



# Foreclosure

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**Nobody likes foreclosures – not the borrower, not the bank.**

- Being committed to long-term relationships, banks seek any and all alternatives to foreclosure before considering this option.
- From January through July 2015, banks completed approximately 262, 800 loan modifications in an effort to keep viable borrowers in their homes.<sup>1</sup>

**Banks support responsible homeownership.**

- Banks aim to offer loans and products that make homeownership manageable for the borrower.
- Lending prudently to ensure a borrower can successfully make payments is not only good for the borrower, but also good for the bank and the community.

**In circumstances where homeownership becomes too burdensome for some borrowers, foreclosure can be the best solution.**

- While modifications can help some, it is not a solution for every borrower, particularly those that have been unemployed or delinquent for a long period of time.
- Modifying the loan doesn't help when the borrower lacks income to make the payments.
- Foreclosing on the property and selling the home to new qualified owners can help the borrower find a more manageable housing solution and the investor recoup his or her funds.

**Many foreclosures are the result of risky loans made by loosely regulated mortgage brokers or by poor economic conditions.**

- Banks are interested in long-term customer relationships, which isn't necessarily true of non-bank mortgage lenders and brokers.
- Unlike banks, fly-by-night mortgage brokers care more about originating a mortgage than the borrower's ability to repay the loan.
- While federally insured banks and savings institutions don't require perfect credit for a mortgage, they aren't going to make a loan that subjects the borrower or the bank to excessive risk.

**Mortgage relief scams designed to defraud struggling homeowners have become increasingly popular.**

- Fraudsters advertise phony mortgage relief services to attract the attention of desperate homeowners, often promising to immediately stop foreclosure.
- These scams involve high-upfront fees, faulty loan agreements and rent-to-buy or buy-back schemes.
- Homeowners are advised to contact their lenders and lawyers before opting to use alternative mortgage relief services and report all illegitimate mortgage services.

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- Contact the [Federal Trade Commission](#) to report mortgage fraud.
- Contact the [U.S. Department of Housing and Urban Development](#) to find legitimate housing counseling agencies.

**Don't ignore a mortgage problem.**

- The first step that borrowers should take if they can't make their payments is to talk to their banker.
- If you are unable to continue paying your mortgage, one option to explore is the U.S. Treasury's Home Affordable Foreclosure Alternatives Program (HAFA).
- HAFA is a short sale of the home that does not hold the borrower responsible for the remaining balance on the mortgage, and allows for up to \$10,000 in relocation assistance. Read more at [www.makinghomeaffordable.gov](http://www.makinghomeaffordable.gov).

*Sources:*

<sup>1</sup>*HOPE NOW Data Report*, HOPE NOW (July 2015). Retrieved from [www.HOPENOW.com](http://www.HOPENOW.com)