Foreclosure Clinic Packet

Jacksonville Area Legal Aid
Foreclosure clinic
2nd Wednesday of every month

Located at:
126 West Adams Street, Downtown Jacksonville 32202
For additional information: 904-356-8371 ext. 378

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Foreclosure:
Frequently Asked Questions

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.

What is the foreclosure timeline?

- If you miss one mortgage payment, you are in default and you will likely receive a deficiency notice from your lender
- If you miss several payments, the lender will send you a notice of default which details how much is due and that the foreclosure process will begin if that amount is not paid
- Once you are in default, the lender can begin foreclosure proceedings

What happens if I get served with a foreclosure lawsuit?

- You have 20 days from the date you were served with the foreclosure complaint or lawsuit to file a response. If you believe you have legal defenses or want to save your home, you should contact an attorney.
- If you do not file a response that raises a legal defense, then a foreclosure judgment may be entered after notice and hearing.

What happens if I do nothing after being served with a foreclosure lawsuit?

- If no response is filed, the Plaintiff will eventually file a motion for summary (or final) judgment against you and a hearing will be set on that motion.
- At the hearing, a judgment will be entered and in it a foreclosure sale date will be set. Usually, the sale date is set approximately one month after the date of this hearing.

How long can I stay in the house if I do nothing?

- If you do not plan on defending the foreclosure lawsuit, you need to immediately explore alternative living arrangements
- If a foreclosure sale date is set, you will have ten (10) calendar days from the date of the sale to vacate the property. A certificate of title is issued ten (10) calendar days after the sale to the winning bidder at the sale. Any objection to the sale must be filed within this ten (10) day period.
- In general, the foreclosure process takes approximately four to six months from beginning to end. Of course, this time frame can vary from case to case.

What do all these foreclosure and mortgage related terms mean?

- See the glossary at the end of this packet.

Tips for Avoiding Foreclosure

Prioritize your spending. Review your finances and see where you can cut spending in order to make your mortgage payment. Look for optional expenses, e.g. cable TV, eating out, and entertainment. Delay payments on credit cards and other “unsecured” debt until you have paid your mortgage. Keep mortgage payments current if possible. The further behind you become on your mortgage, the harder it will be to reinstate your loan and the more likely that you will lose your home.

Contact your lender as soon as you realize that you have a problem. Lenders do not want your home. Lenders have options to help borrowers through difficult financial times.

Keep a record of all contacts you have with your lender, including all phone calls. See the example Lender Contact Log at the end of this packet.

Don’t ignore letters from your lender. Open and respond to all mail from your lender. The first notices you receive will offer good information about foreclosure prevention options that can help you weather financial problems. Later mail may include important notices of pending legal action.

If you are unable to make your mortgage payment:

*__Negotiate with the lender to restructure your mortgage__. If the loan is guaranteed by a federal or state agency, the lender may be required to grant assistance, or provide other options, to avoid foreclosure.

*__Contact a HUD-approved housing counseling agency__ (toll free 1-800-569-4287 or TTY 1-800-877-8339). The US Department of Housing and Urban Development (HUD) funds free or very low cost housing counseling nationwide. Housing counselors can help you understand the law and your options, organize your finances and represent you in negotiations with your lender if you need that assistance.

Avoid foreclosure prevention companies. You don’t need to pay fees for foreclosure prevention help. Use that money to pay your mortgage instead. Your lender and/or a HUD approved housing counselor can provide information and services for free if you contact them.

Avoid foreclosure rescue scams. Never sign a legal document without reading and understanding all the terms and getting professional advice from an attorney, a trusted real estate professional, or a HUD approved housing counselor. You could be signing over the title to your home and becoming a renter in your own home!

Foreclosure Options When Behind on Payments

LOSS MITIGATION

If you believe you can catch up payments, you should contact the mortgage holder (lender) immediately. You will want to ask them to allow you to pursue your “loss mitigation” options. Through these options, you will try to reinstate or catch up the payments through options such as paying the regular payment plus some toward the arrearage each month, a payment “holiday” or tacking the delinquent payments to the end of your mortgage. The mortgage holder will probably require you to complete forms showing your income and expenses and to explain why you have fallen behind in your payments. Depending on the option you and the mortgage holder agree upon, it will be necessary to show that you will be able to repay the missed payments and/or continue to make timely monthly mortgage payments. You should keep very detailed notes regarding your request to participate in loss mitigation and the mortgage holder's responses. If they do not work with you to work out a way to cure your delinquency, you may be able to use this failure as a possible defense to the eventual foreclosure lawsuit.

LOAN MODIFICATION

You and your loan servicer may agree to permanently change one or more of the terms of your mortgage contract to make your payments more affordable. This could include lowering the interest rate, extending the term of the loan, or adding missed payments to the loan balance.

FORBEARANCE

If you face a temporary financial hardship, such as one caused by a job loss, the lender may agree to temporarily reduce or suspend your payments. This agreement is called forbearance and means you only pay a portion of you regular payment or no payment at all for a specific period of time. At the end of the forbearance period, you will begin making regular payments and also pay an additional amount to pay off the past due amount.

REFINANCING

If the borrower has equity in the home and a good credit score, he or she might be able to refinance to a fixed-rate loan with a lower rate. This, however, is becoming harder to do, especially since home values are dropping and lenders have tightened their refinancing guidelines. Banks take a close look at a borrower's assets before offering to refinance.

REPAYMENT PLAN

Borrowers who've missed just a few payments because of a short-term financial hardship, such as a medical expense or temporary unemployment, might qualify for a repayment plan. Homeowners are given time to make up the missed payments by sending in extra money for a few months, or the arrears are tacked onto the end of the loan. But the loan's terms remain the same so the borrower must be able to afford the base monthly payments. In this case, income and expenses are more important criteria.

RATE FREEZE

Those who can't handle their current monthly payments can try to lobby their lender with their counselor to modify the loan. Some financial firms will freeze the low introductory interest rate or extend the loan's terms to make it affordable. But lenders are reluctant to do this unless borrowers show they can manage the loan long-term. Again, borrowers' monthly cash flow counts more than assets. This option would have to be approved by the lender.

DEED-IN-LIEU OF FORECLOSURE

A Deed in lieu of foreclosure is a deed instrument in which a mortgagor (i.e. the borrower) conveys all interest in a real property to the mortgagee (i.e. the lender) to satisfy a loan that is in default and avoid foreclosure proceedings. The deed in lieu of foreclosure can offer advantages to borrowers who simply cannot afford the mortgage. The principal advantage to the borrower is that it immediately releases him/her from most or all of the personal indebtedness associated with the defaulted loan. The borrower also avoids the public notoriety of a foreclosure proceeding and may receive more generous terms than he/she would in a formal foreclosure. Another benefit to the borrower is that it hurts their credit less than a foreclosure does. Of course, this option would have to be approved by the lender.

SHORT SALE

Homeowners who must put more than 40% of their income toward their mortgage payments may not have many options. To avoid foreclosure, borrowers might want to consider a short-sale, in which the banks agree to take the proceeds of the sale even if it doesn't satisfy the loan. If you cannot sell your home in a reasonable period of time, the lender may ask you to sign a deed transferring the property voluntarily to help avoid the impact of foreclosure on your credit rating. When putting your home on the market, remember to look for a licensed real estate broker. If you are going to sell the property you should make sure the broker you select is legitimate and not attempting to take your home and the equity you have gained in the home. You will be inundated with offers to “help” you avoid foreclosure or to sell the home. Most of these offers will be from people who may be trying to take advantage of your situation and take your money, your home or both.

