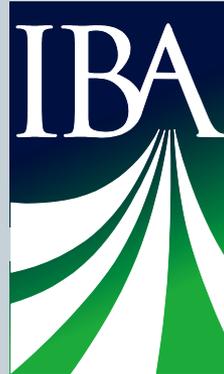


# “The Banking Perspective”



AMBER VAN TIL  
VP – GOVERNMENT RELATIONS



INDIANA BANKERS™  
ASSOCIATION



The foreclosure problem  
*setting Indiana apart*

# The national foreclosure problem



- National foreclosure filings in April 2009 are up 32% from April 2008

# Top 10 Foreclosure States

Data compiled by RealtyTrac



## April 2008

1. Nevada
2. California
3. Arizona
4. Florida
5. Colorado
6. Michigan
7. Maryland
8. Ohio
9. Mass.
10. Georgia
- 12. Indiana**

## April 2009

1. Nevada
2. Florida
3. California
4. Arizona
5. Idaho
6. Utah
7. Georgia
8. Illinois
9. Colorado
10. Ohio
- 15. Indiana**

# Top 10 Foreclosure States

Data compiled by MBA

## 4<sup>th</sup> Quarter 2007

Loans

1.	Ohio	3.88
2.	<b>Indiana</b>	<b>3.53</b>
3.	Michigan	3.38
4.	Florida	3.22
5.	Nevada	3.02
6.	Illinois	2.50
7.	Rhode Island	2.41
8.	Maine	2.36
9.	Wisconsin	2.24
10.	California	2.23

## 4<sup>th</sup> Quarter 2008

Loans

1.	Florida	8.95
2.	Nevada	6.58
3.	Arizona	4.64
4.	California	4.19
5.	Ohio	4.09
6.	Illinois	3.87
7.	<b>Indiana</b>	<b>3.76</b>
8.	Michigan	3.70
9.	New Jersey	3.58
10.	Rhode Island	3.49

# Indiana Compared with Other States



## Foreclosure Inventory

	<u>4<sup>th</sup> Quarter 2005</u>	<u>4<sup>th</sup> Quarter 2008</u>
Nationally	.99	3.30
Indiana	2.75	3.76
Florida	.46	8.95
California	.20	4.19

## Delinquency

	<u>4<sup>th</sup> Quarter 2005</u>	<u>4<sup>th</sup> Quarter 2008</u>
Nationally	5.06	6.30
Indiana	7.38	7.31
Florida	4.66	13.32
California	2.22	8.28

# Economic Causes of Foreclosure in Indiana



- Indiana has experienced comparatively low appreciation in housing prices in previous years
- Indiana has had a foreclosure problem for over 10 years
- High unemployment – 9.9% as of April 2009
- Poor performance of economy and housing market
- Stagnant growth in median income

# Top 5 Personal Causes of Foreclosure in Indiana



1. Job loss/ loss of income
2. Divorce
3. Death
4. Medical (loss of insurance/ loss of income due to medical leave of absence)
5. Poor money management (credit card debt/ gambling/ bankruptcy)

# The Blame Game



- The foreclosure rate for depository institutions in Indiana (commercial banks and thrifts) constitutes less than .25% of the total 3.76% foreclosure rate, well below the national average
- There have been no bank failures in Indiana
- Indiana banks are capitalized, on average, at 10%

\*Statistics provided by the Office of Thrift Supervision (OTS)

# Cost of foreclosure to lenders



- On average, a lender loses 40% of the value of the home upon foreclosure
- Banks are not in the business of maintaining homes and will go to extraordinary lengths to provide the borrower opportunities to correct the delinquency



# How Lenders are Responding to the Foreclosure Crisis

# Modification programs



- Many larger lenders are offering automatic loan modification programs
- Opening loss mitigation offices around the state
- More focus on short sales
- 877-HOPE-NOW



# Legislative Efforts to End the Foreclosure Crisis



# Frustration

## Lenders and Borrowers

# Government and industry initiatives



- History has shown that success in ending this crisis will come only from a new public-private partnership
- This is where SB 492, dealing with residential mortgage foreclosures, comes into play

# Indiana Foreclosure Mediation

## Effective July 1, 2009



- **Step 1. Pre-foreclosure Notice**
  - Must be sent at least 30 days before foreclosure
  - Can be sent at any time after default
  - Form prescribed by IHCDA
  
- **Step 2. Foreclosure Notice**
  - Notice is served with complaint
  - Form prescribed by IHCDA

# Indiana Foreclosure Mediation

## Effective July 1, 2009



- Step 3. Borrower must request mediation within 30 days after service of complaint
- Step 4. Mediation scheduled by court if requested by borrower
  - Date for mediation must be within 25-60 days after borrower's request

# Indiana Foreclosure Mediation

## Effective July 1, 2009



- **Step 5. Mediation**

- Parties may agree on alternate date, time or location
  - ✦ Default location is at courthouse unless otherwise agreed upon
- Lender can participate by phone or in person
- Lender's attorney must participate in person
- Borrower must provide evidence of present and projected income and employment history
- Lender must provide itemization of amounts owed, payment record substantiating the default and a copy of the note and mortgage
- Mediation may be extended by agreement of the parties or court order

# Indiana Foreclosure Mediation

## Effective July 1, 2009



- **Step 6. Court notified of result**
  - Court must be notified within seven days after mediation agreement is signed
  - Court must be notified within seven days after mediation if unsuccessful
  
- **Step 7. Post-mediation**
  - If mediation is successful, case is stayed or dismissed at lender's option
  - Case proceeds to judgment if mediation is unsuccessful

# Indiana Foreclosure Mediation

## Effective July 1, 2009



- A lender is *not* required to send the notice if:
  1. The loan is secured by a dwelling that is not the debtor's primary residence;
  2. The loan has been the subject of a prior foreclosure prevention agreement upon which the debtor again defaulted;
  3. Bankruptcy law prohibits the creditor from participating in the settlement conference; or
  4. The court finds that a settlement conference would be of limited value based on prior mitigation effort between the creditor and debtor.

# Outlook: Indiana has a solid legislative foundation for fighting foreclosures



- **Indiana is well-prepared to weather the foreclosure storm:**
  - 2003: predatory lending legislation
  - 2007: regulation of mortgage brokers
  - 2008: oversight of mortgage lenders (non-depositories)
  - 2009: mandatory settlement conference legislation