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Representative Steve Stivers U.S. House of Representatives 1007 Longworth House Office Building Washington, D.C. 20515

Dear Representative Stivers:

Thank you for the opportunity to respond to a question you posed to me doing the joint hearing of the Financial Institutions and Consumer Credit and Capital Markets and Government Sponsored Enterprises Subcommittees entitled "H.R. 1697, The Communities First Act." You had asked whether it is profitable for a financial institution to foreclose on a property and the average cost associated with a foreclosure. The short answer to your question is no, it is not profitable to foreclose on any property. I have provided additional information below.

In further response to your question, we conducted an informal survey of members of CUNA's Lending Council. Lenders tell us that a static number is not an accurate reflection of the cost associated with a foreclosure because some foreclosure costs are not fixed; rather, the value of the collateral determines some significant liquidation expenses. Realtor fees, for example, increase with collateral values. Generally, some credit unions have used a factor of 15% in projecting the expenses. This has been fairly accurate; however, depending on the local market conditions, credit unions have found it can be as high as 20-25% of the property value. The total cost of a foreclosure would also include any deficiency balance on the loan itself.

To put this in context, the median home price in the United States today is \$170,000, 15% of that is \$25,000, which would correspond to the statement of cost by the witnesses testifying on behalf of the Independent Community Bankers Association. For example, according to Zillow.com, the Ohio home value index at the end of September 2011 was \$101,500. The average cost of foreclosure then would be approximately \$15,000. In the Columbus area, the median home price index is \$128,000, so the cost would be closer to \$19,000. In Toledo, the median home price index is \$98,000, so the cost would be closer to \$14,700.

I hope this helps answer your questions. Certainly, if you require more information, please do not hesitate to contact me.

Best regards,

Bill Cheney

President & CEO

