



DISCOVER A  
BETTER ROUTE ...

# FORECLOSURE

What it Means and How to Avoid It.  
Arm yourself with vital information  
critical when facing foreclosure

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# Important Terminology

Throughout this workbook, we will use words that you may have heard many times before but may not be certain what they mean. Below are a few definitions that are important to know as you go through this workbook. The Glossary in the *Tools for Homeowner* section contains additional definitions.

**Customer Workout** - Process where a servicer and a borrower develop a mutual agreement to resolve a loan default and avoid foreclosure.

**Default** - The failure of the borrower to make the loan payments as agreed in the promissory note or workout plan.

**Delinquency** - A loan payment that is overdue but within the period allowed before actual default is declared.

**Foreclosure** - The legal process by which an owner's right to a property is terminated, usually due to default. The mortgage lender sells at auction the property that secures a loan on which a borrower has defaulted. Typically, ownership of the property is transferred to the financial institution. The institution will market and list the property for sale to recover the monies owed to them.

**Investor** - The entity that owns the loan. Oftentimes, the lender will sell your loan to another entity after closing. Most likely, the investor is not the same as the servicer of the lender. The servicer must follow the investor's guidelines for servicing the loan and resolving delinquencies.

**Lender** - The entity that gave you the mortgage loan. It may not be the same entity to whom you send your payments.

**Servicer** - The entity to whom you send your monthly payments. The lender has contracted with the servicer to handle your loan after closing. The servicer is your contact for any issues you have with your mortgage loan. Also called **loan servicer or mortgage servicer**.

**Servicing** - The administration of the loan by the servicer from the time you obtain your mortgage loan until it is paid off. Administration of a loan includes the collection and application of payments, payment of insurance and real estate taxes, maintaining records of payments and balances and working with the borrower to resolve delinquencies.



# Understanding Mortgage Delinquency

1. Are you Behind the Eight Ball?
2. Delinquency And Foreclosure
3. Role Of the Housing Counselor
4. Finding A Certified Housing Counselor

## Are You Behind The Eight Ball?

Today's economic environment is very stressful. Many Californian's are dealing with multiple personal challenges, including

- Loss of Employment
- Challenges in mortgage payment
- Unpaid bills
- Caring for an elderly parent
- Reduction in income
- Divorce or separation
- Sudden disability
- Other life-changing events

These events can affect a borrower's ability to make their mortgage payment on time and as agreed. When this happens, foreclosure may be a result.

If you are facing financial challenges and are at risk of defaulting on your mortgage, it is important to:

- **Understand** when delinquency begins and when foreclosure can occur;
- **Contact** your servicer as soon as possible to discuss your situation
- **Seek** the advice of a certified and reputable housing counselor.

**The sooner you begin working with your servicer and/or a housing counselor, the more likely the servicer will be able to find a solution to help you stay in your home.**

***Don't wait until you miss a payment!***

# Delinquency & Foreclosure

## **What happens if I do not make my payment by the due date?**

The loan servicer expects to receive your payment by the due date. If the servicer has not received your payment by that date, the loan is considered to be delinquent. You can find the date in the promissory note and also in the monthly statement that the servicer sends to you.

## **Will the servicer call me to collect my past due payment?**

The Collections Department may contact you to start the collection process. The Collections Department is a division of loan servicer that is responsible for obtaining and applying payment due on mortgage loan.

Generally, they will try to make contact with you before the payment is 30 days late.

## **What happens if I can't make payments as agreed?**

If the Collections Department is not able to collect the full payment or make acceptable payment arrangements with you, your account may be referred to the Loss Mitigation Department. Loss Mitigation is a division of the loan servicer that will work with you to establish an acceptable plan to get you back on track with your mortgage payments. You will begin to receive letters requesting that you call them. ALWAYS RETURN THEIR CALLS! This is the period where you may have other options available to you. Loss Mitigation representatives will make many attempts to contact you. Most likely, you will be asked to submit a request for assistance. The request, may include, but not be limited to, a letter explaining your situation (also called a hardship letter), an income and expense statement and evidence of current income.

**DON'T WAIT FOR THE SERVICER TO CALL YOU.  
CALL YOUR MORTGAGE COMPANY/SERVICER IF YOU KNOW YOU  
WILL BE LATE.**

## **When can the foreclosure process begin?**

While lenders and servicers will try to contact the homeowner to bring the loan current, the foreclosure process can start at any time after the default. To start the foreclosure process, the servicer executes and records a Notice of Default and Election To Sell the Home. The servicer can record this Notice of Default as soon as the borrower is delinquent. The Homeowner must be sent the Notice of Default by registered or certified mail.

