

# Mortgage Mediation Proposal

*By: Daniel Baldwin, Mediator/Arbitrator/Umpire/Licensed Mortgage Broker*

This white paper is written with the hope that as the country works through the difficult tasks of restoring economic confidence in our financial systems, that we would consider some new ideas and concepts that may hold practical solutions to the very serious problems of mortgage foreclosures in the United States. My suggestions and references in this article are solely from a individual standpoint and all information contained herein is the intellectual property of collaborative thought and problem resolution techniques. It is one way of possibly helping to solve the mortgage crisis.

## **Proposed Definition:**

Mortgage Mediation is define as **Alternative Mortgage Dispute** (AMD) for residential mortgages. It is designed to allow time for fair settlement of issues before referring it to foreclosure courts to the dissatisfaction of all the parties. Mortgage Mediation is the final remedy in pre-foreclosure before commencing a court action.

## **Problem:**

As a result of a failing housing market and risky sub-prime mortgage loans, residential foreclosures poses a major threat to the national economy of the USA and effectively cancels the American Dream for millions of Americans. Never in the history the United States has there been the potential of an economic disaster based on what was once considered the "safest investment" of a lifetime.

## **One Possible Solution:**

If mortgage lenders agreed to a pre-foreclosure resolution process, Mortgage Mediation would allow the parties to engage in negotiations for re-schedule of mortgage payments suitable for repayment based on circumstances. The lender(s) and the consumer(s) must agree to mediate. In the case of irreconcilable disagreements, it is only then that the parties will subscribe to court intervention.

## **The proposed process:**

### 1 - Initial Consultation

The consumer calls an **Alternative Mortgage Dispute** (AMD) hot line and speaks with a qualified case manager at no cost about the details of the situation. The case is then evaluated and a determination is made whether Alternative Mortgage Dispute is suitable.

### 2 - Assessment & Evaluation

Once a formal determination is made and the case qualifies for Alternative Mortgage Dispute, necessary authorization documents are sent to consumer and lender to complete and expedite the Alternative Mortgage Dispute process.

### 3 - Lender Notification

The case file is then sent from the lender to the Alternative Mortgage Dispute case office. The case manager begins to work on the file to get it ready to dispatch to a qualified Mortgage Mediator.

#### 4 – Mediation Notification

All parties are notified of the mediation dates, times and location.

#### 5 – Mortgage Mediation

Mortgage Mediator negotiates in the best interest both the consumer and lender to find the best resolution possible to avoid a foreclosure.

#### 6 – Mortgage Resolution

Lender and consumer sign mediation agreement accepting the terms of the negotiations.

#### **Cost:**

Lenders and mortgage companies who are in partly responsible for sub-prime loans to consumers, predatory lending practices and insatiable appetites for large profits should bare the expense of mortgage mediation in my opinion. A reasonable cost for administration and mediation management fee should be about \$2500 for mortgages mediated under \$500,000 and \$3500 for mediation of mortgages \$500,001 to \$1,000,000

#### **Benefits:**

Mortgage Mediation is a management solution designed to relieve the courts of filing many cases that may be settled through a neutral non-adversarial mediation process. This “court endorsed” process provides a quick and formal venue for out of court settlement of mortgage issues with the authority recognized by the parties and because the courts recognize it as an alternative dispute method. Mortgage Mediation provides a balance of the rights of all the parties and offers pre-court action remedies. If successful, it could be a model for all states to use in combating the high foreclosure rate and in-turn, save the national economy.

#### **Foreclosure:**

Foreclosure is the legal process in which a person who has made a mortgage (the mortgagor) in order to borrow money loses his or her rights to the mortgaged property. A mortgage represents security-generally real estate-for money loaned.

The mortgagor retains possession of the property, and foreclosure is effected only if the mortgagor fails to make payment of the debt at the proper time or fails to meet other obligations specified in the bond or mortgage.

The foreclosure process is when the lender applies to a court for authority to sell the property or to proceed with the sale under a power provided in the mortgage itself. In such instances the term foreclosure is loosely applied to the sale by the mortgagee (the lender) or by a trustee on his or her behalf. Money received from a sale is applied to all debts on the property, including payments due to the mortgagee.

*Daniel Baldwin is the managing director of Baldwin & Associates LLC, a diversified collaborative dispute resolution and professional development-training firm based in Trinity Florida, near Tampa. He can be reached for questions and comments at (727) 375-0565 or email: [danbaldwin@baldwinandassociates.com](mailto:danbaldwin@baldwinandassociates.com), web: [www.baldwinandassociates.com](http://www.baldwinandassociates.com) All Rights Reserved 2008.*