

Mortgage Delinquency and Modification: Economic Research and Policy

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Homeowner Programs

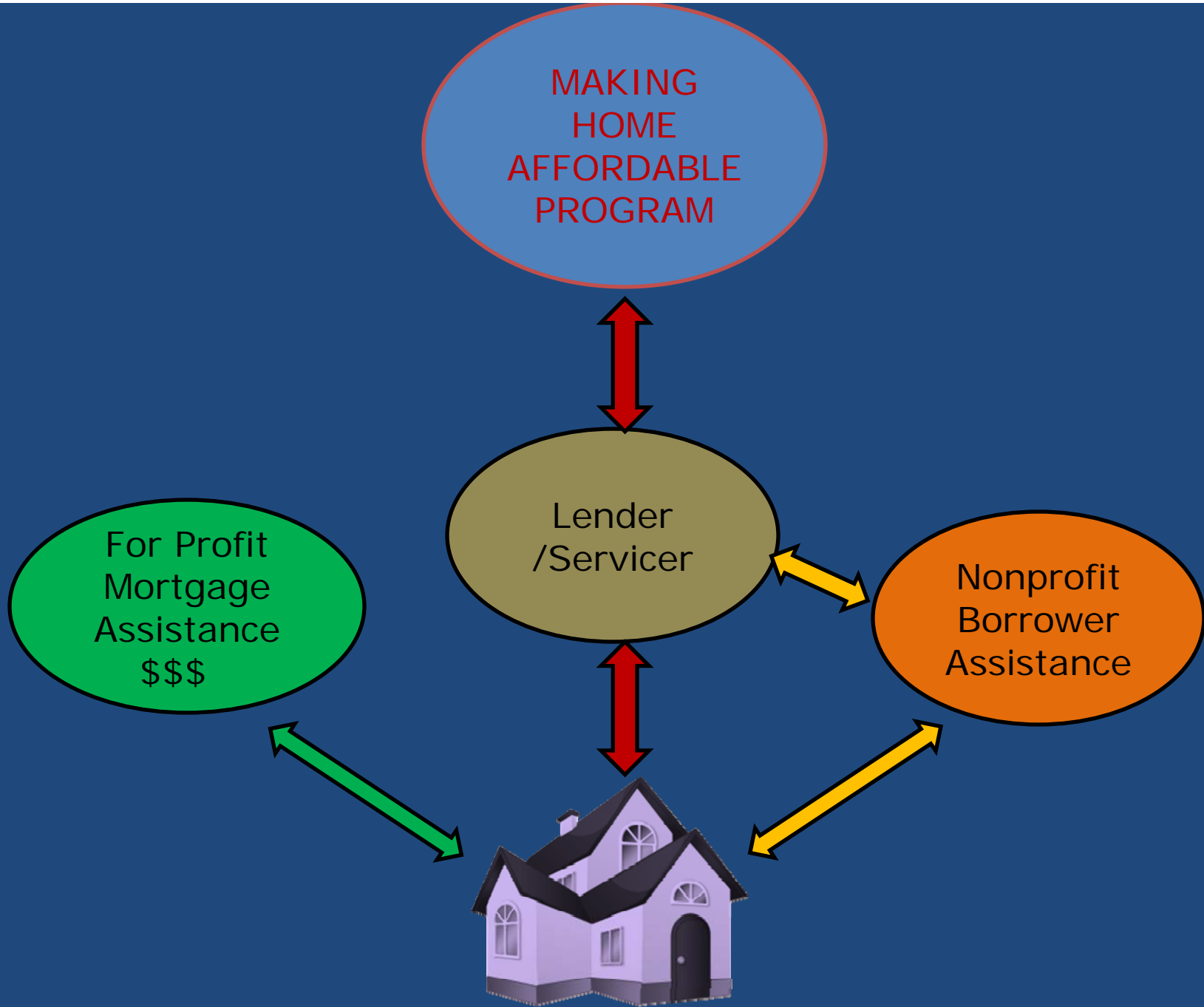
- August 2008: Hope For Homeowners Program
- October 2008: California's multi-state predatory lending settlement with Countrywide requiring modification of qualifying subprime and pay-option ARM mortgage loans
- March 2008: The Making Home Affordable Program

MAKING HOME AFFORDABLE PROGRAM

Lender /Servicer

For Profit Mortgage Assistance
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Nonprofit Borrower Assistance



FTC Response

- Law Enforcement: 22 cases since early 2008, and more to come by year end.
- April 2009 – sent warning letters to more than 70 companies selling “mortgage loan modification” services
- Consumer Education: Money Matters, “Real People, Real Stories: Avoid Foreclosure Rescue Scams” video
- Rulemaking
- Partnering with Treasury, HUD, states and other agencies

Law Enforcement Trends

- In early 2008, cases challenged marketing of short term, high-cost loans to homeowners facing foreclosure
- Later in 2008, companies making false promises can obtain a mortgage loan workout to prevent foreclosure in exchange for up front fees.
- In 2009, for-profit mortgage loan modification and other mortgage assistance services explode (17 cases) – for large, advance fees guarantee mortgage loan modifications with reduced monthly payments.
- Attorney participation to circumvent some state laws

Techniques

- Masquerade as affiliated with government programs, lenders/servicers, or nonprofit housing counseling services
- Tie-up homeowners for several months
- Advise homeowners to stop making mortgage payments
- Direct homeowners not to speak with lender
- Tout special skills and connections in mortgage industry to negotiate loan modifications