**If you receive a notice of default, contact your servicer, reputable housing counselor and/or legal counsel immediately to understand when the foreclosure sale will take place. There are specific time frames that the servicer must follow.**

“The law related to in this section is the non-judicial foreclosure timeline in California.

# Role Of The Housing Counselor

If you are facing mortgage delinquency, a certified housing counselor can work with you to find a solution that best fits your situation. They will require very specific information from you, the homeowner. The more information provided to the housing counselor, the easier it will be to assess your expectations and situation.

A Counselor will help you evaluate your financial situation, determine the options available to you and help you find a solution with your servicer. A counselor will be familiar with the various workout arrangements that lenders/servicers will consider and will know what course of action makes the most sense for you and your family, based on your circumstances. In addition, the counselor can call the servicer with you or on your behalf to discuss a workout plan.

**You can protect yourself from future credit problems when you meet with a reputable counselor before your mortgage payments fall too far behind.**

A good counselor will help you establish a monthly budget plan to ensure you can meet all of your monthly expenses, including your mortgage payment. Your personal financial plan will clearly show how much money you have available to make the mortgage payment. This analysis will help you and the servicer determine whether reduced or delayed payment schedule is possible and if it will benefit you. Also, a counselor will have information on services, resources and programs available in your local area that may provide you with additional financial, legal, medical or other assistance that you may need.

Typically, the services of a foreclosure prevention counselor are provided at no cost to the homeowner.

The housing counselor may need to speak with your servicer to obtain information about your loan; i.e., loan balances, arrearages (if any) and current payment amounts. Before the servicer may speak with the housing counselor about your loan, they must receive written permission from you. You will be asked to sign an *Authorization To Release Information* form. Without this authorization, the servicer will not share any information with the housing counseling organization. A sample authorization is on the following page.

**-SAMPLE-**

## **Release of Authorization Letter**

*Advising Mortgage Lender or Servicer that a  
Housing Counseling Agency will be representing you.*

**Sign only AFTER you have verified the counselor is legitimate.**

Date

Servicer Name

Servicer Address

Servicer City, State, Zip

Re: Loan Number

Dear Loss Mitigation Manager:

We the undersigned, hereby authorize \_\_\_\_\_ (housing counseling agency) to act on our behalf in all manners relating to our mortgage loan in the original amount \$ \_\_\_\_\_ for the property located at \_\_\_\_\_

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(include the complete street address, city, state and zip code), including signing of all documents relating to this matter.

Any and all acts carried out by \_\_\_\_\_ (housing counseling agency) on our behalf shall have the same affect as acts of our own.

This authorization is valid until further written notice.

Sincerely,

(Borrower's Name)

**The servicer may have their own version of this form or they may accept the counselor's version. The counselor and servicer will let you know.**



# Understanding Your Financial Situation

Preparing For Your Conversation With The Servicer And Housing Counselor

1. Think About Your Situation
2. What is Your Income?
3. Where Is Your Money Going?
4. What Are Your Other Assets?
5. Can You Afford To Keep Your Home?

# Think About Your Situation

When you speak with your loan servicer or a housing counselor be prepared to tell them about your situation. Use this worksheet to summarize your circumstances. Please be accurate and detailed as possible.

Are you delinquent?

If so, when did you miss your first payment(date)? Why did you miss this and any other payments?

If you have not missed a payment, what are the financial difficulties that you are facing?

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How have you tried to fix your financial situation?  
Do you expect your situation to change soon?  
What resources do you have to help you?

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Once you complete this exercise, you will be ready to write a Hardship Letter. The Hardship Letter explains your situation to your servicer and asks for help. Many servicers will require that you submit a Hardship Letter when requesting assistance.

Following is a sample Hardship Letter

# -Sample- Hardship Letter

Date

Lender's Name  
Lender's Address

Re: Loan Number \_\_\_\_\_

Dear Loss Mitigation Manager:

Our names are/My name is \_\_\_\_\_ and we've/I've been paying the mortgage on our/my home at \_\_\_\_\_ (insert property address) \_\_\_\_\_ for \_\_\_\_\_ years now. This letter is to explain why we/I have unfortunately fallen behind on the monthly mortgage payments and to ask for your help.

(Explain your hardship. Include dates and specific incidents that caused you to get behind. Use the information from the worksheet you just completed. Also, if applicable, explain how the hardship has been resolved.)