BANKRUPTCY

If you have sufficient income, you may be able to file a Chapter 13 Bankruptcy case to avoid foreclosure. You would have to have at least enough money each month to pay your monthly mortgage payment plus some toward the arrearage. You would also have to have enough money each month to pay all of your other monthly bills and the trustee's fee. You can learn more about bankruptcy at one of our monthly bankruptcy clinics.

If you would like to attend an informational bankruptcy clinic, you may do so on the first Thursday of each month at the Adams Street office of *Jacksonville Area Legal Aid.* At that time, an attorney will be presenting basic information concerning the effect of filing a bankruptcy case and the respective rights and responsibilities of creditors and debtors. There will not be any preparing of papers needed to file a bankruptcy case at that time.

FHA/VA Loans

If you have a mortgage through the Federal Housing Administration (FHA) or Veterans Administration (VA), you may have other foreclosure alternatives. Contact the FHA (www.fha.gov) or VA (www.homelaons.va.gov) to discuss your options.

Government Backed Assistance

630-CITY (FOR JACKSONVILLE AREA RESIDENTS)

If you are behind on your mortgage payments and have NOT been served with a foreclosure lawsuit, call 904-630-CITY. Anyone who is having problems making their monthly mortgage payments can apply for assistance with the City of Jacksonville's new Foreclosure Intervention Program. Applicants can receive up to $5,000 in funds to catch up their mortgage payments.

FHA SECURE

FHASecure is a refinancing option that gives homeowners who were making timely mortgage payments before their loans reset but are now in default, a *second chance* with a FHA insured loan product. Homeowners must meet the following requirements:

1. Have a non-FHA insured ARM that has reset;
2. Sufficient income to make the mortgage payment; and
3. A history of on-time mortgage payments before the loan reset.

For more information, call 1-800-CALL-FHA (1-800-225-5342) or go to www.portal.hud.gov.

HOPE HOTLINE

Through the 888-995-HOPE hotline, the Homeownership Preservation Foundation has a single mission: to help homeowners avoid foreclosure. They are an independent nonprofit that provides HUD-approved counselors dedicated to helping homeowners. The help they offer is free. More information can be found at www.hopenow.com.

PROJECT LIFELINE (a part of HOPE NOW)

Project Lifeline is intended to help with all types of mortgages, not just the subprime loans that have been the focus of attention in the current troubled housing market. The program would let qualified homeowners who are at least 90 days late on their mortgage payments pause the foreclosure process for 30 days. Project Lifeline is aimed at homeowners who face a real risk of losing their home and have not yet addressed the issue with their lender.

No program could save every borrower, if you can't afford to live in a home, you'll probably have to go back to renting. Those eligible will be notified by mail and will have 10 days to contact their loan servicer or a non-profit housing counselor (888-995-HOPE). In some cases, the lender will suspend foreclosure proceedings for up to 30 days to see if the loan terms can be eased so the homeowner can afford to make payments.

Applying for a Loan or Refinance? Know the Warning Signs!

Predatory Lenders are the cause of many nightmares for homeowners. Knowing what to look out for in the beginning can save you thousands of dollars as well as peace of mind. There are several "warning signs" of a predatory lender. Knowing those signs will help you avoid becoming a victim. Although loans with the following signs are not always predatory, they often appear in predatory loans.

High Interest Rate: National figures show that predatory lenders charge much higher interest than other lenders.

Excessive Points, Late Charges and Prepayment Penalties: Loan origination fees and other charges can cost thousands of dollars. Predatory lenders often charge these even though they tell you that you are not paying any. Pre-payment penalties may make it very costly or impossible for the borrower to re-finance or sell their home.

Credit Insurance Packing: The lender adds credit life insurance or credit accident or disability insurance to your loan, which you may not need. Such insurance premiums may cost thousands of dollars and you may be charged interest if they are added to the amount of your loan. The lender may tell you that this insurance comes with the loan, making you think you aren't paying for it or that you have to buy it.

Asset-Based Lending: The predatory lender gives you a loan based on the equity in your home, not on your ability to repay or on your income. They may lend you more money than you can possibly afford to repay because there is a large amount of equity in the home. When they foreclose on your home, predatory lenders may get the full amount of equity even if their loan was small.

Misrepresentations: The loan officer or lender may offer you one set of loan terms and then change them at the closing. They may also misrepresent the terms of the agreements you signed.

Loan Flipping or Multiple Refinancing: The loan officer or lender may tell you it is time to let the equity in your home start "working" for you. They may encourage you to refinance the loan repeatedly and often to borrow more money. Each time you refinance, you pay additional fees and points in addition to a possible prepayment penalty.

Balloon Payment: A large sum of money that is beyond your ability to pay is due at the end of the loan. If you can't make the balloon payment or get a new loan to pay it, you face foreclosure and the loss of your home.

High Closing Costs: Unusually high closing costs such as appraisal fees or document preparation fees are included in the loan, and you must pay interest on these costs.

Deceptive Loan Servicing: The lender doesn't provide you with accurate or complete account statements and payoff figures. That makes it almost impossible for you to determine how much you have paid or how much you owe.

The "Home Improvement" Loan: A contractor calls you or comes to your door and offers to do repairs you need at a reasonable price. When you tell him you can't afford it, he tells you he can arrange a loan. The work begins and you are asked to sign a lot of papers. Even though you are rushed and there are blank places on the papers, you sign because the contractor threatens to leave. Later, you realize that the papers you signed were a home equity loan with a high interest rate, points and fees. You may even be left with repairs or work that has not been done properly or was never completed.

Loan Broker Fees: Often people contact a loan broker thinking they are the mortgage company. The loan broker arranges the loan with a mortgage company and charges a large fee that comes out of the loan proceeds.

Signing Over Your Deed: You are having trouble paying your mortgage and have been threatened with foreclosure. Another "lender" contacts you and offers to help you get a new loan. Before he can help you, he asks you to sign over your deed to him, telling you it is a temporary measure to stop the foreclosure. The lender doesn't come through with the new loan but now has the deed to your home. He may borrow against it or even sell it to someone else. Because you don't own the home anymore, you won't get any money when the property is sold.

Stop Payment Advice: The lender or broker tells a consumer not to bother making payments on existing loans before the new loan closes. At the closing of the new loan, the terms are not as promised and the consumer may have difficulty finding another lender because his existing loans are in default.

Discrimination: The lender charges a woman, older adult or minority consumer more than a similar consumer who is not a member of that group.

Other Warning Signs:

- Tells you to sign incomplete or blank forms–the lender says it will fill them in later.
- Falsifies information on the loan application. For example, the lender tells you to say that your income is greater than it is.
- Pressures you into applying for a loan or for more money than you need.
- Pressures you into accepting monthly payments you can't make.
- Tells you it's not important to read all the fine print in the loan papers or hurries you to sign the papers.
- Says you can't have copies of documents that you have signed.

What you can do?

Compare loan terms.

If you have a relationship with a bank or credit union, consult it first regarding the best mortgage and loan rates. Then check with at least three lenders and compare their rates. Look at the annual percentage rate (APR), fees, points, and closing costs associated with the loan. Examine the terms of the loan and the monthly payment. Look for prepayment penalties. Don't trust ads promising "No Credit? No Problem." Interest rates and fees vary widely. Don’t assume you will not qualify for a loan from a traditional lender. Those loans are less expensive than predatory loans. Up to half of the people who borrow money from predatory lenders could have qualified for a lower cost loan from a bank or other lender.

Study the paperwork.

There are several important papers that are the keys to understanding your loan. Three days before your loan closing, your lender must give you a written **“Good Faith Estimate.”** Study that document carefully. It explains how much your loan officer thinks you will pay for the loan, and where he/she thinks all of the money you borrow will go. At your closing, compare it to the document referred to as a **“Settlement Statement”** or **“HUD-1.”** It tells you where all of the money you borrow will actually go. If there are major changes between that document and your Good Faith Estimate, be sure you understand and agree with them.

