

United States House of Representatives

Committee on Financial Services

Written Statement of Leonard Chide, Neighborhood Housing Services of Southern Nevada, Inc. (NHSSN)

In 2008, NHSSN, like many nonprofits, found itself trying to ramp up its staff to address the Foreclosure Crisis in Southern Nevada. The issues NHSSN faced were training the staff on the various programs offered by the Federal Government, finding and securing funding to pay the staff and working with various servicers that were also trying to learn the Federal Programs and their internal programs.

In 2009, the staff was trained, the funding was secured through National Foreclosure Mitigation Counseling Program (NFMC); however, the servicers were still trying to figure out the various programs offered and to hire and train their staff on both the Federal and internal programs. On average a modification would take twelve months to complete. Due to the HAMP requirements, many of the lenders were unofficially informing the clients that they would need to be delinquent before they could work with them. This created a dilemma for many of the clients as they did not want to ruin their credit score but could no longer afford their mortgage payments due primarily to unemployment or underemployment. The servicers, due to their backlog of files, would require the clients to provide updated documents every 30 to 60 days or as warranted as items continuously came up missing, or were considered outdated, this in turn would further frustrate the clients.

In 2010, we observed a shift in the Foreclosure process as clients were strategically walking away from their homes as the homes fell further underwater and the clients felt the servicers did not care due to a lack of results from their attempt to modify their home loan. We also saw an increase in short sales. However, the challenge with short sales was the servicers did not have a streamlined process and it could take from one to two years to short sale the property. As unemployment continued to rise in Southern Nevada many of our clients from 2008 and early 2009 were returning asking for their modification to be modified.

In 2011, NHSSN saw a decrease in the number of clients seeking a modification in the second quarter; however, the third quarter saw the number return to normal. The last quarter in 2011 saw a decrease in new foreclosure cases but an increase in the number of permanent modifications offered. There are two main reasons for this decrease, first most Southern Nevadans find their homes are now 50 to 60% underwater and the home owners will only accept a principal reduction which the banks have been unwilling to grant. During the one-on-one counseling sessions, NHSSN has found that a permanent modification may not be the correct decision for the client due to the economy. Our community is still faced with high unemployment resulting in single family income, loss or reduction in wages, divorce, death, overextended on credit cards and many households have exhausted their savings and/or retirement. When the clients are informed the lender will not provide a principal reduction, they opt for a short sale instead of a modification. The second reason NHSSN has seen a slowdown in foreclosure cases is due to the passage of AB284 in Nevada last October. Many of the banks have slowed down the processing of Notice of Defaults. AB284 essentially makes the banks swear an affidavit that they have the deed as well accurate loan documents and appropriate signatures before they can begin the foreclosure process (a.k.a. Issuing of Notice of Default or NOD). It also requires banks to list accurate payment options and debt amounts for all liens in default. Finally, it requires the bank to show proof that this information is delivered to the appropriate party, not just mail it out and assume it is received and

**understood.** According to Easy Street Realty Las Vegas in November 2011, "The immediate effects of the law are that REOs processed by banks in Las Vegas has dropped from 1500 to 2500 per month to slightly over 50 in the last 30 days; in other words the REO (and to some unknown extent, Short Sale) pipeline feeding our supply has been cut by over 95% overnight."

NHSSN does not believe principal reduction is the answer to the foreclosure issue, yes it is a win for the client that receives the reduction; however, it is a loss for the banks and for the individuals that are not underwater. NHSSN has recently modified three loans that NHSSN believes is a win for the client and the bank. In the attached example you will see the client owned \$288,426 on a home that was now valued at \$202,000. The homeowner wanted a principal reduction but did not want to be required to increase the amount owed as the market improved. Bank of America was creative by offering to reduce the interest bearing principal balance to \$201,898 and to defer the \$86,528 as interest free. BofA modified the interest rate to a fixed rate versus the interest only rate the homeowner was paying. BofA also extended the term of the loan to 40 years with the deferred amount as a balloon payment at the end of the loan term or when the home is sold. The win for the client is a fixed interest rate, a reduced monthly payment and her loan is brought current. The win for the bank is the client is staying in their home, the loan is current and they have a much better chance of receiving the entire amount originally loan on the home.

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**“TRUTH IN TESTIMONY” DISCLOSURE FORM**

Clause 2(g) of rule XI of the Rules of the House of Representatives and the Rules of the Committee on Financial Services require the disclosure of the following information. A copy of this form should be attached to your written testimony.

<b>1. Name:</b>		<b>2. Organization or organizations you are representing:</b>	
Leonard Chide		Neighborhood Housing Services of Southern Nevada, Inc.	
<b>3. Business Address and telephone number:</b>			
[REDACTED]			
<b>4. Have <u>you</u> received any Federal grants or contracts (including any subgrants and subcontracts) since October 1, 2008 related to the subject on which you have been invited to testify?</b>		<b>5. Have any of the <u>organizations you are representing</u> received any Federal grants or contracts (including any subgrants and subcontracts) since October 1, 2008 related to the subject on which you have been invited to testify?</b>	
<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No		<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	
<b>6. If you answered .yes. to either item 4 or 5, please list the source and amount of each grant or contract, and indicate whether the recipient of such grant was you or the organization(s) you are representing. You may list additional grants or contracts on additional sheets.</b>			
Neighborhood Housing Services of Southern Nevada, Inc. has received grants for Foreclosure Counseling. The grants received since October 1, 2008 are: HUD Mortgage Modification Mortgage Scam Assistance (\$4,303.00); National Foreclosure Mitigation Counseling Round 2 (\$111,600.00); Round 3 (\$49,140.00); Round 4 (\$153,360.00); Round 5 (\$82,620.00)			
<b>7. Signature:</b>			
			

*Please attach a copy of this form to your written testimony.*