We/I have sat down with our/my family and taken a very hard look at our financial situation. We have all agreed to make the following sacrifices in order to make certain that we can pay our mortgage on time. (Explain what steps you have taken to correct your financial position (cut back on spending, cancelled some things..... cable, eliminated activities, met with credit counseling services).

My family and I are truly grateful for the opportunity that you have given us to own our home and have every intention of keeping it for a long while, as well as making timely mortgage payments to you for it.

Thank you again for your time. We truly hope that you will consider working with us. We are anxious to get this settled so we can move on.

Sincerely,

(Ask everyone in your family to sign the letter)



# What Is Your Income?

Your servicer and housing counselor will need to know all of your current household income. Before you speak with them, complete the following worksheet.

## MONTHLY HOUSEHOLD INCOME:

Sources of Income	Homeowner A	Homeowner B	TOTAL A & B
1st Job Income - Take Home Amount	\$	\$	\$
2nd Job Income - Take Home Amount	\$	\$	\$
3rd Job Income - Take Home Amount	\$	\$	\$
Social Security/SSI SSDI	\$	\$	\$
Child or Spousal Support	\$	\$	\$
Unemployment Compensation	\$	\$	\$
Workers Disability Compensation	\$	\$	\$
Veterans Benefits	\$	\$	\$
Retirement Benefits	\$	\$	\$
Monies From Boarders or Roommates	\$	\$	\$
Child care assistance	\$	\$	\$
Housing Assistance	\$	\$	\$
Rental Income from other homes	\$	\$	\$
Any other income not listed above	\$	\$	\$
Any other income not listed above	\$	\$	\$
<b>TOTAL INCOME</b>	<b>\$</b>	<b>\$</b>	<b>\$</b> ( This is the total household income)

- **It is important that these amounts be accurate and exact.**
- Include income for all those living in the home.
- If the amount changes from month to month, look at your year-to-date amount and determine an average.
- Be sure to let your servicer know if you expect a change in income in the near future.

# Where Is Your Money Going?

Your servicer and housing counselor will also need to know all of your expenses. Before you speak with them, complete the following worksheet. Be sure to include every expense in your household. For expenses that vary from month-to-month, use an average.

Monthly Expenses			
COLUMN 1 EXPENSE	MONTHLY	COLUMN 2 EXPENSE	MONTHLY
<b>SHELTER</b>		<b>Contributions &amp; Gifts</b>	
Mortgage Payment	\$	Church Donations	\$
Homeowner Association Dues	\$	Miscellaneous Donation	\$
Home Maintenance	\$	Gifts, Cards and Wrapping Accessories	\$
Taxes & Insurance (If not incl. in mortgage)	\$	Other	\$
<b>Food &amp; Household</b>		<b>Recreation</b>	
Groceries, Beverages	\$	Club Dues	\$
Cleaning supplies, paper products	\$	Newspapers, magazines, books	\$
Food Away From Home	\$	CD's, other music	\$
Tobacco and Alcohol	\$	Movies	\$
		Hobbies	\$
<b>Utilities</b>		<b>Sports</b>	
Gas, Light, Water	\$	Vacations	\$
Phone	\$	Entertainment	\$
Cell/Mobile Phone	\$		
Garbage/ Sewer	\$		
<b>Insurance</b>		<b>Other Expenses</b>	
Life	\$	Kid's Allowance	\$
Auto	\$	Day Care (Children's/Seniors)	\$
Health	\$	Babysitting	\$
Other	\$	Postage	\$
		Cable or Satellite TV	\$
<b>Transportation</b>		<b>Other Services</b>	
Gas & Oil	\$	Pets (Food, Vet, Boarding)	\$
Repairs & Upkeep	\$		
Registration	\$	<b>Monthly Obligations</b>	
Bus, Carpool	\$	Alimony & Child Support	\$
Parking	\$	Total Monthly Auto Loan Payments	\$
		Total Monthly Credit Card Payments	\$
<b>Education</b>		Monthly Expenses For Other Homes Owned	
Tuition	\$	Other Monthly Obligation	
Books	\$	Other Monthly Obligation	
Special Lessons	\$		
Sports	\$		

## Monthly Expenses (Continued)

COLUMN 1 EXPENSE	MONTHLY	COLUMN 2 EXPENSE	MONTHLY
<b>Health Care</b>		<b>Clothing</b>	
Medical	\$	New Purchases	\$
Dental	\$	Dry Cleaning, Laundry	\$
Prescriptions	\$		
<b>Personal Care</b>			
Beauty/Barber Shop	\$		
Nails	\$		
Other Personal Expenses	\$		
<b>Column 1 Total</b>		<b>Column 2 Total</b>	
		<b>Column 1 = Column 2 + Total Expenses</b>	<b>\$</b>

## Monthly Household Expenses

There are three types of expenses - Fixed, Variable and Discretionary. This classification helps you determined what expenses you may need to reduce or eliminate.

