



*FAST*FACTS

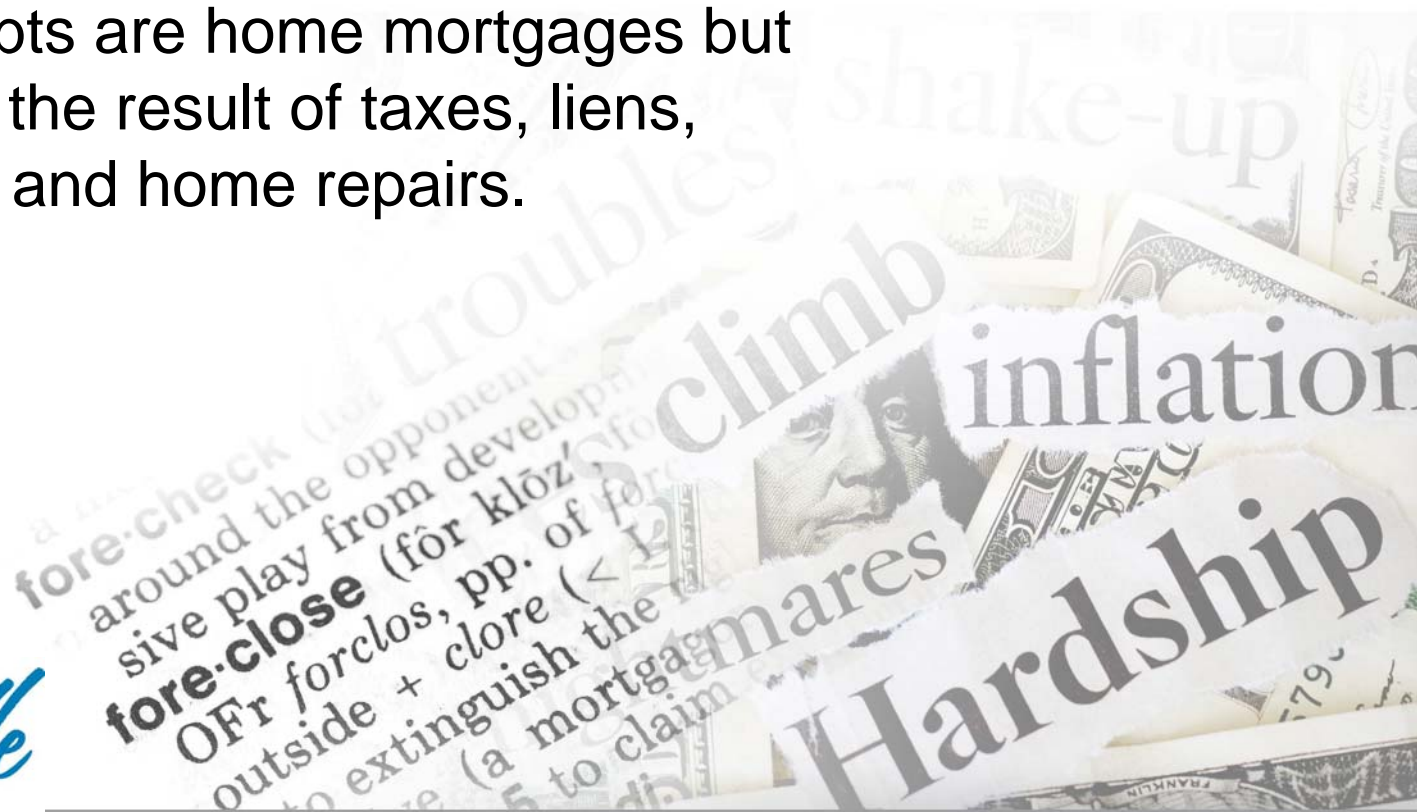
A HOMEOWNERS GUIDE TO PREVENTING FORECLOSURE

mortgage late?
don't wait!



What is Foreclosure?

- Foreclosure occurs when property is sold to satisfy an unpaid secured debt.
- Secured debts are home mortgages but can also be the result of taxes, liens, condo fees, and home repairs.



