

May 2008

Dear Colleague,

Price Declines Trigger Higher Default Rates

"When a former major league MVP like Jose Conseco forecloses on a house, you know a quantum shift has occurred," said Craig Brown, President of Rancho Financial Mortgage Center. As reported by CBS news, Conseco walked away from his \$2.5 million, 7,300-square foot home in suburban Encino in May because it "didn't make sense to continue making payments." Mr. Brown continued, "The bank never signed up to buy that house. This is not a subprime loan crisis. This is a major shift in how you look at the world."

Federal Reserve Chairman, Ben Bernanke, echoes that analysis. In a May 6 speech before the Columbia School of Business, Bernanke noted that the continued and widespread decline in home prices is introducing an unprecedented situation. "Traditional foreclosure avoidance strategies may not always work well in the current environment," Bernanke said. "In the past, lenders and companies that service loans were used to dealing with mortgage delinquencies related to life events such as unemployment or illness. A widespread decline in home prices, by contrast, is a relatively novel phenomenon, and lenders and servicers will have to develop new and flexible strategies to deal with the issue."

Even well-to-do borrowers such as Conseco, who find themselves "upside-down," are becoming more inclined to walk away. Any homeowner who took out an adjustable loan in the last two to three years that came with a prepayment penalty may also be at risk.

The million dollar question is identifying the preventable foreclosures from the unpreventable, and then assisting the preventable from foreclosing.

Sue Reynolds, CEO of Community Housing Works in San Diego, is collaborating with other nonprofit industry leaders in an effort to stem the tide. **Free Home Clinics** featuring volunteer real estate and mortgage industry professionals, attorneys, credit counselors and more are being offered in various locations throughout the county (www.housingcollaborative.org). HOPE for Homeowners at 1-888-995-HOPE or www.995hope.org, is an independent, third-party resource that is part of a HUD-certified network dedicated to helping homeowners 24/7. Trained HOPE counselors are prepared to develop a plan of action based on the homeowner's circumstances.

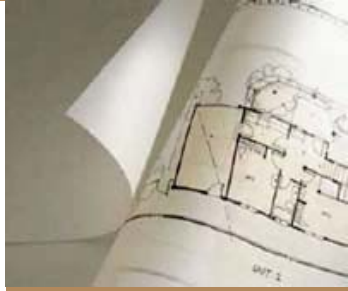
Calling for help at the first missed mortgage payment is crucial, according to Ms. Reynolds. More than half of homeowners facing foreclosure did not call for help when they fell behind in their mortgage payments.

Until the decline in housing prices abates, we shouldn't be too surprised at some of the unusual foreclosures that are on the horizon.

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Snow Properties provides project management services to developers, financial institutions, owners and managers of real property assets in Southern California. Its expertise spans three decades and all stages of real estate development.

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Did You Know?

Community Housing Works' Foreclosure Prevention services include these resources:

HOPE HOTLINE 1-888-995-HOPE,
www.995hope.org

A free, national hotline for homeowners having trouble paying their mortgages.

Foreclosure Prevention Center, open five days a week from 8 a.m. – 8 p.m. and staffed with ten full and part-time loan professionals. Contact Francisco Gonzalez, Foreclosure Prevention Center Coordinator, at (619) 282-6647, ext. 325. This center has been opened expressly to help local homeowners referred by the HOPE Hotline.

Keeping Things in Perspective

Did you know that half of the world's population lives on less than \$2 a day, and one-in-five live on less than \$1 a day? The San Diego-based Foundation for Women serves impoverished women locally and globally by funding and creating microcredit programs. To date the foundation has reached more than 300,000 women living in dire poverty. Loans as little as \$50 - \$100 can transform a borrower into a self-sufficient small business woman. For more information, [email](mailto:) or phone (858) 483-0400.

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