What are “**Fixed Expenses**”? These expenses have set payments on a weekly, monthly or annual basis. You know what the amount will be. Examples include your car payment, insurance payment.

What are “**Variable Expenses**”? These expenses can change, fluctuate or vary from month-to-month depending on usage or where obtained. Examples include the utility bills, child care costs, gas for automobile and groceries. Review these expenses over several months to determine an accurate amount.

What are “**Discretionary Expenses**”? These items are not essential to your well-being and if needed, will be the first expenses to be reduced or eliminated. Examples include holiday shopping, eating-out, hairdresser and entertainment. Estimate what you spend on these expenses each month.

Look at the expenses you have recorded on the worksheet and make a note next to each one indicating whether you can reduce or eliminate the expense.

## What Are Your Other Assets?

List your household assets. Think about what you are willing to do with them. Can you or will you sell some of your assets? If so, which ones? Are you willing to make some changes to your lifestyle? A certified housing counselor can help you with this.

**Record your assets on the chart below.**

	Household Assets	Column 1	Column 2	Column 3
a.)	Automobile #1	\$	\$	\$
b.)	Automobile #2	\$	\$	\$
c.)	Automobile #3	\$	\$	\$
d.)	Cash On Hand Over \$100	\$	\$	\$
e.)	Checking Account	\$	\$	\$
f.)	Savings Account	\$	\$	\$
g.)	Anticipated Tax Refunds	\$	\$	\$
h.)	Money Market Funds	\$	\$	\$
i.)	Stocks/Bonds/CD's/Annuities, etc.	\$	\$	\$
j.)	IRA/Keogh Accounts	\$	\$	\$
k.)	Computer/ TV/Electronics	\$	\$	\$
l.)	Furniture	\$	\$	\$
m.)	Boats/Jet Skies	\$	\$	\$
n.)	RV/Recreational Homes	\$	\$	\$
o.)	Motorcycles/Snowmobile	\$	\$	\$
p.)	Farm Equipment	\$	\$	\$
q.)	Trailers	\$	\$	\$
r.)	Other Property	\$	\$	\$
s.)	Other Property	\$	\$	\$
f.)	<b>TOTAL</b>	\$	\$	\$

### What is your current lifestyle and what are you willing to change?

Eating Out: \_\_\_\_\_

Gambling: \_\_\_\_\_

Toys/Luxury: \_\_\_\_\_

Cable TV: \_\_\_\_\_

Cell Phone: \_\_\_\_\_

Other: \_\_\_\_\_

# Can You Afford To Keep Your Home?

*Based on what you earn, spend, need, and can sell, are you able to keep (afford) your home?*

## Income and Expenses:

- 1.) Total Monthly Income      \$ \_\_\_\_\_ (From "What is Your Income"- Total A+B)
- 2.) Total Monthly Expenses    \$ \_\_\_\_\_ (From "Where Is Your Money Going"- Total Col. 1&2)
- 3.) What's Left Over            \$ \_\_\_\_\_ ( Line 1 minus Line 2 above. This is what's left to cover increased mortgage payments or other emergencies.)

**If you do not have the money left over at the end of the month or have very little, you may need to review your expenses to see what can be reduced or eliminated. A certified housing counselor can help you with this.**

## Cash Available/Needed:

- 4.) Homeowner Cash on Hand    \$ \_\_\_\_\_ (from "What Are Your Other Assets:"- Line D, Col.1)
- 5.) Homeowner Assets - SELL    \$ \_\_\_\_\_ (from "What Are Your Other Assets" - Line t, Col. 3)
6. Total Cash Available            \$ \_\_\_\_\_ (from Line 4 Plus Line 5 Above)



# Know Your Mortgage

1. Gather Your Loan Documents
2. What Kind(s) of Loan(s) Do You Have?

# Gather Your Documents

Gather your loan documents. It is important that you fully understand the terms of your mortgage. A certified housing counselor can help you with navigating through them. These documents may include:

- The Promissory Note** - This is the legal evidence of indebtedness and formal promise to repay the debt. It sets out the loan amount, payment date, payment amount or how your payment amount will be determined and the maturity date. It also includes penalties and steps the lender and servicer can take if you fail to make your payments on time.
- Deed of Trust** - The deed of trust identifies the security or collateral for the loan. It helps to verify and protect the legal interest in a property. The property is deeded by the title holder (trustor or borrower) to a trustee (often an title or escrow company) which holds the title in trust for the beneficiary (the lender). The deed of trust is recorded in public records.
- Adjustable Rate Mortgage Rider (ARM Rider)** - Adjustable rate mortgages (ARM's) are loans with interest rate and payment changes. The ARM Rider describes how the loan will adjust and any limitations on the adjustments. It will describe the adjustment periods for the interest rate and the payments. It will also advise you when to expect a notice of an interest rate and payment change.

