Housing New Mexico
MFA

Habitat for Humanity – Loss Mitigation and Default

Frankie Salcido
Supervisor Default and Loss Mitigation
Servicing Department

Introduction

- 30 years of experience in Banking & Collections & Default Management

- Previous roles: Charter Bank & Mortgage, Washington Mutual Finance, First National Bank

- Goal: We “Partner up”

Housing New Mexico's Mission

- Provide innovative products, education, and services
- Partner to finance purchase, construction, preservation of affordable housing
- Strengthen New Mexico's social and economic development

Family Selection

- Front-end process affects back-end collections
- Goal: Help low-to-moderate income families achieve homeownership
- **Key Question: Can the borrower truly afford and manage debts?**

Do WE Know the Borrower?

- Communication evaluation – build rapport
- Assess attitude and work ethic
- Reeducate borrower – cooperative approach
- Gut intuition & identifying red flags

“Red Flags”

- Lack of communication
- Negative attitude
- Noncompliance with requests
- Disregard for debt responsibilities

Why It Matters for Affiliates

- Higher delinquencies lead to higher foreclosures
- Greater financial risk and exposure
- Seasonal trends
  - Tax refunds lower delinquencies
- Inflation/economy

Other Reasons for Default

- Unexpected life events
  - Death
  - Auto Repairs
  - Etc.
- School expenses or holiday spending
- Excessive obligations from poor financial choices

Housing New Mexico Collection Process

- Early calls after delinquency (First Contact)

- Additional Communication
  - Late Notices
  - Demand Letters
  - Acceleration Notices

- Inspections & door hangers
  - After 45 days

Mortgage Collection Requirements Flow Chart*

Primary Procession	Primary Action
1st Day of Month	Payment Due Date
17th Day of Month	Late Charges May be Assessed
Must Take Prompt Action, Attempt Telephone Contact Sooner, if Appropriate	
20th Day of Delinquency	Send Automatic Notices and/or Personal Letters
30th Day of Delinquency	Must Report to Single Family Default Monitoring System
31st to 45th Day of Delinquency	Must Send Servicemembers Civil Relief Act (SCRA) Notice
35th to 45th Day of Delinquency	Must Send Cover Letter and HUD-426-H Pamphlet, How to Avoid Foreclosure
35th to 45th Day of Delinquency	Notification to Homeowner of Availability of Housing Counseling
45th Day of Delinquency	If Unable to Reach Mortgagor, Inspection is Required to Determine if Property is Vacant
No Later Than:	
62nd Day of Delinquency	Must Attempt Face-to-Face Interview with Mortgagor

**Note: Mortgagees are to refer to mortgagors to HUD Approved Housing Counseling Agencies and/or recast the mortgage and/or enter into forbearance agreement.*

Screening Process (HUD)

- Face-to-face interviews for deeper assessment
- Credit reports tell borrower’s story
- Identify cause of default – temporary vs. long term
- Assess borrower’s cooperation & attitude

