



A Tax-Free Foreclosure Solution: *Loan Mods Through the Courts*

CRL Policy Brief

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COURT-SUPERVISED LOAN MODIFICATIONS WOULD PRESERVE HOME VALUES—WITHOUT USING PUBLIC FUNDS—WHILE PROVIDING FAIR TERMS TO LENDERS.

Over the next several years, 8.1 million American families will lose their homes. Because of market declines, these struggling homeowners can neither refinance nor sell. Unless their mortgages are modified to align the loan amount with the value of the home, the foreclosure crisis will continue to get worse.

The damage of foreclosures extends beyond the families who lose their home: millions of their neighbors could also lose billions of dollars in hard-earned wealth as home values decline.

There is an effective solution. We need to lift legal barriers that now prevent struggling homeowners from seeking loan modifications through the courts. Bills pending in the House and Senate would permit the courts to dramatically expand our capacity to prevent foreclosures.

These bills are narrow:

- They apply only where the home will otherwise be lost in foreclosure, and guarantee lenders at least as much as they could recover at a foreclosure sale.
- Relief is available for existing loans only (loans made in the future are not covered).
- Lenders still have the right to offer the homeowner a loan modification outside of bankruptcy that would make the loan sustainable for the long term, and where they do so, this is the preferred solution.

About the Center for Responsible Lending

The Center for Responsible Lending (CRL) is a national nonprofit, nonpartisan research and policy organization dedicated to protecting home ownership and family wealth by working to eliminate abusive financial practices. CRL is affiliated with Self-Help, one of the nation's largest community development financial institutions.

For additional information, please visit our website at www.responsiblelending.org.