The interest rate on an ARM consists of two parts: the index and the margin. The index determines how the interest rate will change and the margin amount that is added to the index to determine the new interest rate. There are different types of ARMs - hybrid ARMs, interest only ARMs and payment option ARMs.

- Pre-payment Penalty Rider** - A pre-payment penalty allows the lender or servicer to charge the borrower additional interest, (typically six months), when a mortgage is repaid during the penalty period, which is usually somewhere in the first three to five years of the mortgage. If a mortgage contains a pre-payment penalty, this should be clearly stated in the mortgage disclosures, mortgage note and/or pre-payment penalty rider to the note.
- TIL (Truth In Lending) Disclosure Statement** - This document is provided at application and at closing on certain loans. It shows the estimated total costs of borrowing, expected payment amounts over life of loan, and other significant features of your loan such as pre-payment penalty.
- HUD 1 Settlement/Closing Statement** - This document contains all the costs to the borrower that are associated with the purchase of the home and the loan, such as pre-payment penalty.
- Home Equity or Second Mortgage Documents** - These will consist of a Promissory Note, Deed of Trust and/or Home Equity Agreement. These documents contain the details of your second mortgage.
- Last Two Mortgage Statements**

**Record information about your loan on the following worksheet**

# What Kind(s) Of Loan(s) Do You Have

	First Mortgage	Second Mortgage (Home Equity)	Where do I find this*?
<b>What about my loan on _____ (Include property address)</b>			
Original Mortgage Lender			DOT*
Original Loan Amount			TIL*; P.Note*
Monthly Payment			TIL; P. Note
Monthly Due Date			TIL; P. Note
Closing Date of the Loan			DOT; P.NoteARM
Number of Payments			TIL; P. Note
<b>My Loan Type is?</b>			
	<input type="checkbox"/> <b>FHA</b> or <input type="checkbox"/> <b>VA</b> or <input type="checkbox"/> Conventional or Rural Dev.	<input type="checkbox"/> <b>Home Equity Loan</b> or <input type="checkbox"/> <b>Home Equity Line of Credit</b>	HUD 1*
Mortgage Insurance			HUD 1*
Other			
<b>What are my Loan Terms?</b>			
Fixed Rate			TIL; P. Note
Adjustable Rate (ARM) Type			ARM Rider*; P. Note
Initial Rate			ARM Rider; P. Note
Index			ARM Rider; P. Note
Margin			ARM Rider; P. Note
Adjustable Date			ARM Rider; P. Note
How often does the loan adjust			ARM Rider; P. Note
Interest rate adjustment			ARM Rider; P. Note
Payment adjustment terms			ARM Rider; P. Note
Interest only payment			
Other			
<b>Information included on the monthly mortgage statement</b>			
Servicer Name:			
Servicer Contact Number			
Outstanding Balance			
Mortgage Insurance			
Homeowners Insurance			
Taxes Escrowed			
Insurance Escrowed			



## Know Your Options

1. Keeping Or Not Keeping Your Home
2. Options To Keep Your Home
3. Options To Not Keep Your Home

## Keeping Or Not Keeping Your Home

There are a number of solutions for a homeowner facing financial difficulties. Solutions vary from creating a repayment plan to selling the house. Solutions are individualized for each customer and based on all of the following:

- \* Reason for delinquency
- \* Ability and willingness to pay. The servicer will consider your payment history (have you been making your payments on time until now) and your current financial condition (do your current income and expenses allow you to continue making payments as required)
- \* How delinquent you are.
- \* The investor or owner of your loan. The servicer will know the investor policies for working with delinquent borrowers. A servicer must always follow the investor requirements.
- \* The number of mortgages on your home.
- \* Occupancy status of the home.

First, list those things you can do that do not involve the servicer. Examples include reducing your expenses, increasing your income and/or selling assets.

