



November 28, 2011

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

Dear Chairman Knollenberg:

The Michigan Foreclosure Task Force (MFTF) acknowledges the spirit of compromise with which you and the committee have approached the legislation related to Michigan's 90-Day Pre-Foreclosure law. In our view, this is exemplified by the substitute bills introduced for HB 4542-4544 all of which focus on improving and extending that law with no shortening of Michigan's longstanding 6-month Post-Foreclosure Redemption period. We enthusiastically endorse all three of these substitute bills.

Unfortunately, **we cannot support HB 5176** which would shorten the redemption period from 6 months to 3 months for what is commonly referred to as "portfolio" loans. In the language of the bill, these are loans where the "original mortgagee has never assigned the mortgage or the indebtedness secured by the mortgage and has not transferred the power to service the mortgage." Our opposition is based on the following:

- 1) We see the bill as **fundamentally unfair to homeowners**, who don't know whether or not they have a portfolio loan and more importantly had little say in the decision since it is the lender who decides on which loan product to offer the borrower. The lender also determines whether and to whom they will sell the loan. If this bill were to become law and Homeowner A had a *portfolio* loan, she would have only 3 months to redeem her home, sell it on a short sale or find a new place to live. If Homeowner B living next door had a *non-portfolio* loan, he would have 6 months to redeem his home, sell it on a short sale or find a new place to live. By sheer *luck of the draw*, Homeowner A would get half as much time as Homeowner B, unfairly and arbitrarily.

- 2) Carving out *portfolio* loans would also require lenders to develop a separate process for these loans which would be an administrative nightmare resulting in even less timely resolutions on loan modifications. Since this bill would also put secondary market investors like Fannie Mae, Freddie Mac, FHA, etc. at a disadvantage under the law, they might to decide to offer fewer loan products in Michigan, giving our homeowners fewer options.
- 3) We consider exempting *any* type of loan from Michigan's longstanding 6-month Post-Foreclosure redemption period as a slippery slope that opens the gates for exempting other types of loans.
- 4) More broadly, we consider the 6-month redemption period to be an effective, sound and reasonable policy that is in the best interest of Michigan homeowners, neighbors and communities.

Again, The Michigan Foreclosure Task Force (MFTF) appreciates the spirit of compromise with which you've approached the improvement and extension of the 90-Day Pre-Foreclosure Negotiation Law and we enthusiastically support the substitutes for HB 4542-4544. We are, however, opposed to HB 5176 for the reasons outlined above.

We thank you again for inviting us to be a part of the legislative work group process and look forward to continuing to work together on the critical issue of foreclosures in Michigan.

Respectfully,

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