You should also study the **“Truth in Lending”** disclosure statement that explains how much you are paying for your loan, what your annual percentage rate is, and whether you will owe a lot of money (often called a “balloon payment”) at the end of your loan. Finally, you will need to study the actual contract to learn if there is a prepayment penalty. They often lock you into a particular loan and keep you from getting a better loan if you are the victim of a predatory loan, want to refinance or want to sell your home.

Get a copy of your credit report and make sure it is accurate before applying for a loan or mortgage. Lenders use your credit report to decide if you are a good credit risk. It is important to make sure all the information on your credit report is accurate before you apply for a loan. If the report is wrong, ask the agency to change its records. You can get a copy of your credit report from the three major credit reporting agencies:

Equifax 1-800-685-1111
www.equifax.com/
Experian 1-888-397-3742
www.experian.com/

TransUnion 1-800-916-8800
www.transunion.com/

*These agencies will charge you for your credit report, **unless** you are pulling a report for the first time that calendar year or if you have been denied credit in the past six (6) months. www.annualcreditreport.com.

Get references. Check with the local Better Business Bureau® before doing business with a lender or mortgage broker. Make sure the lender and broker you are dealing with are licensed by the State Banking Department. Numbers you need to check out a lender or contractor are listed at the end of this booklet.

Do not borrow more money than you can pay back. If you get a loan, make sure you see in writing how much your monthly payments will be every month of the loan, and carefully consider if you can make the payments. Responsible lenders look to see if you can make the payments. Don't depend on extra money built into a home improvement loan for "quick cash." Borrow only the amount you need and can afford to repay.

Take your time. Don't let anyone rush you**.**

Do not be pressured by lenders. If the lender calls you or comes to your door uninvited, don't agree to anything. Don't sign anything or give out your social security number. Watch out for lenders who say they can give you next-day approval or low-interest rates as long as you apply over the telephone or pay them money today. Do not be pressured into signing for a loan you can't afford. Ask about the cancellation period and what you have to do if you change your mind about the loan. Be wary of high pressure sales pitches, such as claims that an offer is good only for a limited time.

Get advice: Predatory lenders are ready to take your money and even your home. You need someone on your side. Talk to a HUD-certified loan counseling agency, an accountant, your banker, an attorney or a trusted friend. Talk to a non-profit credit-counseling agency for help in deciding if you can afford your loan. Contact information is listed in the back of this brochure.

No life or disability insurance is required as a condition of the loan. If it is, and a charge is included for it, ask that it be removed. The lender may not require that you buy insurance from a particular company. Stay away from premiums that you have to pay all at once.

Call several home repair contractors rather than buying a service from a door-to-door contractor who offers to arrange financing for you. There usually is a high built-in fee.

Fill in all blank spaces. Read the entire loan application carefully before signing. Do not sign a document until you have completed every space.

Ask the Right Questions

If you decide to apply for a loan, ask the lender the following questions and check your written Truth in Lending disclosure, your Good Faith Estimate and HUD 1 form for answers to the questions.

- ✓ What is the total amount I am borrowing?
- ✓ In addition to that amount, what do I have to pay in points?
- ✓ What do I have to pay in fees?
- ✓ What is the interest rate?
- ✓ What is the Annual Percentage Rate (APR)?
- ✓ Is the interest rate fixed over the length of the loan or does it change?
- ✓ If the interest rate will change, when, how often, by how much, how high can it go?
- ✓ What is the total monthly payment?
- ✓ How many years do I have to repay the loan?
- ✓ Are there any prepayment penalties? If so, what are they?
- ✓ Does the interest rate go up if I am late on a loan payment or miss a payment?
- ✓ What if my payment is late? How much is the fee? When is it charged?
- ✓ Do I have to pay interest on late fees?
- ✓ Do monthly payments cover property taxes and homeowners insurance?

Ask the lender for a blank copy of the form(s) you'll sign at closing. While they don't have to give you blank forms, most legitimate lenders will. Take them home and study them with someone you trust.

Ask Yourself the Right Questions Too…

- ✓ Have I shopped around for the best deal?
- ✓ Do I feel pressured to make a decision before I am ready?
- ✓ Is it too good to be true?
- ✓ Can I trust the lender? Have I checked the lender out?
- ✓ Do I have all the facts? Do I understand everything about the loan?
- ✓ Does the loan require prepayment for credit life and disability insurance?
- ✓ If so, do I really want this loan? How much does it add to my loan?
- ✓ Should I think about considering looking for life and disability insurance on my own rather than a condition of the loan?
- ✓ Is there a large amount due at the end of the loan? Will I have the money (or will I be able to borrow the money) to pay it?
- ✓ Did I get a copy of my credit score?
- ✓ Did I get copies of all the forms I signed?
- ✓ Can I afford the loan?

So I Signed the Mortgage Papers, Is that it?

The Three-Day Cancellation Rule
Federal Trade Commission

Depending on the type of loan, a federal law may give you three days to reconsider a signed credit agreement and cancel the deal without penalty. Your "right to rescind" or "right to cancel" is guaranteed by the Truth In Lending Act. You can cancel for any reason but only if you are using your principal residence-whether it is a condo, mobile home or house boat-as collateral, not a second or vacation home.

Under the right to cancel, you have until midnight of the third business day to cancel the credit transaction. Day one begins after all three of the following occur:

1. You sign the credit contract.

2. You receive a Truth in Lending disclosure form containing certain key information about the credit contract, including the annual percentage rate, finance charge, amount financed and payment schedule.

3. You receive two copies of a Truth in Lending notice explaining your right to rescind or cancel.

Business days include Saturdays but not Sundays or Federal holidays.

You must notify the lender in writing that you are canceling. You can't do it over the phone or in a face-to-face conversation. The written cancellation notice must be mailed, wired or delivered before midnight of the third business day. It is best to send your mail by registered or certified mail, return receipt requested to prove you mailed the letter in time and your lender got it. For more information on the Three-Day Cancellation Rule, contact the Federal Trade Commission at 1-877-FTC-HELP www.ftc.gov/bcp/conline/pubs/alerts/3dayalrt.htm

After Obtaining Your Mortgage – What Next?

REAL ESTATE
1-877-FTC-HELP
FEDERAL TRADE COMMISSION
FOR THE CONSUMER
www.ftc.gov

When you apply for a home mortgage, you may think that the lender will hold and service your loan until you pay it off or you sell your house. That's often not the case. In today's market, loans and the rights to service them often are bought and sold.
A home may be one of the most expensive purchases you ever make, so it's important to know who is handling your payments and that your mortgage account is properly credited. The Federal Trade Commission (FTC) wants you to know what a mortgage servicer does and what your rights are.

Mortgage Servicers: Their Responsibilities to You

A mortgage servicer is responsible for collecting your monthly loan payments and crediting your account. A servicer also handles your escrow account, if you have one.

Escrow Accounts

An escrow account is a fund held by your servicer into which you pay money to cover charges like property taxes and homeowners insurance. The escrow payments typically are included as part of your monthly mortgage payments. The servicer pays your taxes and insurance as they become due during the year. If you do not have an escrow account, you are responsible for paying your taxes and insurance and budgeting accordingly.

The Real Estate Settlement Procedures Act (RESPA), enforced by the Department of Housing and Urban Development, is the major law covering escrow accounts. If your mortgage servicer administers an escrow account for you, the servicer is generally required to make escrow payments for taxes, insurance, and any other charges in a timely manner. Within 45 days of establishing the account, the servicer must give you a statement that clearly itemizes the estimated taxes, insurance premiums, and other anticipated charges to be paid over the next 12 months, and the expected dates and totals of those payments.

