

SB 682: Real Property – Residential Foreclosures – Materially Delinquent Mortgages

Testimony of

February 21, 2025

About HIP

Housing Initiative Partnership, Inc. (HIP) develops innovative affordable housing, revitalizes neighborhoods, and equips people to achieve their housing and financial goals. Our vision is that every person lives in high-quality affordable housing in a thriving community. We maintain offices in Hyattsville in Prince George's County, and in Germantown and Gaithersburg in Montgomery County.

Support of SB 682

Homeowners in Maryland are being impacted by the return of zombie loans. Many of our clients who experienced financial hardships during the most recent mortgage crisis in the United States that started in 2007, almost 20 years ago, received mortgage relief through loan modifications. They were told not to worry about the second loans, that those would be forgiven, and they went on with their lives. Unfortunately, a nightmare scenario developed, and those same homeowners are finding themselves at risk of losing their homes, yes, almost 20 years later.

Over the past 20 years, HIP's Housing Counseling staff have helped over forty thousand renters and homeowners struggling with housing costs. Many of our clients are among the homeowners facing the threat of foreclosure from loans they did not hear of in more than a decade. At first, homeowners discard those notices assuming they are sent in error. They do not recognize the account, their claims, and the nature of the legal actions, until the notices become more frequent and the threat more serious. These loans come back with loan balances that double overtime and the options to negotiate are unrealistic. Recently, one of our clients presented a zombie loan with a principal balance of \$189,000 on the date of default of Oct. 2008 by the time it resurfaced the interest charged was \$258,000 and the new loan balance was \$453,000. The downpayment to settle the account was \$182,000 and a 5-year term with monthly payments of \$4,557.

Our clients are left without home retention options that can be feasible.

We support all efforts to give homeowners more time, resources and tools to workout solutions to the nightmare of the actual threat of foreclosure on residential properties.