



Contact: Neeta Delaney, Co-Director, MFTF
Delaney@cedam.info
Phone: 517.937-0795

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Bills Curtail Foreclosure Redemption Period When Most Needed

Lansing, MI: The House Banking and Financial Services Committee is considering a package of bills (HB 4542-4544) introduced to temporarily extend for one year the sunset of Michigan's 90-Day Pre-Foreclosure Negotiation Law. The bill will also disproportionately and permanently shorten the time Michigan homeowners have to redeem their homes or find another place to live once a sheriff's sale has occurred. This move would make Michigan the first state in the nation to *shorten* the time that homeowners have to save their homes during this historic economic recession. It also comes at a time when there are early signs that unemployment and job creation are turning around, making it more likely that homeowners will either qualify for loan modifications to avoid foreclosure and/or be able to redeem or sell their homes if they have a reasonable time to do so.

Specifically, the package of bills includes a permanent curtailment of Michigan's post-sheriff's sale redemption period from 6 months to 3 months – effectively cutting in half the period of time Michigan homeowners have to redeem their homes or find another place to live. According to an early April survey of HUD and MSHDA certified foreclosure counselors and legal service attorneys around the state, the primary reason at-risk homeowners don't qualify for or are denied a permanent loan modification is job loss or a reduction in income. Among those who will be hurt by a permanent curtailment of the redemption period are those who are currently unemployed or underemployed and need a reasonable amount of time to find work and to refinance or sell their home.

Among those testifying in opposition to the bills before the House Banking and Financial Services Committee on April 13 was The Michigan Foreclosure Task Force (MFTF), a broad-based statewide coalition addressing the foreclosure crisis. According to MFTF Co-Director Neeta Delaney, "We would like to see the 90-Day Pre-Foreclosure Law improved and extended for at least a year, but can't support the current package of bills to permanently reduce the time Michigan homeowners have to stay in their homes. Shortening the period of time homeowners have to find work and possibly save their homes just doesn't make sense." Delaney adds, "the collective experience of our broad-based membership taught us that reducing the redemption period will not only hurt struggling homeowners, it will also hurt neighborhoods by increasing the number of vacant properties and lowering the surrounding home values, further depressing the housing market and stalling economic recovery."

Backers of the bill argue that it is only fair to reduce the post-foreclosure redemption period by 90 days because the homeowner is receiving 90 days on the front end by way of the temporarily extended 90-day Pre-Foreclosure Negotiation Law. However, under the proposed law, the reduction of the post-foreclosure redemption period does not sunset with the extension of the 90-Day pre-foreclosure law. It's a permanent reduction. After 2012, homeowners will not have the benefit of the 90-Day law on the front end or the benefit of a 6-month redemption period on the back end. Additionally, under this proposed law, even homeowners who do not opt-into the 90-day pre-foreclosure process will have their redemption period cut in half.

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The Michigan Foreclosure Task Force was formed in 2007 and has championed legislative causes, such as Michigan's 90-day mandatory mediation law, as well as pioneered the Michigan Foreclosure Prevention Corps, which has provided 40 AmeriCorps members to local foreclosure counseling and prevention programs. The Task Force has a diverse membership including counseling agencies, legal services attorneys, financial institutions, state and local officials and others working together to expand foreclosure counseling efforts in Michigan and mitigate the neighborhood impacts of concentrated foreclosures. The Michigan Foreclosure Task Force is supported by the Michigan State Housing Development Authority, Bank of America, the Kresge Foundation, CEDAM and others. For additional information, please visit www.cedam.info/foreclosure.