



Michigan Foreclosure Task Force

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Senate Bill Eliminates Homeowner Protections, Hampers Foreclosure-Prevention Efforts

Lansing, MI – A bill introduced this week in the state Senate Banking Committee would fast-track Michigan’s mortgage foreclosure process, pushing at-risk homeowners out of their homes instead of providing them with the time to challenge the legitimacy of the foreclosure, come up with the money to save the home, sell it on a short sale or find a safe, affordable place to move. Specifically, SB 383 would shorten Michigan’s longstanding 6-month Redemption Period to a 60 days. This drastic change to Michigan foreclosure law will eliminate critical protections for homeowners and will seriously hamper foreclosure prevention efforts across the state during a still fragile economic recovery.

Several years ago, Michigan made a decision to allow lenders to foreclose by advertisement rather than to require them to go through the courts (judicial foreclosure). Lenders prefer foreclosure by advertisement because it takes less time than judicial foreclosure. Judicial foreclosure, however, provides both lender and borrower equal protections under the law. The trade-off Michigan made was that lenders would be allowed to foreclose more quickly but in return homeowners would have a reasonable 6-month Redemption Period in which to challenge the legitimacy of the foreclosure, redeem the house, sell it on a short sale or if all else fails, find a new place to live. SB383 all but eliminates homeowner protections under Michigan foreclosure law by shortening to 60 days the time a homeowner has to challenge an illegal or fraudulent foreclosure. Billions of dollars’ worth of settlements with large mortgage servicers over the past couple years have made clear that illegal or fraudulent foreclosures happen every day, tens of thousands of them in Michigan. SB383 would leave Michigan’s at-risk homeowners at the mercy of this reality.

SB 383 would also seriously hamper foreclosure prevention efforts across the state during a still fragile economic recovery. While Michigan foreclosures are

steadily declining, we're still in a crisis. From March 2012 to March 2013, Michigan suffered 70,000 foreclosures, the third highest in the country during that period. Every one of these foreclosures hurts not only the foreclosed homeowner but the neighborhood and community as well by increasing the number of vacant homes, reducing property values, and lowering local property tax revenue that funds basic services for all of us. We need laws that not only protect Michigan homeowners but neighborhoods and communities as well by preventing as many of these damaging foreclosures as possible.

SB383 would seriously impact our ability to do this. It will reduce to 60 days, the time a homeowner has to regain a job and come up with the money to save the home. It will reduce to 120 days (with proof of a listing) the time a homeowner has to sell their home on a short sale (for less than what is owed on the mortgage) to avoid a foreclosure. Short sales typically take 6 months, not 120 days. It would also reduce to 60 days the time a homeowner has to find a safe, affordable place to relocate, tough to do when your credit has just been ruined.

The bottom line is that Michigan's 6-month Redemption Period has proven for decades to both protect homeowners and prevent foreclosures that hurt us all. The Michigan Foreclosure Task Force urges our state legislators to do the right thing by Michigan homeowners, neighborhoods and communities and oppose this drastic, unnecessary move.

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Neeta Delaney is the Director of The Michigan Foreclosure Task Force, a broad-based statewide coalition including housing counseling agencies, legal services attorneys, financial institutions, local units of government, statewide advocacy organizations and others working together to prevent foreclosures and soften their impact on families, communities and the state. For additional information, please visit www.cedam.info/foreclosure.