Causes of Foreclosure

Failure to pay your mortgage due to:

- Having a mortgage that no longer fits your financial situation
- Fraud
- Job Loss
- Illness
- Life Changing Events:
 - Death in the family
 - Divorce



Lenders' Foreclosure Timeline

If You Miss One Payment, you are in default...

You may receive a deficiency notice from your lender

If You Miss Several Payments...

The lender may send you a notice of default, detailing how much is due and that the foreclosure process can begin if the amount is not paid.

Once in Default for 90 Days...

The lender may begin foreclosure proceedings. However, there is no law stating that the lender must wait 90 days to file and they could file after one missed payment.



Factors That Work in Your Favor

- An excellent payment record and credit history with no prior history of late or missing payments.
- Being proactive and getting on top of the problem early.
- You are not yet behind or you are only a month or so behind.
- You have no prepayment penalty on your existing mortgage.
- Ability to get back on track.

EXAMPLE: You were behind because you were sick and now you are well.

EXAMPLE: You were out of work but are now working again.

Factors That Work Against You

- A history of repeated late payments.
- The foreclosure date is already scheduled.
- Experiencing a permanent setback that affects your ability to pay the mortgage.



Helpful Tip #1:

Contact Your Lender

- **Lenders do not want to take your home!**
Foreclosure is their last resort. Contact your lender as soon as you realize you have a financial challenge that might delay your mortgage payment.
- Open and respond to all mail from your lender or their agents. Learn about the approaches lenders use to help borrowers. Delay will reduce the options lenders may make available to you.



Helpful Tip #2:

Meet with a Nonprofit Housing Counselor to Review Your Debts

- Free and confidential foreclosure prevention assistance is available from Florida's HOPE network of nonprofit organizations
- Florida's housing counselors can help you better understand your mortgage documents and options for reducing your mortgage burden.
- Florida's housing counselors can help you communicate with your lender.
- Come to your housing counseling appointment prepared.
- Bring settlement paperwork, tax returns and any notices or invoices from your lender.



Helpful Tip #2:

Meet with a Nonprofit Housing Counselor

- Be knowledgeable about your monthly budget, credit card, student loans and other debt and other obligations, such as property taxes, condo fees, alimony, and child support.

EXAMPLE: Know the difference between High Priority versus Low Priority Debt

Secured Debt

...means they can take something from you if you don't pay up.

Your mortgage is secured debt. (They can take your house.)

Your car payment is secured debt. (They can come take your car.)

Unsecured Debt

...means the debt is not tied to any particular thing you own.

Credit card bills and doctors' bills are unsecured debt. (but they can become secured debt if a judgment is ordered against you by a court.)

Helpful Tip #2:

Meet with a Nonprofit Housing Counselor

- **Know the details of your mortgage:**

- TYPE (FHA? VA? Conventional? Is it a Fannie Mae Product?)
- TERM (20, 30 or 40 years?)
- INTEREST RATE (fixed or adjustable)
- DO YOU HAVE A PREPAYMENT PENALTY?
- LOAN BALANCE
- EQUITY
- AMOUNT OF REGULAR PAYMENTS
- ARREARS – how much is owed including principal, interest, late fees and associated legal fees, if any.

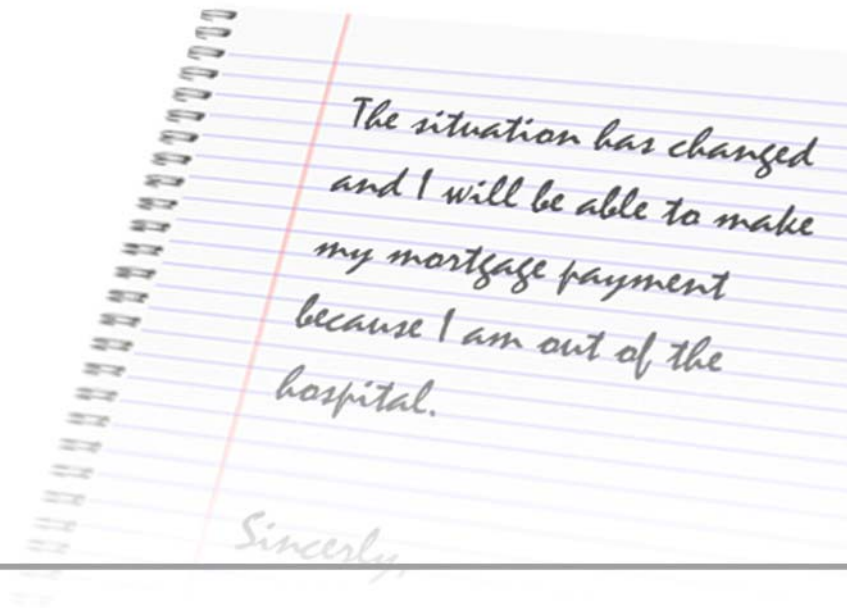
(You need all of this information for each lien or second or third mortgage)