Making Sure Your Payments Count

Under RESPA, the mortgage servicer also is required to give you a free annual statement that details the activity of your escrow account. This statement shows your account balance and reflects payments for your property taxes, homeowners insurance, and other charges.

Transfer of Servicing

If your loan is about to be sold, you generally get two notices: one from your current mortgage servicer; the other from the new servicer. Usually, your current servicer must notify you at least 15 days before the effective date of the transfer, unless you received a written transfer notice at settlement. The effective date is when the first mortgage payment is due at the new servicer's address. The new servicer must notify you within 15 days after the transfer has occurred. The notices must include:

- the name and address of the new servicer.
- the date the current servicer will stop accepting your mortgage payments.
- the date the new servicer will begin accepting your mortgage payments.
- toll-free or collect-call telephone numbers, for the current and new mortgage servicer, for information about the transfer.
- whether you can continue any optional insurance, such as credit life or disability insurance; what action, if any, you must take to maintain coverage; and whether the insurance terms will change.
- a statement that the transfer will not affect any terms or conditions of your mortgage, except those directly related to the servicing of the loan.

For example, if your contract says you were allowed to pay property taxes and insurance premiums on your own, the new servicer cannot demand that you establish an escrow account. There is a 60-day grace period after the transfer: during this time you cannot be charged a late fee if you mistakenly send your mortgage payment to the old servicer. In addition, the fact that your new servicer may have received your payment late as a result cannot be reported to a credit bureau.

Posting Payments

Some consumers have complained that they've been charged late fees, even when they know they made their payments on time. To help protect yourself, keep good records of what you've paid, including any billing statements, canceled checks, or bank account statements. You also may check your account history online if your servicer's Web site has this feature. If you have a dispute, continue to make your mortgage payments, but challenge the servicing in writing (see Sample Complaint Letter to Lender), and keep a copy of the letter and any enclosures for your records. Send your correspondence by certified mail, and request a return receipt. Or send it by fax, and keep a copy of the transmittal confirmation.

Force Placed Insurance

It's important to maintain the required property insurance on your home. If you don't, your servicer can buy insurance on your behalf. This type of policy is known as force placed insurance; it usually is more expensive than typical insurance; and it provides less coverage. The primary purpose of a force placed policy is to protect the mortgage holder, not the property owner. Review all correspondence you receive from your mortgage servicer. Your mortgage servicer may request that you provide a copy of

your property insurance policy. Respond promptly to requests regarding property insurance, and keep
copies of all documents you send to your mortgage servicer. If you believe there's a paperwork error and that your coverage is adequate, provide a copy of your insurance policy to your servicer. Once the servicer corrects the error, removes the force placed coverage, and refunds the cost of the force placed policy, make sure that any late fees or interest you were charged as a result of the coverage also are removed.

Fees

Review your billing statements carefully to make sure that any fees the servicer charges are legitimate. For example, the fees may have been authorized by the mortgage contract or by you to pay for a service. If you do not understand what the fees are for, send a written inquiry and ask for an itemization and explanation of the fees. Also, if you call your mortgage servicer to request a service, such as faxing copies of loan documents, make sure you ask whether there is a fee for the service and what it is.

Inquiries and Disputes

Under RESPA, your mortgage servicer must respond promptly to written inquiries, known as qualified written requests (see Sample Letter at the end of this packet). If you believe you've been charged a penalty or late fee that you don't owe, or if you have other problems with the servicing of your loan, contact your servicer in writing. Be sure to include your account number and clearly explain why you believe your account is incorrect. Your inquiry should not be just a note on the payment coupon supplied by your servicer, but should be sent separately to the customer service address. Within 20 business days of receiving your inquiry, the servicer must send you a written response acknowledging it. Within 60 business days, the servicer either must correct your account or determine that it is accurate. The servicer must send you a written notice of the action it took and why, along with the name and telephone number of someone you can contact for additional assistance. Do ***not*** subtract any disputed amount from your mortgage payment. Some mortgage servicers might refuse to accept what they consider to be partial payments. They might return your check and charge you a late fee, or claim that your mortgage is in default and start foreclosure proceedings.

Fair Debt Collection

By law, a debt collector is a person who regularly collects debts owed to others. Your mortgage servicer is considered a debt collector only if your loan was in default when the servicer acquired it. If that's true, you have additional rights that you can read about in the FTC's brochure "Fair Debt Collection."

Your Credit Report

Many mortgage companies provide information about your payment history to credit bureaus, companies that maintain and sell consumer credit reports — which contain information about your credit payment history — to other creditors, employers, insurers, and businesses. Both the credit bureaus and the information provider have responsibilities for correcting inaccurate or incomplete information. If you believe that your mortgage servicer has provided inaccurate information to a credit bureau, contact the credit bureau ***and*** the servicer.

Tell the credit bureau in writing (see Sample Dispute Letter to Credit Bureau) what information you believe is inaccurate. Include copies (NOT originals) of documents that support your position. In addition to providing your complete name and address, your letter should clearly identify each item in your report you dispute, state the facts, and explain why you dispute the information, and request deletion or correction. You may want to enclose a copy of your report with the items in question circled. Send your letter by certified mail, return receipt requested, so you can document what the credit bureau received. Keep copies of your dispute letter and enclosures.

Credit bureaus must re-investigate the items in question — usually within 30 days — unless they consider your dispute frivolous. They also must forward all relevant information you provide about the dispute to the information provider. After the information provider receives notice of a dispute from the credit bureau, it must investigate, review all relevant information provided by the credit bureau, and report the results to the credit bureau.

If the information provider finds the disputed information to be inaccurate, it must notify all national credit bureaus so they can correct this information in your file. Disputed information that cannot be verified must be deleted from your file.

- If your report contains erroneous information, the credit bureau must correct it.
- If an item is incomplete, the credit bureau must complete it. For example, if your file showed that you were late making payments, but failed to show that you were no longer delinquent, the credit bureau must show that you're current.
- If your file shows an account that belongs to another person, the credit bureau must delete it.

When the re-investigation is complete, the credit bureau must give you the written results and a free copy of your report if the dispute results in a change. If an item is changed or removed, the credit bureau cannot put the disputed information back in your file unless the information provider verifies its accuracy and completeness, and the credit bureau gives you a written notice that includes the name, address, and phone number of the provider. Also, if you request it, the credit bureau must send notices of corrections to anyone who received your report in the past six months. If a reinvestigation does not resolve your dispute, ask the credit bureau to include your statement of the dispute in your file and in future reports. In addition to writing to the credit bureau, tell the servicer in writing that you dispute an item. Include copies (NOT originals) of the documents that support your position. If a servicer specifies an address for disputes, it is important to send your dispute to that address. If the provider then reports the item to any credit bureau, it must include a notice of your dispute. If you are correct, that is, if the disputed information is inaccurate, the information provider may not report it again.

What Are Your Rights?

The **Home Ownership and Equity Protection Act (HOEPA)** protects consumers from excessive fees and interest rates. Under this law, you have a high cost mortgage if the annual percentage rate (APR) is 8 points (8 percent) for first mortgages and 10 points for subsequent loans above the rate on Treasury securities for the same length of time, or if the total fees and points at or before closing are 8% of the total loan amount. Florida consumer fraud laws prohibit lenders from misleading you about the terms of your contract. If you think you are a victim of consumer fraud call the Office of the Attorney General. The Florida and Federal housing laws protect people from discrimination based on race, color, national origin, religion, gender, familial status and disability in the sale or financing of a home.

