Transforming from Reactive to Proactive Programs

Presented By:

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UDOT CORRIDOR PRESERVATION

R940. TRANSPORTATION COMMISSION, ADMINISTRATION.
RULE R940-7. MARDA DILLREE CORRIDOR PRESERVATION FUND.
BRIEF OVERVIEW OF THE MOUNTAIN VIEW CORRIDOR

Bills Drive area in West Valley City
- Relocation of 140 residential acquisitions
- Utility corridor relocation
- Reptile rescue relocation
TRANSFORMING FROM REACTIVE TO PROACTIVE PROGRAMS
Transforming from Reactive to Proactive Programs

The Animal Rescue Relocation
TRANSFORMING FROM REACTIVE TO PROACTIVE PROGRAMS

BRIEF OVERVIEW OF THE MVC CONT.

Timber Oaks Subdivision
  - Hillside Elementary School playground reconstruction
Frito-Lay Acquisition
The Ridge Golf Course
  - Golf Course acquisition and reconstruction
5400 South
  - USANA Amphitheater
TRANSFORMING FROM REACTIVE TO PROACTIVE PROGRAMS
THE SPECIALTY OF MVC

1. Project has several phases for Acquisition and Construction
2. Project has a unique Utility component associated with the Acquisition
   • Different Subdivisions required purchase earlier than others
   • Displaced communities
3. Many of the homes did not appraise for current mortgage balances
4. What do we do now?
THE OPTIONS UDOT HAD WERE AS FOLLOWS:

1. **UDOT agree to pay what the property owners owed on the homes, which in some cases was significantly higher than current fair market value.**

2. **Have the property owners come up with the difference between fair market value and what was currently owed on the homes.**

3. **Help the property owners pursue a short-sale with acceptable terms through their lender.**
EMINENT DOMAIN SHORT SALE PROCESS

1. Third Party Mortgage Authorization signed by Borrower
3. Collect financial docs from Borrower:
   - 2 Yrs Tax Returns
   - 2 Mos. Bank Statements
   - 1 Full Month of Paystubs + Lender's Required Forms
4. SHORT SALE INITIATION
   - Complete Short Sale Request package is submitted to Lender
5. Lender reviews submission, assigns Short Sale Negotiator, and orders BPO or Appraisal
6. Lender Value is more than JC Offer
   - Lender accepts offer amount and issues approval letter listing terms of short sale acceptance
   - AGENCY AND BORROWER ACCEPT LENDER'S TERMS OF SHORT SALE APPROVAL
   - Signed Acceptance Letter returned to Lender and copy forwarded to Closing Agent/Escrow Officer, along with all other closing docs.
7. Lender proposes offer based on their valuation.
   - New Purchase Contract and additional documentation may be required.
8. FINAL DOCS ARE SIGNED, SHORT SALE CLOSING HELD, AND DEED RECORDED

Designates action items for the short sale negotiation agent.

Communication is the key
Regular contact is needed to:
- Obtain status updates from the lender’s short sale negotiator
- Deliver progress reports to the acquiring agency and property owner/borrower
TRANSFORMING FROM REACTIVE TO PROACTIVE PROGRAMS

STEPS TO SHORT SALE NEGOTIATIONS

1. **Obtain Authorization from Borrower**
2. **Establish Contact with Lender’s Loss Mitigation**
3. **Borrower’s Financial Information & Hardship Letter**
4. **Submit Documentation to Lender**
5. **Lender’s Determination of Value**
6. **Contact with Short Sale Negotiator**
7. **Negotiating Acceptable Terms**
8. **Closing the Short Sale**
NEGOTIATING ACCEPTABLE TERMS

Lender’s short sale acceptance terms could include:

- Requiring the Borrower to agree to an unsecured loan for the payoff deficiency.
- Negative payoff reporting to credit reporting bureaus.
- IRS 1099-C filing reporting the payoff deficiency as taxable income to the Borrower.