Helpful Tip #2:

Meet with a Nonprofit Housing Counselor to Determine a Course of Action

Your counselor may advise you to write a hardship letter first. A hardship letter is required by most lenders before they will consider offering relief to borrowers. The letter can be handwritten and must include the following:

- “I would like to stay in my house.”
- “I fell behind on my mortgage payments as of (date).”
- “The reason I fell behind is ____.”
- “The situation has changed and I will be able to make my mortgage payment because ____.”



Helpful Tip #3:

Avoid Foreclosure Rescue Scams

- FREE and objective assistance from a nonprofit housing counselor and your lender is available!
- Some companies will promise you mortgage help for a fee. Some of these advertise their services through signage on telephone poles and in median strips.
- Common foreclosure scams:
 - **Phantom Help** – “Rescuer” charges outrageous fees for services that it never provides
 - **False Bailout** – Homeowner surrenders the property title to the “rescuer”
 - **Bait and Switch** – Homeowner surrenders ownership without realizing it until it is too late
 - **Credit Repair Companies** – These companies promise to erase bad credit but generally cannot deliver
 - **For-profit Bankruptcy Counseling/Preparation Companies** – These companies make false promises and charge fees that far exceed their services.
 - **Refinance Solicitations AFTER the Foreclosure has been filed** – At this stage, refinance would offer only temporary relief, and lead to another foreclosure.
 - **Look out for Lease-backs** - The homeowner agrees to sell the property for the mortgage balance and leases it back from the investor.

Helpful Tip #4:

Avoid Foreclosure Rescue Scams

- **Don't sign any legal documents without first getting objective legal advice.** Learn about common predatory real estate practices so you can avoid them.



Helpful Tip #4:

Prioritize your spending and **SAVE** money

- Review your finances and cut spending where you can. Look especially at variable expenses like:
 - entertainment
 - clothing
 - memberships
- Do you have assets you can sell?
- Can anyone in your household work more hours for additional income?

Efforts like these are important because they demonstrate to your lender that you are willing to make sacrifices to keep your home.



Helpful Tip #4:

Prioritize your spending and **SAVE** money

Needs versus Desires

- Do you need to buy your lunch?
- Do you need a cell phone?
- Can you reduce the phone bill?
- Can you do without cable television?
- Can you take a second job?
- Can you stop smoking?
- How can you cut the grocery bill?
- Can you work some overtime hours?
- Can you negotiate a decrease in your student loan payments?
- Can you carpool or ride a bike to work?
- Can you rent out a room in your home or look into homesharing?



Tips for Dealing With Your Lender

What is a Workout Plan?

- It is a proposal you (or your counselor) submit to the lender about finding an acceptable for both parties.
- It has all financial information the lender has requested and documentation of everything.

In pursuing a workout plan, a housing counselor can....

- Help engage the lender
- Help you develop a budget and reign in your spending where possible
- Help to keep you from making missteps
- Help you look at the options
- Help you become more engaged in the process
- Make recommendations to the lender

Tips for Dealing With Your Lender

Also remember to...

- Get all agreements with the lender in writing and be prepared to document everything for them as well.
EXAMPLE: If you're going back to work – you will need a letter from your employer
- Sign a consent for release of information authorization for your housing counselor to talk to the lender.



