### *The Myers' Community*

Moving to a new home often means moving away from friends and neighbors and from familiar places (e.g., schools, public libraries, parks, grocery stores, coffee shops, banks). Commuting distances may increase after the move. In addition, a number of foreclosed and vacant homes in a neighborhood of a community typically diminishes the appearance of the neighborhood, may cause property values to decline and reduces local property tax revenues.

### *The Myers' Peace of Mind*

The drastic changes following a foreclosure sale can result in a physical, emotional, and psychological toll on homeowners and their families. Clearly, homeowners have a huge incentive to avoid foreclosure.

## What do Lenders Stand to Lose through Foreclosure?

### *Time Delay and the Costs Incurred by the Lender*

The foreclosure procedure takes several months to complete. During that time, the lender is affected in various ways:

- The lender may not receive interest income on its investment (the mortgage loan).
- The lender may not receive payments of the principal due that could have been reinvested elsewhere.
- Because the lender must comply with applicable city and county ordinances that impose appearance and condition standards on vacant properties (e.g., keeping the yard free of trash and weeds, securing and maintaining the home), the lender could be subject to fines for failure to comply.

- Regardless of local ordinances, a lender typically incurs a variety of expenses (e.g., insurance, essential repairs, maintenance, property taxes, and management fees).

- The lender may face atypical financial and management problems often associated with owning vacant homes (e.g., trespassing, theft, vandalism).

- Because the lender may be subject to the corporate business problem of owning too many REOs, including substantial increases in their capital reserve requirements (as imposed by government regulators), the lender's ability to make new mortgage loans may be limited.

- If the REO is placed in the rental market to provide some income, renting of the property will not alter the increased capital reserve requirements, and additional capital is typically necessary to make the home suitable for rental occupancy (e.g., cleaned, repaired, managed).

- If the REO is placed on the market for sale, real estate brokers will generally be hired and paid compensation (adding to the amount of the selling costs increasing the lender's loss).

- The lender may lose money when a foreclosed home is sold at exceptionally low prices (often much less than the amounts represented by the homeowner's unpaid mortgage loan, the costs of foreclosure, and the costs of selling the property).

The final sales price will determine the ultimate total loss absorbed by the lender because of the foreclosure and the subsequent sale of the REO. Lenders clearly do not want to lose money or be in the business of owning and managing vacant homes and typically have just as much of an incentive as homeowners to avoid foreclosure.