*The key to successfully negotiating the short sale is to gain the negotiator’s understanding and agreement that the Borrower’s credit should not suffer due to the short sale.*

*As long as the Borrower has maintained a good credit history with the lender this is possible.*
ARE THE TERMS ACCEPTABLE TO THE OWNER?

ARE THE TERM ACCEPTABLE TO UDOT?

How Many Impacts were there and did this impact the schedule?
TRANSFORMING FROM REACTIVE TO PROACTIVE PROGRAMS

MOUNTAIN VIEW CORRIDOR
RESOLVED/CLOSED SHORT SALES IN WVC RELOCATIONS

- Total Upside-Down Properties: 35
- Lender-approved Short Sales (for JCI Offer Amount): 7
- Lender-approved Short Sales (w/minimal Admin Settlement): 10
- Full Payoff w/Admin Settlement: 11
- Full Payoff w/Admin Settlement after Short Sale Negotiation*: 2
- Full Payoff w/Seller Contribution**: 2
- Condemnation - Final Order Recorded: 3

* Lender's terms of short sale acceptance would have negatively impacted Seller's credit.
** Seller opted to not wait on a short sale; funds were brought in to expedite closing.
1. **Cost Savings:**

$473,950 which the bank wrote off (NO Financial or Credit Impact to the Owner)

$183,519 savings after negotiated settlement with the bank (NO Financial or Credit Impact to the Owner)
ADDITIONAL COOL HELPING MOMENTS FOR THE OWNERS

1. 16 OWNERS WERE GIVEN A 3-YEAR EXTENSION VERSUS THE STANDARD 18 MONTH EXTENSION

2. PROVIDED AN OPPORTUNITY FOR THE PROPERTY OWNERS TO HEAL THEIR CREDIT AND USE THEIR RHP BENEFITS TO BECOME HOMEOWNERS AGAIN.
What is our next Opportunity?
TRANSFORMING FROM Reactive TO PROACTIVE Programs

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SHORT SALES

IN
EMINENT DOMAIN ACQUISITIONS
STEPS TO SHORT SALE NEGOTIATIONS

1. **Obtain Authorization from Borrower**
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8. **Closing the Short Sale**
1. Obtain Authorization from Borrower

The lender will not discuss details of the loan without the authorization of the borrower.

If the lender does not have a required authorization form, the authorization will need to contain at least the following:

- Borrower’s name, signature, and last 4 digits of Social Security number
- Security number
- Property address
- Name of authorized individual(s)
- Lender’s name and loan number
2. **Establish Contact with Lender’s Loss Mitigation**

If the borrower does not provide you with a customer service number for their lender, an Internet search can direct you to the lender’s loss mitigation or short sale department.

From there you can obtain the lender’s requirements for:

- Authorization for release of mortgage information
- Fax number or email address for submitting the authorization
- Any additional documentation required by the lender
3. BORROWER’S FINANCIAL INFORMATION & HARDSHIP LETTER

A. BORROWER’S FINANCIAL INFORMATION:

LENDERS WILL REQUIRE THE FOLLOWING FINANCIAL DOCUMENTATION FROM THE BORROWER:

- Income Tax Returns (for past 2 years)
- Bank Statements (for past 2 months)
- Pay Stubs (for pay periods covering one full month)
- Some lenders will also require the borrower to submit a financial statement on the lender’s approved form.

Key Tips:

At first contact with the lender’s loss mitigation or short sale department, be sure to ask for any additional forms that will be required by the lender and/or investor.
Key Tips Continued...

The borrower should be made aware right from the start that this process can take time. Have them provide you with updated docs as they become available up until the short sale acceptance is received. Financial documents older than 60 days will need to be updated before the short sale request is submitted for final approval. Anticipating the lender’s request for updated docs can avoid unnecessary delays.
B. Hardship Letter

If the acquisition is an eminent domain action, the Borrower should include in the hardship letter that:

- They are being compelled to sell under threat of condemnation.
- They would prefer to keep the property until market conditions improve and a short sale would not be a necessity but under these circumstances, this is not an option.