The **Equal Credit Opportunity Act (ECOA)** ensures that everyone has an equal chance to obtain credit. This doesn't mean that everyone who applies for credit will get it. Factors such as income, expenses, debt, and credit history are considerations for creditworthiness. It does mean that a creditor may not discourage you from applying because of your sex, marital status, age, race, national origin, or because you receive public assistance income. Many consumers mistakenly believe that they have three days to back out of any purchase they make. However, there are very few cases in which this right applies.

The **Fair Debt Collection Practices Act (FDCPA)** is a United States statute added in 1978 as Title VIII of the Consumer Credit Protection Act. Its purposes are to eliminate abusive practices in the collection of consumer debts, to promote fair debt collection and to provide consumers with an avenue for disputing and obtaining validation of debt information in order to ensure the information's accuracy. The Act creates guidelines under which debt collectors may conduct business, defines rights of consumers involved with debt collectors, and prescribes penalties and remedies for violations of the Act.

The FDCPA prohibits certain types of "abusive and deceptive" conduct when attempting to collect debts, including the following:

- **Hours for phone contact**: contacting consumers by telephone outside of the hours of 8:00 a.m. to 9:00 p.m. local time.
- **Failure to cease communication upon request**: communicating with consumers in any way (other than litigation) after receiving *written* notice that said consumer wishes no further communication or refuses to pay the alleged debt, with certain exceptions.
- **Causing a telephone to ring or engaging any person in telephone conversation repeatedly or continuously**: with intent to annoy, abuse, or harass any person at the called number.
- **Communicating with consumers at their place of employment** after having been advised that this is unacceptable or prohibited by the employer.

- **Contacting consumer known to be represented by an attorney.**
- **Communicating with consumer after request for validation**: communicating with the consumer or the pursuing collection efforts by the debt collector *after* receipt of a consumer's written request for verification of a debt and *before* the debt collector mails the consumer the requested verification.
- **Misrepresentation or deceit**: misrepresenting the debt or using deception to collect the debt.
- **Publishing the consumer's name or address** on a "bad debt" list.
- **Seeking unjustified amounts**, which would include demanding any amounts not permitted under an applicable contract or as provided under applicable law.
- **Threatening arrest or legal action** that is either not permitted or not actually contemplated.
- **Abusive or profane language** used in the course of communication.
- **Communication with third parties**: revealing or discussing the nature of debts with third parties *(other than the consumer's spouse or attorney.)*
- **Contact by embarrassing media**, such as communicating with a consumer regarding a debt by post card, or using any language or symbol, other than the debt collector’s address, on any envelope when communicating with a consumer by use of the mails or by telegram, except that a debt collector may use his business name if such name does not indicate that he is in the debt collection business.
- **Reporting false information** on a consumer's credit report or threatening to do so in the process of collection.

Further, the FDCPA requires debt collectors to:

- **Identify themselves and notify the consumer**, in every communication, that the communication is from a debt collector, and in the initial communication that any information obtained will be used to effect collection of the debt.
- **Give the name and address of the original creditor** upon the consumer's written request made within 30 days of receipt of the §1692g notice. See a sample of a FDCPA Debt Verification Letter at the end of this packet.
- **Notify the consumer of their right to dispute the debt**, in part or in full, with the debt collector. This so-called 30-day "§1692g" notice is required to be sent by debt collectors within five days of the initial communication with the consumer, though in 2006 the definition of "initial communication" was amended to exclude "a formal pleading in a civil action.” The consumer's receipt of this notice starts the clock running on the 30-day right to demand verification of the debt from the debt collector.
- **Provide verification of the debt** If a consumer sends a written dispute or request for verification within 30 days of receiving the §1692g notice, then the debt collector must either mail the consumer the requested verification information or cease collection efforts altogether. Verification should include at a minimum the amount owed and the name and address of the original creditor.
- **File a lawsuit in a proper venue** - a debt collector may file a lawsuit, if at all, only in a place where the consumer lives or signed the contract.

To Learn More

American Association of Retired Persons
www.aarp.org
Offers links to information on a number of topics—from predatory lending to reverse mortgages.

Association of Community Organizations for Reform Now (ACORN)
www.acorn.org
ACORN is the nation's largest community organization of low- and moderate-income families, working together for social justice and stronger communities. The website offers information on a number of topics, including predatory lending.

Americans for Fairness in Lending (AFFIL)
www.affil.org
A non-profit organization created to raise awareness of abusive credit and lending practices.

Institute for Foreclosure Legal Assistance
www.foreclosurelegalassistance.org
Offers links to newly funded legal services programs, including AARP's Legal Counsel for the Elderly.

Mortgage Bankers Association
www.homeloanlearningcenter.com (click on "Foreclosure Prevention Resource Center")
New website offers consumer information and links to resources.

National Association of Consumer Advocates
www.naca.net
The National Association of Consumer Advocates (NACA) is a nationwide organization of more than 1000 attorneys who represent and have represented hundreds of thousands of consumers victimized by fraudulent, abusive and predatory business practices. The website lists member attorneys by city and state. The website also provides information on a number of consumer topics.

National Consumer Law Center
www.consumerlaw.org
The National Consumer Law Center (NCLC) is the nation's consumer law expert, helping consumers, their advocates, and public policy makers use powerful and complex consumer laws on behalf of low-income and vulnerable Americans seeking economic justice. Provides information on how to spot predatory lenders and home loan scams on their website.

NeighborWorks America
www.nw.org
Nonprofit community-based revitalization program that offers foreclosure counseling programs listed by state or zip code. Contact through the website listed above or at 1-202-628-8866.

To File a Complaint

• My complaint concerns a credit reporting agency or creditor/lender other than a credit union, bank or savings and loan -- Federal Trade Commission is the regulator. Contact Federal Trade Commission: Consumer Response Center-FCRA, Washington, DC 20580; 1-877-382-4357; www.ftc.gov.

• My complaint concerns a federal credit union (a credit union with the word "federal" contained in its name or any credit union in Delaware, South Dakota, Wyoming or Washington, DC) -- The National Credit Union Administration (NCUA) is the regulator and primary enforcement authority for federal credit unions. While NCUA does not arbitrate member complaints, the following information may be able to help if you have a complaint. You may request assistance via e-mail at consumerassistance@ncua.gov. Please be sure to include your contact information, the credit union's name, the state the credit union is located in and the nature of your request. NCUA has a toll-free consumer complaint line available 24/7 at 1-800-755-1030.

• My complaint concerns a state-chartered credit union (a credit union without the word "federal" as part of its name and not located in Delaware, South Dakota, Wyoming or Washington, DC) -- The state supervisory authority where the credit union's main branch is located will usually be the regulator. Florida Credit Union League (FCUL) is a statewide trade association offering information and services related to Florida's credit unions, their members, and the public in general. http://www.fcul.com.

• My complaint concerns a federal savings and loan (S&L) or a federally-chartered savings bank (F.S.B.) -- Office of Thrift Supervision is the regulator. Contact: Office of Thrift Supervision, Consumer Program Division, 1700 G Street, NW, Washington, DC 20552; 1-800-842-6929. Online at: www.ots.treas.gov or by e-mail at: consumer.complaint@ots.treas.gov

• My complaint concerns a national bank (a bank with a name containing the word "national" or the initials "N.A.") -- Office of the Comptroller of the Currency is the regulator. Contact: Office of the Comptroller of the Currency, Customer Assistance Group, 1301 McKinney Street - Suite 3450, Houston, TX 77010; 1-800-613-6743 Monday through Thursday, 9 am to 4 pm, Central Time; Friday, from 9 am to 3 pm, Central Time. Fax: 713-336-4301. Online at: www.occ.treas.gov or by e-mail at: Customer.Assistance@occ.treas.gov

• My complaint concerns a state bank reporting to the Federal Reserve Board (the easiest way to determine this is to call your bank and ask for the name of its regulator) – If Federal Reserve Board is the regulator, contact them: Board of Governors of the Federal Reserve System, Division of Consumer and Community Affairs, 20th and C Streets, NW - Suite 801, Washington, DC 20551; (202) 452-3693. Toll-free at 888-851-1920 (TTY: 877-766-8533) 8 a.m. to 6 p.m. CST. Online at: www.federalreserve.gov . You can file a complaint if you think a bank has been unfair or misleading, discriminated against you in lending, or violated a law or regulation. The Federal Reserve Board investigates complaints related to federal consumer protection laws, such as the Equal Credit Opportunity Act, Fair Credit Reporting Act, and the Truth in Lending Act.

