

Option One Settlement Fact Sheet

Loan Modifications

- Approximately 5,500 borrowers are eligible for loan modification relief. These are borrowers who are still in their homes and still have their Option One loans, many of which were originated 6 or 7 years ago.
- The estimated value of all loan modifications is \$115 million. This includes total principal forgiveness and reduction in monthly payments by borrowers.
- The extent of the modification relief depends on the characteristics of the loan at origination. Loans with the riskiest features are eligible for the most aggressive modifications.
- 2,361 loans are currently eligible relief, based on their delinquency status.
- 3,105 loans could become eligible relief in the next 18 months.
 - Our estimation of the value of the settlement includes a conservative prediction that 20% of these loans will become eligible over the next 18 months.
- Tier 1: Loans with DTI of 50% or more and a CLTV of 90% or more at origination are eligible for a write down of principal balance to 100% of the current value of the home.
 - 251 loans currently are eligible for this relief
 - 259 loans could become eligible for this relief
 - Total: 510 loans
- Tier 2: Loans with DTI of 50% or more (or 45% or more, if a less than full documentation loan) or a CLTV of 90% or more are eligible for a write down of principal balance to 100% of the current value of the home or 31% of the borrower's current income, whichever comes first.
 - 1,146 loans currently are eligible for this relief
 - 1,372 loans could become eligible for this relief
 - Total: 2,518 loans
- Tier 3: All other loans. These loans are eligible for a write down of principal balance to 115% of the current value of the home or 31% of the borrower's current income, whichever comes first.
 - 964 loans currently are eligible for this relief
 - 1,474 loans could become eligible for this relief

- Total: 2,438

Consumer and Community Relief

- *Unfair Lending Claim*
 - Over 4,000 borrowers had loans with DTI of 45% or greater and CLTVs of 90% or greater. These are the loans that the Commonwealth contends were unfair at origination.
 - 40.3% of these loans fell 90 or more days delinquent. That is roughly four times the rate of serious delinquency for FHA loans.
 - 27.9% of these loans had foreclosure initiated. That is approximately 55 times the historic rate for foreclosures nationally. It is also nine times the national foreclosure rate in 2010.
- *Discrimination Claim*
 - Approximately 4,300 Black and Latino borrowers received loans from Option One between 2004 and 2007.
 - Black borrowers paid \$396 more in broker fees than similarly situated white borrowers.
 - Latino borrowers paid \$497 more in broker fees than similarly situated white borrowers.
 - It is anticipated that approximately 3,000 Black and Latino borrowers will receive compensation for the disparities in their fees. The amount of the payment will depend on the amount of the harm, but will likely range from \$100 to \$1,000.
- *Community Harm*
 - 834 Option One loans were foreclosed upon prior to the Attorney General's intervention. The foreclosures negatively impacted tax revenues and surrounding property values.
 - The vast majority of these foreclosures (644 of 834 – 77.2%) took place in nine cities (Boston, Brockton, Fall River, Lawrence, Lowell, Lynn, New Bedford, Springfield, and Worcester).
 - The tax loss to these nine cities resulting from these foreclosures was \$4.6 million.

- The aggregate loss to surrounding property values was \$390 million.
- The Consent Judgment (Section IV.2) provides the Attorney General with discretion to address public/community harm through grants. This could include grants to community-based groups in the nine cities particularly affected by Option One's predatory lending.