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# Options To Keep Your Home

(Depends entirely on the investor)

The following summarizes solutions that allow the homeowner to keep their home. All of these solutions require a thorough analysis of the homeowner's income and expenses:

- \* **Refinance** - A new mortgage on the loan with no change in ownership. The ability to refinance a loan requires that the borrower not be delinquent and that there be equity in the home.
- \* **Repayment Plan** - Plan where the delinquent payments are distributed over a period of time, usually no more than 12 months. The monthly amount is added to the usual mortgage payment resulting in a higher payment until the delinquent amount has been repaid. This repayment plan brings the account up-to-date within a specific time frame.
- \* **Loan Modification** - Past-due interest and escrow to the unpaid principal balance, which is then reamortized over a new term. Rate adjustments, term extensions, and principal forgiveness may be considered. Loan modification results in permanent, contractual changes in one or more mortgage terms. Additional loan fees may be involved, based on the type of the mortgage a customer holds and on the specific investor. A loan modification immediately brings the account up-to-date.
- \* **Partial Claim** - HUD advances a loan to repay the past-due interest and escrow amounts. The loan is due and payable when the borrower pays off the first mortgage or no longer owns the property. The loan is interest-free and the account is brought up-to-date immediately. Only allowed on FHA loans.
- \* **Forbearance** - A temporary reduction or suspension of a borrower's payment. The repayment plan is based upon the customer's financial situation. Because of long-term implications, this option is used only in severe hardship cases.

## Options To Not Keep Your Home - How To Exit Gracefully

The following summarizes the ways to avoid foreclosure but not keep the home. Even though you may not be able to keep your home, it is important to work with your servicer during this process. Walking away from your home without consulting with your servicer may result in a foreclosure reported in your credit file, tax consequences, and/or deficiency balance for loan proceeds not recovered in a foreclosure sale. If keeping your home is not a viable option, your loan servicer may have alternatives available to absolve the mortgage and home.

- \* **Sell the property** - This is the best option if you cannot afford the mortgage payment and if there is equity in the home (the value is more than the amount owed). Other considerations when deciding to sell the home include the condition of the home and how much time you have.
- \* **Assumption** - If allowed by the loan documents and if you can find another borrower willing and qualified to take over your mortgage, they may assume your mortgage. The new borrower must meet the lender's criteria.
- \* **Short Sale** - If the market value is less than the total amount owed, a short sale allows the borrower to sell their home and use the proceeds to pay the mortgage even though the proceed will not be sufficient to pay off the outstanding balance. The investor and mortgage insurer must agree to this option.
- \* **Deed-In-Lieu of Foreclosure** - The borrower transfers the property to the servicer if the home cannot be sold at market value. This option requires that the property be listed for a specific period of time, generally 90 days. There may be tax consequences.

**Sometimes foreclosure** is the only option for a borrower. If so, you will want to work closely with a certified housing counselor who can devise a plan of action on how to appropriately transition into alternative housing, liquidate unsecured debts, budget and save for future moving costs, and obtain tips on how to reestablish your credit rating.



## Beware of Scams

**Don't Be A Victim!**

# Common Scams

## Don't Be A Victim!

Homeowners facing foreclosure are at risk of becoming victims of a foreclosure scam. Individuals involved in such scams convince vulnerable homeowners that they can save the homeowner from foreclosure. They tell the homeowner that they have direct contact with the servicer. They advise the homeowner that there are "Federal Laws" that require your lender to work with them. They assure the homeowner that they can help and will most always ask for a fee.

In reality, they are not there to help the homeowner: They only want your money or your home. They encourage the homeowner to stop working with the lender, servicer and housing counseling agency and tell them that they will take care of everything.

### Some Common Scams are:

- \* **Bailout or Rent-to-Buy** - Includes various schemes where homeowners surrender their title to the house thinking they will be able to remain as renters and buy the house back in a few years. In actuality, the term for buying the house back make it nearly impossible for the homeowner to do so.
- \* **Bait and Switch** - Homeowners believe they are signing documents for a new loan to make the mortgage current, but sign away their home and are left holding the mortgage on a home they no longer own.
- \* **Phoney Counseling or Phantom Help** - The person conducting the scam tells the borrower that he can negotiate a deal with the servicer to save the house if the borrower pays a fee first. Once the fee is paid, the person takes off with the money and provides no assistance.
- \* **Bankruptcy Foreclosure** - The rescuer promises to negotiate with the lender on the borrower's behalf for a fee. The rescuer takes the fee and files a bankruptcy case in the borrower's name and without the borrower's knowledge.