• My complaint concerns a state bank not reporting to the Federal Reserve Board – The Federal Deposit Insurance Corporation (FDIC) is the regulator. The FDIC insures deposits in banks and savings associations in the event of bank failure. The FDIC also examines and supervises state-chartered banks that are not members of the Federal Reserve System, while fostering consumer confidence in the banking system. Consumer Affairs within FDIC has a statutory mandate to promote and enforce compliance by FDIC supervised banks with federal consumer protection laws, including those relating to fair lending and unfair and deceptive practices. Their scope of authority does not ordinarily extend to the resolution of complaints involving factual disputes or contractual matters, or matters that have been or are in the process of being litigated. Contact Federal Deposit Insurance Corporation, Consumer Response Center, 2345 Grand Avenue, Suite 100, Kansas City, Missouri 64108-2638; or call toll free 1-877-ASK-FDIC (1-877-275-3342), Monday through Friday, from 8 am until 8 pm (Eastern Time); Hearing Impaired Line:1-800-925-4618. Or by e-mail at consumeralerts@fdic.gov.

My complaint concerns a real estate agent/mortgage broker -- The Office of Financial Regulation is dedicated to safeguarding the private financial interests of the public by licensing, chartering, examining and regulating depository and non-depository financial institutions and financial service companies in the State of Florida. The Office protects consumers from financial fraud, while preserving the integrity of Florida's markets and financial service industries. You may contact the Florida Office of Financial Regulation at 850-410-9895; or toll free (Florida only) consumer helpline at 1-800-848-3792. Or www.flofr.com

Unsure of where to look for help? Have you ever had a question, concern, problem or complaint that has gone unresolved because you couldn't figure out the proper agency or resource to contact? Check out the Florida Department of Agriculture and Consumer Services's A-Z Resource Guide at www.800helpfla.com/azguide.html or call 1-800-HELP-FLA (435-7352).

OTHER AGENCIES TO CONSIDER:

The Florida Attorney General's Office is an enforcing authority of Florida's Deceptive and Unfair Trade Practices Act meant to protect individual consumers and legitimate businesses from various types of illegal conduct in trade or commerce. Pursuant to the Act, the Attorney General investigates and files civil actions against persons who engage in unfair methods of competition and unfair, unconscionable or deceptive trade practices, including, but not limited to, pyramid schemes, misleading franchise or business opportunities, travel scams, fraudulent telemarketing, and false or misleading advertising. Contact the consumer fraud hotline at 1-866-966-7226 or file a complaint online at www.myfloridalegal.com

Consumer Affairs is an agency run by the City of Jacksonville to resolve disputes between consumers and businesses. Their services are free and they will attempt to contact the business you have had problems with in an attempt to settle your differences. They can be contacted: Consumer Affairs, Jacksonville City Hall, 117 West Duval Street, Ste M-100, Jacksonville, FL 32202; Telephone: 630-1212, X4090.

Better Business Bureau of Northeast Florida, Inc. is a non-profit agency which has been set up to resolve disputes between consumers and businesses. Their services are also free and they will attempt to resolve differences between yourself and the business. They can be contacted: 3100 University Boulevard South, Suite 239, Jacksonville, FL 32215. Telephone: 721-2288

Consumer Mediation Center is a service run by the State Attorney's Office to settle disputes between businesses and individuals. It is designed to encourage the disagreeing parties to discuss their problems before a mediator who helps them reach an agreement. The mediator's decisions are not **binding** on the parties. You can start this process by going to the address below and telling them that you want to file a consumer complaint. The service is free, and the State Attorney's Office will assist you in filling out the necessary papers. They are located at: State Attorney's Office, City Hall Annex, 2nd Floor, 220 East Bay Street, Jacksonville, FL 32202. Or call (904) 630-2075.

Sample Dispute Letter to Credit Bureau

Date

Your Name
Your Address
Your City, State, Zip Code

Complaint Department
Name of Credit Reporting Agency
Address
City, State, Zip Code

Dear Sir or Madam:

I am writing to dispute the following information in my file. The items I dispute also are encircled on the attached copy of the report I received. (Identify item(s) disputed by name of loan servicer and loan number.) This item is (inaccurate or incomplete) because (describe what is inaccurate or incomplete and why). I am requesting that the item be deleted (or request another specific change) to correct the information.

Enclosed are copies of (use this sentence if applicable and describe any enclosed documentation, such as payment records, court documents) supporting my position. Please re-investigate this (these) matter(s) and (delete or correct) the disputed item(s) as soon as possible.

Sincerely,

Your name

Enclosures: (List what you are enclosing)

Sample Qualified Written Request Letter

______________, 2009

____
____
__________, ____ _________

Re: _____________
Account Number: ___________
Property Address: ____

To Whom It May Concern:

I am requesting information relating to the above-referenced mortgage. I have been receiving conflicting information relating to the servicing of my mortgage. I am concerned that this conflicting information has created an unnecessary and improper delinquency in my mortgage payments.

Therefore, I am sending you this "qualified written request" pursuant to 12 U.S.C. § 2605 (e). I seek verification of the amounts which you claim are due and/or delinquent and the documents supporting these claims. I should not be held responsible for any late fees, interest, or other charges relating to the above referenced confusion.

I look forward to your response within 20 days from the date of this letter. Any further written or verbal communications concerning this debt should be directed to me.

Sincerely,

____

**In order to get a better idea as to the receipt and disbursement of funds you are submitting, you may wish to send a Qualified Written Request ("QWR") to your mortgage servicer. I have enclosed a sample QWR that you may wish to use. You will need to contact the servicer and ask where to send your QWR (in that the servicer will oftentimes set up a separate P.O. Box or address for QWRs). You will need to send the original QWR by certified mail, return receipt requested. You should make a copy for your records. They will have 20 business days from their receipt of your QWR to respond to your inquiry.

Sample FDCPA Debt Verification Letter

Collection Agency Name
Address
CITY/Town, STATE ZIPCODE

Re: Acct Ref. # XXXXX and XXXXX

To Whom It May Concern:

This letter is being sent to you in response to a "1962g" notice I received from your company. Be advised that this is not a refusal to pay, but a notice sent pursuant to the Fair Debt Collection Practices Act, 15 USC 1692g Sec. 809 (b) that your claim is disputed and validation is requested.

This is NOT a request for verification or proof of my mailing address, but a request for VALIDATION made pursuant to the above named Title and Section. I respectfully request that your offices provide me with competent evidence of the following:

- What the money you say I owe is for
- Explain and show me how you calculated what you say I owe
- Provide me with copies of any papers that show I agreed to pay what you say I owe
- Provide a verification or copy of any judgment if applicable
- Identify the original creditor
- Prove the Statute of Limitations has not expired on this account
- Show me that you are licensed to collect in my state
- Provide me with your license numbers and Registered Agent
- Proof that the collection company owns the debt/or has been assigned the debt. (You are legally entitled to collect this particular debt from me.) This is basic contract law.
- Complete payment history, starting with the original creditor. (I need to have proof of my payment history with original Creditor, what the amount of the debt was when the creditor assigned the debt to your company, and what fees/interest has been tacked on to this debt and how you/they determined these fees.)
- Copy of the original signed loan agreement or credit card application. (My contract with the original creditor establishing the debt between us.)

