June 21, 2011

Representative Marty Knollenberg
Chair of the House Banking & Financial Services Committee
N-890 Anderson House Office Building
124 N. Capitol, Lansing, MI 48933

Dear Chairman Knollenberg & Committee Members:

We are writing to express the Michigan Foreclosure Task Force's support of SB 398 extending the 90-Day Pre-Foreclosure Negotiation Law for six months and we applaud the committee in advance for not letting this important tool lapse at the July, 2011 sunset.

As we have previously testified, we support extending this law for two fundamental reasons:

1) Michigan's foreclosure crisis isn't over yet and it's costing all of us and
2) The law has been effective

The Center for Responsible Lending estimates that between 2009 and 2012, 327,000 Michigan homeowners will lose their homes to foreclosure. That means that here in Michigan, we're roughly 2/3 of the way through this crisis. In the meantime, the Joint Economic Committee of Congress recently pegged the average cost of a single foreclosure at $78,000 (broken down below) while preventing a foreclosure costs $3,300:

a. $50,000 – Lenders (recent Standard & Poor's study breaks this down)
b. $19,227 - Local government – shrinking tax base, erosion of basic services for everyone
c. $1,508 - Neighbors – decrease in home value, harder to sell, refinance or move.
d. $7,200 - Homeowner – equity, moving expenses, legal fees, etc.

The first step in preventing any foreclosure is to require that the lender meet with the homeowner before triggering the foreclosure process to see if they can work something out and to give both a reasonable amount of time to do so. This is exactly what the 90-day law was designed to do and has done effectively.

Prior to the 90-Day Pre-Foreclosure Negotiation Law, at-risk Michigan homeowners were rarely able to get through to their lenders, upwards of 90% of whom are large national banks. Since the law went into effect in July 2009, it is estimated that nearly 50% of Michigan's at-risk homeowners have opted into the law and have met with their lenders. Additionally, in an April 2011 survey of certified foreclosure counselors and legal service attorneys working on the ground daily with at-risk homeowners around the state, the vast majority considered the law a success.

Again, we applaud you in advance for not letting this important tool lapse and look forward to participating in the work group process beginning in September. We are confident in our collective ability to shape an even more effective law going forward.

Sincerely,

Neeta Delaney

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