and other financial obligations avoid foreclosure.

BE IT FURTHER RESOLVED that NAHB urge banks to engage in transparent and effective forms of communication with borrowers to avoid unnecessary financial distress.

BE IT FURTHER RESOLVED that NAHB support alternatives to foreclosures, such as short sales and deeds-in-lieu of foreclosure, and encourages states to make these

processes more efficient, and urge financial institutions and their regulators to implement more effective asset sale procedures and more diligent property maintenance practices.

BE IT FURTHER RESOLVED that NAHB seek program and policy changes to reduce the inventory of Real Estate Owned (REO) properties, such as:

- Permitting for-profit companies to fully participate in all aspects of the disposition of the REO properties, including the purchase, management, leasing, and rehabilitation of the properties,
- FHFA and FHA establishing financing options for builders and investors to purchase REO properties and increase the caps on the number of GSE loans an investor can have,
- Modifying existing federal housing programs, such as the FHA Section 203(k) program, to allow investor participation in disposing of REO properties,
- Facilitating the creation of investor lease-to-own programs that can be operated at scale,
- Fannie Mae, Freddie Mac and FHA revising their condo policies to provide needed liquidity to reduce the excessive inventory, such as flexibility with regard to owner-occupancy ratios, investor ownership ratios, pre-sale requirements and delinquent HOA assessments.
- State housing finance agencies (HFAs) should be granted additional authority to assist troubled mortgage borrowers and speed the absorption of foreclosed homes.

Please note: This resolution will require a two-thirds majority vote for approval.

If approved, this resolution will replace 2011.5 No. 7 Combating Home Foreclosures.

Board of Directors Action:	Approved
Executive Board Action:	Recommends Approval
Resolutions Committee Action:	Recommends Approval
Housing Finance Committee Action:	Recommends Approval
State and Local Government Affairs committee Action:	Recommends Approval
Federal Government Affairs Committee Action:	Recommends Approval