At this time I will also inform you that if your offices have reported invalidated information to any of the 3 major Credit Bureau (Equifax, Experian or TransUnion) this action might constitute fraud under both Federal and State Laws. Due to this fact, if any negative mark is found on any of my credit reports by your company or the company that you represent

If your offices are able to provide the proper documentation as requested in the following Declaration, I will require at least 30 days investigating this information and during such time all collection activity must cease and desist.

Also during this validation period, if any action is taken which could be considered detrimental to any of my credit reports, I will consult with my legal counsel for suit. This includes any listing any information to a credit reporting repository that could be inaccurate or invalidated or verifying an account as accurate when in fact there is no provided proof that it is. If your offices fail to respond to this validation request within 30 days from the date of your receipt, all references to this account must be deleted and completely removed from my credit file and a copy of such deletion request shall be sent to me immediately.

I would also like to request, in writing, that no telephone contact be made by your offices to my home or to my place of employment. If your offices attempt telephone communication with me, including but not limited to computer generated calls and calls or correspondence sent to or with any third parties, it will be considered harassment and I will have no choice but to file suit. All future communications with me MUST be done in writing and sent to the address noted in this letter by USPS.

It would be advisable that you assure that your records are in order before I am forced to take legal action. This is an attempt to correct your records; any information obtained shall be used for that purpose.

Best Regards,

Your Name Here.

Lender Contact Log

Date/Time	Spoke to	Phone/Ext.	Outcome	Next Action

Glossary of Foreclosure and Mortgage Related Terminology

ARM: Adjustable Rate Mortgage; a mortgage loan subject to changes in interest rates; when rates change, the monthly payments increase or decrease at intervals set out in the mortgage note and based upon an index. Monthly payment changes have historically led to an increase in payment amount.

Acceleration: the right of the lender to demand payment of the entire outstanding balance of a loan.

Annual Percentage Rate (APR): the cost of credit, expressed as a yearly rate. It includes interest as well as other charges. Because all lenders, by federal law, follow the same rules to ensure the accuracy of the annual percentage rate, it provides consumers with a good basis for comparing the cost of loans, including mortgage plans. APR is a higher rate than the simple interest of the mortgage.

Back End Ratio (debt ratio): a ratio that compares the total of all monthly bills and debt payments (mortgage, real estate taxes and insurance, car loans, and other consumer loans) to gross monthly income.

Balance Sheet: a financial statement showing the assets, liabilities and net worth of an individual or company.

Bankruptcy: a process governed by federal law whereby a person may seek relief from payment of debt or may seek to reorganize unsecured and secured debt. A **Chapter 7** bankruptcy case is generally used to discharge unsecured debt. A **Chapter 13** bankruptcy case is generally used to reorganize debt and set up a repayment plan to pay off unsecured and secured debt. This plan must be approved and monitored by the court. A homeowner can keep their property, but must make payments according to the court-approved payment plan (normally for a period of 3 to 5 years.) The payment requirements will depend on a persons' income and assets.

Budget: a detailed record of all of a household's income as compared to all of the money spent during a specific period of time.

Credit Counseling: education focusing on how to improve bad credit and how to avoid having more debt than can be repaid.

Credit Repair Companies: private, for-profit businesses that claim to offer assistance to consumers with credit and debt repayment difficulties and their credit reports. Often these companies provide an expensive and ineffective method for "repairing" debt difficulties and credit reports.

Creditor: any entity providing a loan or credit.

Debtor: the person or entity that owes money. The term debtor may be used interchangeably with the term borrower.

Debt-to-Income Ratio: a comparison or ratio of gross income to expenses; under FHA guidelines, the monthly mortgage payment should be no more than 29% of gross monthly income before taxes. The mortgage payment combined with non-housing debts should not exceed 41% of income.

Default: the inability to make timely monthly mortgage payments or otherwise comply with mortgage terms. A loan is considered in default when payment has not been paid within 30 to 90 days of becoming due, Once a loan is in default a lender can exercise legal rights defined in the contract including acceleration of the loan balance and beginning the foreclosure process.

Delinquency: failure of a borrower to make timely mortgage payments under a loan agreement. Generally after fifteen days a late fee may be assessed. The date the fee may be assessed and the amount of fee are provided by the mortgage note.

Depreciation: a decrease in the value or price of a property due to changes in market conditions, wear and tear on the property, or other factors.

Due on Sale Clause: a provision of a loan allowing the lender to demand full repayment of the loan if the property is sold.

Equity: an owner's financial interest in a property; calculated by subtracting the amount still owed on the mortgage loan(s) from the fair market value of the property.

Fixed Expenses: payments that do not vary from month to month.

Fixed-Rate Mortgage: a mortgage with payments that remain the same throughout the life of the loan because the interest rate and other terms are fixed and do not change.

Forbearance: one of the many options borrowers may have if they are delinquent in payments, the borrower is required to contact the lender or servicer of the loan immediately when they anticipate falling behind in payments. The lender may agree to delay filing a foreclosure lawsuit and set up a repayment plan that fits within a borrower's budget. Forbearance may include a temporary payment "holiday," adding the delinquent payments to the end of the loan or a repayment plan allowing for an increase in monthly payments to repay the delinquency. .

Foreclosure: a legal process in which the owner of the mortgage attempts to obtain a judgment requiring the sale of the mortgaged property to pay the outstanding balance of the loan plus all of the expenses relating to loan collection. Foreclosure laws are based on the statutes of each state.

Gross Income: the amount of money earned before deducting taxes, insurance, and other deductions. It may include income from self-employment, rental property, alimony, child support, public assistance or retirement benefits.

Home Equity Line of Credit: a mortgage loan, usually a second mortgage, allowing a borrower to obtain cash against the equity of a home, up to a predetermined amount.

Home Equity Loan: a loan secured by the value of a home. If the borrower defaults or does not pay the loan, the lender has the right to fill a foreclosure lawsuit. The borrower can usually claim the interest paid on a home equity loan as a tax deduction.

Housing Counseling Agency: provides counseling assistance to individuals on a variety of issues, including home loan default, fair housing, and home buying.

HUD: the U.S. Department of Housing and Urban Development; established in 1965, HUD works to create a decent home and suitable living environment for all Americans; it does this by addressing housing needs, improving and developing American communities, and enforcing fair housing laws.

Interest: a fee charged for the use of borrowing money.

Interest Rate: the amount of interest charged on a monthly loan payment, expressed as a percentage.

Judgment: a legal decision; when requiring debt repayment, a judgment may be collected by filing a certified copy in any county where the defendant owns real property, in Florida a person’s home can not be sold at a forced-sale to collect a judgment. .

Late Payment Charges: the penalty the homeowner must pay when a mortgage payment is made after the due date grace period.

Lender: a term referring to a person or company that makes loans to finance real estate purchases.

Liabilities: a person’s financial obligations such as long-term/short-term debt, and other financial obligations to be paid.

Lien: a legal claim against property that must be satisfied when the property is sold. Examples include a mechanic’s lien, which might be for the unpaid cost of building supplies or a tax lien for unpaid property taxes. A lien is a defect on the title and needs to be settled before transfer of ownership. A lien release is a written notice of the settlement of a lien and is recorded in the public record as evidence of payment.