*It is best if this is written in the borrower’s own words and lists any hardships created by the forced sale as well as any personal hardships the borrower may be experiencing.*

Make sure the borrower signs and dates the hardship letter!
4. **SUBMIT DOCUMENTATION TO LENDER**

In addition to Borrower’s required docs, the lender will also require:

- **Purchase Contract** signed by the Seller

- **Estimated Settlement Statement (HUD-1)** showing the expected payoff to the lender. This should be prepared by the escrow officer assigned to the closing.
4A. **SUBMITTING SHORT SALE DOCUMENTATION**

- Verify required method of submittal – fax, electronic file, etc.
- Verify fax number or email address

**IMPORTANT:** Make every effort to submit all required documentation at one time!

*You can expedite the process significantly if you provide the lender with everything they will need for their review.*
5. LENDER’S DETERMINATION OF VALUE

• Once the lender has received the required documentation, an appraisal or Broker’s Price Opinion (BPO) will be ordered by the lender to verify the current market value of the property.

• You should receive notification from the lender, or the assigned appraising agent, and you may be expected to coordinate a site inspection with the property owner.

• The lender may accept or counter the Agency’s offer depending on the outcome of their own appraisal.
6. **Contact with the Short Sale Negotiator**

As the agent assisting the Borrower, it is your job to:

- Avoid any perceived conflict of interest, by informing the short sale negotiator that you are NOT the acquisition agent for this property.

- Educate the short sale negotiator on the eminent domain process and the possibility of condemnation (if applicable).

- The negotiator should be made aware that the just compensation offer amount is governed by federal regulations and is based on an independent appraisal of current fair market value.

- Point out that a short sale is necessary because current market conditions will not support a full payoff of the loan.

- Remind the negotiator that the Borrower is being compelled to sell.
7. Negotiating Acceptable Terms

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8. CLOSING THE SHORT SALE

ONCE THE LENDER HAS COMPLETED THEIR REVIEW/APPROVAL PROCESS:

- Letter of short sale acceptance is issued with the lender’s required terms.
- Borrower’s signature showing acceptance of the terms of the short sale is needed.
- An updated estimated settlement statement may be required.
- Closing can be scheduled with the escrow officer.

AND...MISSION ACCOMPLISHED.
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5. Lender counters offer based on their valuation. New Purchase Contract and additional documentation may be required.
6. AGENCY AND BORROWER ACCEPT LENDER’S TERMS OF SHORT SALE APPROVAL
   - Signed Acceptance Letter returned to Lender and copy forwarded to Closing Agent/Escrow Officer, along with all other closing docs.

NOTE: Designates action items for the short sale negotiation agent.

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FINAL DOCS ARE SIGNED, SHORT SALE CLOSING HELD, AND DEED RECORDED
TRANSFORMING FROM REACTIVE TO PROACTIVE PROGRAMS

MVC/WVC Upside Down Properties
Short Sales Closed

<table>
<thead>
<tr>
<th>Category</th>
<th>Value</th>
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<tbody>
<tr>
<td>Total Upside-Down Properties</td>
<td>35</td>
</tr>
<tr>
<td>Lender-approved Short Sales</td>
<td>2</td>
</tr>
<tr>
<td>Full Payoff w/Admin Settlement</td>
<td>2</td>
</tr>
<tr>
<td>Full Payoff w/Admin Settlement after Short Sale Negotiation*</td>
<td>1</td>
</tr>
<tr>
<td>Full Payoff w/Seller Contribution</td>
<td>2</td>
</tr>
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<td>Condemnation - Final Order Recorded</td>
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</tbody>
</table>

*Lender's short sale terms were not acceptable. Administrative Settlement was required to pay off loan in full and preserve Seller's credit.