**New scams are always developing. If the assistance looks too good or too easy or if you are asked to pay a fee for foreclosure prevention services make sure, verify that the service and the company contacting you is legitimate.**



# Tools For The Homeowner

1. **How To Find And Contact Your Loan Servicer**
2. **Servicer Telephone Numbers**
3. **Filing A Complaint**
4. **Glossary**

# How To Find & Contact Your Lender or Loan Servicer

## **Don't know who your servicer is?**

- \* Check your monthly mortgage billing statement.
- \* Check your payment coupon book.

## **Don't know how to reach your servicer?**

- \* Check your phone book.
- \* Search on the internet.
- \* Search using the MERS (Mortgage Electronic Registration System) ServicerID web tool - <http://www.mersinc.org/>-MERS<sup>®</sup>ServicerID is a fast and free tool to identify the servicer of any loan registered on the MERS<sup>®</sup> System.
- \* Use the list on the next page.

# Servicer Telephone Numbers

Be sure to have your account number ready when calling.

Servicer	Hotline
Aurora Loan Services	866-519-3090
Avelo Mortgage, LLC	877-882-8356
Bank Of America	800-846-2222
Carrington Mortgage Services	800-790-9502
CitiMortgage Conv/FNMA	800-667-8424
Countrywide Home Loans	800-669-6650
EMC Mortgage, Inc./Bear Sterns	877-362-6631
First Horizon Home Loans	800-364-7662
GMAC/Homecomings/ResCap	800-799-9250
Home Loan Services, Inc.(dba First Franklin Loan & Nation Point Loan Service)	800-500-5022
HomEq Servicing	877-867-7378
HSBC Consumer Lending	800-333-5848
HSBC Mortgage Corporation	888-648-3124
IndyMac Bank	866-355-7273
JP MorganChase Prime Loans	866-550-5705
JPMorgan Chase Non-Prime	877-838-1883
JPMorgan Chase Home Equity	866-582-5208
Litton Loan Servicing	800-247-9727
National City Mortgage Corporation	800-523-8654
Nationstar Mortgage, LLC	888-480-2432
Ocwen Loan Servicing, LLC	877-596-8580
Option One Mortgage Corporation(Also American Home Mortgage Servicing)	888-275-2648
Saxon Mortgage Services	888-325-3502
Select Portfolio Servicing	800-258-8602
SunTrust Mortgage, Inc.	800-443-1032
U.S.Bank Home Mortgage	800-365-7900
Washington Mutual, Inc.	866-926-8937
Wells Fargo Home Mortgage	800-678-7986
Wells Fargo Financial	800-275-9254
Wilshire Credit Corporation	888-917-1050

# Glossary

**Amortization** - The gradual repayment of a mortgage loan with equal periodic payments of both principal and interest calculated to retire the obligation at the end of a fixed period of time.

**Annual Percentage Rate** - The cost of your loan expressed as a yearly rate. Mortgages include interest, points, origination fees, and any mortgage insurance required by the lender.

**Debt-to-Income Ratio** - The maximum percent of gross monthly income that can be used for the house payment plus all other debts.

**Equity** - The difference between the amount(s) owed on your home and the value of the home.

**Escrow Account** - The account held by a lender for payments of taxes, insurance, or other periodic debts against real property. Part of the borrower's monthly payment goes into this account so funds will be available to pay taxes, insurance and other impounded matters when due to avoid the need for the borrower to pay a lump sum payment.

**Grace Period** - The length of time between due date and the date when a late fee will be charged.

**Good Faith Estimate** - A written estimate of costs and fees expected for a mortgage loan.

**Housing Ratio** - The maximum percent of gross monthly income that can be used for a monthly mortgage payment.

**Interest Rate** - The percentage of a sum of money charged for its use.

**Loan-to-Value Ratio** - The comparison of the amount of the loan to the value or selling price of real property expressed as a percentage. For example, if a home with a \$100,000 value has an \$80,000 mortgage on it the loan-to-value is 80%.

**Mortgage Insurance** - A policy that protects lenders against some or most of the losses that can occur when a borrower defaults on a mortgage loan. Mortgage insurance is required primarily for borrowers with a down payment of less than 20% of the homes purchase price.

**Rate Lock** - During the loan application, a rate lock holds the interest rate for a specific period of time. Sometimes the mortgage lender requires a fee to lock the rate.



# Appendix

**Document List**  
**“Stay On Top Of It”**  
**Communication Log**  
**Frequently Asked Questions**  
**Tips for Avoiding Foreclosure**

# Document List

The following documents are usually necessary before you begin to work with a mortgage lender, servicer or housing counselor.

