

North Carolina Commissioner of Banks Foreclosure Prevention Project

Up to 60,000 foreclosures will be started in North Carolina this year, a 20% increase over last year. High foreclosures impact not only individual families, but the stability and property values of neighborhoods across the State. To address the rising level of foreclosures, North Carolina recently enacted an emergency program to create the State Foreclosure Prevention Project, led by the Commissioner of Banks (NCCOB). The Program will require that servicers of “subprime” mortgages notify both the borrower and the Commissioner of Banks prior to foreclosing. The Commissioner will have the authority to delay filing of foreclosure for 30 days to facilitate negotiated workouts between the borrower and their mortgage company.

The primary aim will be to help borrowers contact their servicers to negotiate a “workout” plan that will make it possible for:

- the homeowner to save their home and prevent the dislocation associated with foreclosure; and
- the servicer and the community avoid the costs of foreclosure on the property.

This project will seek to reduce the numbers of foreclosures by facilitating productive communications between homeowners with subprime loans and mortgage servicers. As part of this program, NCCOB will coordinate the legal review of thousands of subprime loans. As a result NCCOB is reaching out to the legal community for assistance in helping North Carolina homeowners avoid unnecessary foreclosures. Due to the large number of loans which are anticipated to go through the program, NCCOB is seeking the assistance of law students in reviewing loan documents to make sure that they comply with North Carolina and Federal lending laws.

What the Law Students Can Do:

Law Students can help NCCOB by participate in Red-Flag Review. NCCOB has posted a project with Carolina Law Pro Bono Program seeking help from students who agree to review loan documents. The review is designed to take no more than one hour per loan and is intended to determine potential violations to identify loans for further review by NCCOB’s internal staff. Students will be able to review the documents and fill out a simple worksheet using a secure online connection. If requested, after receiving a “red flag” loan for review NCCOB will provide feedback to the Student regarding NCCOB’s determination and the reasoning behind NCCOB’s interpretation. Students participating would be provided a brief training aimed at informing them how to identify the relevant data contained in loan files to conduct legal compliance review.

For More information about how you can participate in the project, please email, Will Corbett, Staff Attorney, wcorbett@nccob.org or call (919) 733-0577.