Life Cap: a limit on the interest rate that can be charged on an adjustable rate mortgage. A cap limit how low and how high the rate may go over the life of an adjustable-rate mortgage (ARM).

Line of Credit: an agreement by a financial institution such as a bank to extend credit up to a certain amount for a certain time to a specified borrower.

Loan: money borrowed that is usually repaid with interest.

Loan Servicer: the company that collects monthly mortgage payments and disperses property taxes and insurance payments. Loan servicers also monitor nonperforming loans, contact delinquent borrowers, and notify insurers and investors if there are potential problems. Loan servicers may be the lender or a specialized company that just handles loan servicing under contract with the lender or the investor who owns the loan.

Loss Mitigation: a process to avoid foreclosure; the lender tries to help a borrower save his or her home who has been unable to make loan payments and is in danger of defaulting on his or her loan. Loss mitigation options include loan forbearance, payment holidays, restructuring of the loan to decrease the principal and or interest rate, forgiveness of delinquent amounts and short sales.

Mortgage: a lien on the property secured by a promise to repay a loan. A security agreement between the lender and the borrower in which a borrower's property is collateral for the loan. The mortgage gives the lender the right to collect payment on the loan and to foreclose if the loan obligations are not met.

Mortgage Acceleration Clause: a clause allowing a lender, under certain circumstance, to demand the entire balance of a loan is repaid in a lump sum. The acceleration clause is usually triggered if the home is sold, title to the property is changed, the loan is refinanced or the borrower defaults on a scheduled payment.

Mortgage Modification: a loss mitigation option that allows a borrower and mortgage holder to agree to change the terms of the loan by reducing the principal of the loan, reducing the interest rate, forgiving missed payments, extending the term of the loan or other options to reduce the monthly payments and/or avoid foreclosure.

Mortgagee: the lender in a mortgage agreement.

Mortgagor: the borrower in a mortgage agreement.

No Cash Out Refinance: the refinance of an existing loan in which the borrower does not get any cash from the loan

Note: a legal document obligating a borrower to repay a mortgage loan at a stated interest rate over a specified period of time.

Notice of Default: a formal written notice to a borrower that there is a default on a loan and that legal action is possible.

PITI: Principal, Interest, Taxes, and Insurance: the four elements of a monthly mortgage payment; payments of principal and interest go directly towards repaying the loan while the portion that covers taxes and insurance (homeowner's and mortgage, if applicable) goes into an escrow account to cover these expenses when they become due.

PMI: Private Mortgage Insurance; insurance from a privately-owned company that provide special mortgage insurance programs for qualified borrowers with down payments of less than 20% of a purchase price.

Partial Claim: a loss mitigation option offered by the FHA that allows a borrower, with help from a lender, to get an interest-free loan from HUD to bring their mortgage payments up to date.

Partial Payment: a payment that is less than the total amount owed on a monthly mortgage payment. Normally, lenders do not accept partial payments. The lender may make exceptions during times of difficulty. Contact your lender prior to the due date if a partial payment is needed.

Payment Due Date: contract language specifying when payments are due. The due date is always indicated and means that the payment must be received on or before the specified date. Grace periods may be allowed before a late fee is assessed or additional interest is charged but the grace period does not eliminate the responsibility of making payments on time.

Predatory Lending: abusive lending practices including providing mortgage loans with terms requiring a person to pay more than they can afford, with unreasonable interest rates or prepayments or with unreasonable or unwarranted charges.

Pre-foreclosure Sale: a procedure in which the defaulting borrower is allowed to sell a mortgaged property for an amount less than what is owed on it to avoid a foreclosure. This sale fully satisfied the borrower's debt.

Prepayment Penalty: a provision in some loans that charge a fee to a borrower who pays off a loan before its final payment date. .

Principal: the amount of money borrowed to buy a house or the amount of the loan that has not been paid back to the lender. This does not include the interest assessed on the amount borrowed.. It is the original loan amount minus the total repayments of principal made.

Promissory Note: a written promise to repay a specified amount over a specified period of time.

Public Record Information: court and other public records of events that are a matter of public interest such as state and federal lawsuits including foreclosure lawsuits, bankruptcy cases filed, deeds, mortgages, and tax liens. The presence of foreclosure or other collection lawsuits and bankruptcy will be reported in a credit report and is regarded negatively by prospective creditors.

Refinancing: paying off one loan by obtaining another; a borrower may refinance to obtain better loan terms (like a lower interest rate).

Reinstatement Period: a phase of the foreclosure process when the homeowner has an opportunity to stop the foreclosure by paying money that is owed to the lender.

Remaining Balance: the amount of principal that has not yet been repaid.

Repayment Plan: an agreement between a lender and a delinquent borrower where the borrower agrees to make additional payments to pay down past due amounts while making regularly scheduled payments.

Reverse Mortgage (HECM): a reverse mortgage is used by senior homeowners age 62 or older to convert the equity in their home into a lump sum payment, monthly streams of income and/or a line of credit to be repaid when they no longer occupy the home. A lending institution such as a mortgage lender, bank, credit union or savings and loan association funds the FHA insured loan, commonly known as HECM.

Second Mortgage: an additional mortgage on property. In case of a default the first mortgage must be paid before the second mortgage. Second loans are more risky for the lender and usually have a higher interest rate.

Secondary Mortgage Market: the buying and selling of mortgage loans. Investors purchase residential mortgages originated by lenders, which in turn provides the lenders with capital for additional lending.

Serious Delinquency: a mortgage that is 90 days or more past due.

Special Forbearance: a loss mitigation option in which the lender arranges a revised repayment plan for the borrower that may include a temporary reduction or suspension of monthly loan payments.

Terms: the interest rate and length of a loan and other provisions agreed upon by the lender and the borrower to repay a loan.

Truth-in-Lending Act: a federal law requiring a lender to give full written and uniform disclosure of all fees and terms including the annual percentage rate, amount financed, finance charges, total of payments, payment schedule and amount of payments and other conditions associated with the initial period of the loan. The Act requires disclosures relating to potential changes if the loan terms include an adjustable interest rate.

Variable Expenses: costs or payments that may vary from month to month, for example, gasoline or food.

KNOW YOUR LEGAL RIGHTS!

YOU ARE INVITED

FREE LEGAL CLINICS OFFERED BY
JACKSONVILLE AREA LEGAL AID, INC.
NO APPOINTMENT NECESSARY

<u>Bankruptcy</u>
Learn if bankruptcy is right for you
1st Thursday of
Every Month
5:00 PM
Jacksonville Area Legal Aid, Inc.
126 West Adams Street
Jacksonville, FL
Information: 356-8371 ext. 381

<u>Debt Collection/ Credit Reports</u>
_Learn your consumer rights
3rd Wednesday of
Every Month
5:00 PM
Jacksonville Area Legal Aid, Inc.
126 West Adams Street
Jacksonville, FL
Information: 356-8371 ext. 381

<u>Foreclosure</u>
Learn tips to avoid foreclosure, foreclosure scams, and predatory lending
2nd Wednesday of Every Month
5:30 PM
Jacksonville Area Legal Aid, Inc.
126 West Adams Street
Jacksonville, FL
Information: 356-8371 ext. 378

<u>Emancipation</u>
Minors: Learn how to obtain status as an adult
1st Wednesday of
Every Month
5:00 PM
Jacksonville Area Legal Aid, Inc.
126 West Adams Street
Jacksonville, FL
Information: 356-8371

<u>Small Claims Court</u>
Learn how to collect debts without a lawyer
2nd Tuesday of
Every Month
5:30 PM
Duval County Courthouse
330 East Bay Street, Room 505
Jacksonville, FL
Information: 356-8371