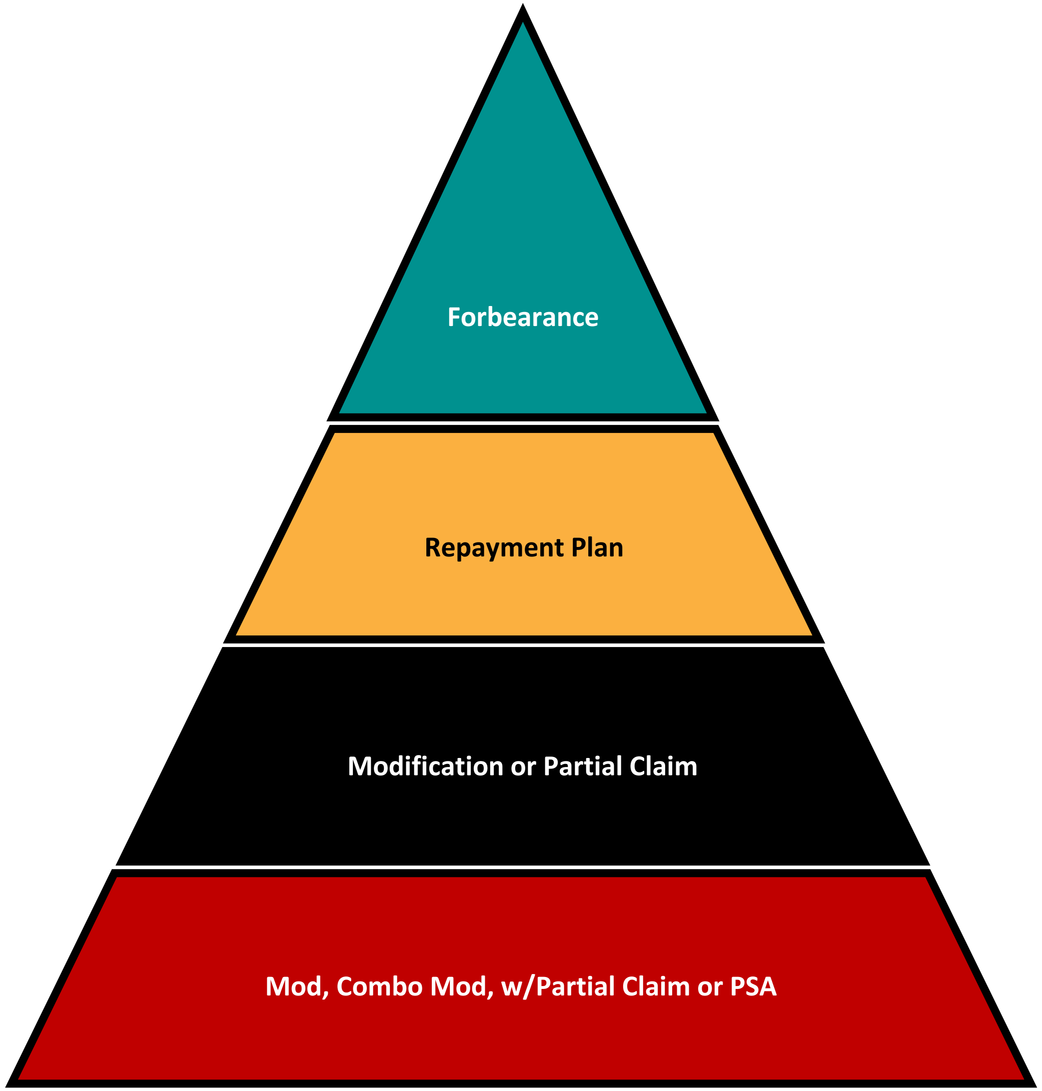
Loss Mitigation

- FHA vs. HFH
- Repayment Plan | Forbearance | Partial Claim
- Loan Modification | Payment Supplement
- Pre-foreclosure Sale | Deed-in-lieu
- HFH portfolio → Forbearance, Loan Mod, DIL

The Assessment

- Collect Financial Package
  - Worksheet
  - Bank Statements
  - Tax Returns
- Other Necessary Reviews
  - Income
  - Spending Patterns
  - Debts
- Check credit (where applicable)
- Evaluate willingness & ability to sustain homeownership
- Provide financial counseling where needed

The New Waterfall (effective October 1, 2025)



- ❑ Temporary Hardship
- ❑ Resume Payment, Plus Additional
- ❑ Resume Payment
- ❑ Cannot Resume Current Payment

  Modification with or without a Partial Claim for 30 or 40 years, Payment Supplement Agreement or Partial Claim. The target payment is a P&I that is 25% less than the current P&I, or lowest possible payment. Key variable is the availability of Partial Claim funds.

Recommendations & Outcomes

- Identify chronic delinquents – repeat offenders
- Recognize patterns beyond guidelines
- Loss mitigation: retention vs. disposition options
- Weigh cost of foreclosure or buybacks to affiliates

Case Examples

- **Positive case**
  - Borrower cooperates
  - Loan modification keeps home
- **Chronic delinquent**
  - Poor attitude
  - Nonresponsive
  - Foreclosure considered

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Conclusion

1. It all starts with Family Selection

2. Front-end screening prevents back-end losses

3. Proper evaluation leads to stronger affiliates & communities

Questions?

Frankie Salcido
Supervisor Default and Loss Mitigation
Servicing Department
Tel: 505-767-2214
Email: fsalcido@housingnm.org

7425 Jefferson St. NE, Albuquerque, NM 87109

Tel: 505-843-6880

www.housingnm.org

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