Tips for Dealing With Your Lender

Possible Workout Plans

- **Repayment Plan** - Catch up by adding a portion of the past due amount to your monthly payments.
- **Forebearance Plan** - Your monthly payments are temporarily reduced or suspended. There is usually a HIGHER payment when the payments are reinstated.
- **Loan Modification Plan** - The lender agrees to change your terms in some way. They might:
 - Reduce your interest (especially if it is above market-rate) or
 - Extend the loan payment period or
 - Negotiate the prepayment penalty.
- **Partial Claim (available only for an FHA loan)** - The lender may offer an interest-free loan to catch up the arrearage. The loan is due when you sell the property or when you pay off your first mortgage.
- **Recast Plan (not available with Fannie Mae or Freddie Mac)** - You put missed payments at the back end of the loan.

Tips for Dealing With Your Lender

When Negotiating a Workout Plan

- You need to act as your own advocate.
- Be realistic. You are probably going to have to make some sacrifices if you really hope to save the house.
- This means saving money and cutting back on expenditures.



If Your Lender Rejects Your Proposal

- Try to negotiate.
- Find out what they might accept.
- Continue to have open lines of communication with the lender by keeping your options open and finding a workable compromise if necessary.
- If it seems unreasonable or unfair, see if you can talk to a loss mitigation specialist or supervisor.



Losing Your Home? You Still Have Options.

1. A Short Sale

- Upside Down Mortgage or Underwater Mortgage – When you owe more than your house is worth
- The lender allows you to sell your home and accepts the lesser amount as paid in full.
- You have to use a realtor and show the lender that you have a real contract with a seller and usually must get the appraised value.
- You do not walk away with any cash. (Also the IRS considers the forgiven amount as something on which you will have to pay taxes.)

2. Fair Market Sale

- This is when you have equity in the house and the lender gives you time to sell it. You may be able then to get some of the value of the house back after arrears are paid.
- You have to apply to the court to get the extra money back.
- This is often your back up plan in case the lender refuses your other proposals.

3. Deed in Lieu of Foreclosure

- You sign the house over to the lender and they forgive the mortgage and you move on with your life. Ask for time to find a place to live. Sometimes they will give you a small payment to help you relocate. Get the paperwork right on these. (You can only do this if there are no second liens)

4. Assumptions Upon Sale (Not all loans are assumable)

- Someone buys your home and the lender allows them to “assume” your payments.
- CAUTION: Many scams are a form of this option. Also, you might remain liable on the loan note unless the lender agrees to release you.



Declaring Bankruptcy, Would it Help?

Bankruptcy is usually NOT a long term solution.

Consult an attorney to determine the pros and cons of filing.

Potential PROs

- Bankruptcy may ease stress from the inability to pay your debts.
- Might STOP garnishments, *most* lawsuits, repossessions, utility turnoffs and bank attachments.
- Provides you with the ability to get a fresh start on your finances.

Potential CONs

- You can still lose a house, car or other valuable property.
- Bankruptcy stays on your credit record for 10 years.
- You can only file Chapter 7 once every 8 years.
- There are some debts you cannot wipe out even if you file bankruptcy.

NOTE: If you are currently in bankruptcy, you need to work with an attorney. A housing counselor cannot work with you.



If Foreclosure is Unavoidable...

If your house goes to auction...

... and there is some equity:

- Most of the money will pay off the mortgage(s) and other fees.
- You may receive any money leftover but you have to apply to the court for your share.

... and there is no equity:

- You get nothing.
- If the second lien holder files for a deficiency judgment, you could still owe debt.



If Foreclosure is Unavoidable...

- There are other supportive services in your area, such as United Way's 211 / First Call for Help by calling **632-0600, 1-866-318-0211** or, in most regions, **211**. Also reachable by accessing their website at **www.nefl211.org**.



Things That Can Come Back and Affect You

- Deficiency judgment by lenders after the sale of your property
- Tax liability on forgiven amount
- Lost equity if you don't file for surplus funds
- Bankruptcy stays on credit for a long time
- Either bankruptcy or foreclosure can impact your employment



Summary

To recap, depending on the number of missed payments, you should:

1st Month Missed (0-30 days)

- Contact Your Lender
- Contact a Housing Counselor
- Gather Necessary Documents
- Raise or Save Money
- Negotiate with Your Lender



2nd Month Missed (0-60 days)

- Continue with the Previous Suggestions
Plus:
 - Revisit Your Budget
 - Revisit Your Objective:
 - Is keeping your house realistic?
- Continue Communication With Your Lender and Housing Counselor