## Financial Information

- Hardship Letter
- Income Worksheet
- Expense Worksheet
- Asset Worksheet
- Pay Stubs for the last 30 days for each member of the household
- Award letter for Social Security/Unemployment/Pension Income
- Federal Tax Returns for at least 2 years
- Bank Statements (most current 2 months) for all accounts/assets
- Statements/bills for all household expenses

## Loan Documents

- Promissory Note
- Mortgage /Deed of Trust
- ARM Riders to the Note and Mortgage/Deed of Trust
- Prepayment Penalty Rider
- Truth in Lending (TIL) Form
- HUD 1 Settlement Statement
- Home Equity Loan/Line of Credit documents

## Other

- A Release of Authorization Letter
- ALL correspondence, letters (opened and unopened envelopes) from banks, courts or anyone regarding your home or the foreclosure
- Any Trustee Sale Information from your mortgage company or it's attorney
- Evidence of outstanding judgements and tax liens

## “Stay On Top Of It” Communication Log

It is important to keep track of all your conversations with your servicer and housing counselor. It is also very important to keep track of all the people working with you including their phone numbers, important dates and action steps. Below is a sample of the kinds of entries to make in your log. Attached to the log should be all of your documents including letters, loans and notices.

- \* **Who did I talk to? When?**
- \* **What was discussed?**
- \* **What is their phone number?**
- \* **Their address?**
- \* **When will they call back?**
- \* **When am I supposed to call back?**
- \* **What notice did I receive and from whom?**

### Sample Notes for “Stay On Top Of It” Log

DATE	Name Phone Number	Notes about our conversation Call Back(CB), Left Message(LM)
1/10/2010	1-989-243-6666	Spoke with Katie @Wilshire who requested a Hardship Letter from me. Fax to her @ 1-888-222-0000, then she will CB. If I don't hear from her by 1/15/2010, I will call her.
1/11/2010		Sent Hardship Letter by Fax to Katie.
1/15/2010	1-989-243-6666	LM with Katie to verify she received fax/hardship letter.
1/19/2010		Katie called. Received letter. Now reviewing our file with her manager to decide next step. She will CB next week. Mark calendar to call Katie on 1/26/2010 if she has not called me.
1/27/2010	1-989-243-6666	LM for Katie who has not called as promised. Asked her to call back.
1/28/2010	1-309-7777	Marlon from National called to say their company took over our loan and that he will be my new contact. He has our hardship letter and will discuss with his manager next steps and promised to call back on Monday, Feb 1st.





## Frequently Asked Questions

**Q. Many people have told me that I cannot get help unless I have already missed a payment, Is that true?**

A - Do not wait to call your servicer until you are late. If you anticipate having trouble making your mortgage payment, call your servicer. The earlier you contact your servicer the more likely the servicer will be able to find a solution to help you stay in your home. If the servicer tells you they cannot help you until you are late, contact a certified housing counselor.

**Q. I received a call from someone who said they could help me save my home. They said they are a foreclosure counselor. What should I do?**

A - Before engaging them to help you, contact your local HUD office to find out if they are a certified housing counselor and can provide the assistance that you need. You can also find this information on [www.foreclosurehelp.nv.gov](http://www.foreclosurehelp.nv.gov). Never pay any money for foreclosure assistance up-front. In fact, you should not have to pay any money for foreclosure assistance. It is unlikely that a certified housing counselor will be reaching out to you first.

**Q. Do I need to see a housing counselor before I contact my servicer?**

A - A housing counselor can help you prepare to speak with your servicer and, if you give them permission, can act on your behalf. However, if you are delinquent, you should contact your servicer immediately. At the same time, you can schedule an appointment with a housing counselor. It is likely that you will need the assistance of a housing counselor to create a budget for you and your family, as well as, provide counsel regarding the management of other credit accounts.

**Q. I am having a hard time writing my hardship letter and compiling my income and expenses. Should I wait to call my servicer or a housing counselor?**

A - Even if you do not have your hardship letter completed and your financial information together, you should not wait to contact your servicer or housing counselor. It's important to get the process started as soon as possible.

**Q. I haven't heard from my servicer or housing counselor for several weeks. Should I wait for their call or should I call them?**

A - Stay in touch with your servicer and housing counselor. Check in with them every two weeks if they don't call you first or tell you otherwise. Always record your conversations with the on your "Stay On Top Of It" log.

# **Tips For Avoiding Foreclosure**

**Don't ignore the problem**

**Contact your servicer sooner rather than later if you think there may be a problem.**

**Don't ignore communications from your servicer. Return their calls and open mail from them.**

**Understand foreclosure prevention options.**

**Contact a Certified Non-profit Housing Counselor.**

**Review your budget and make changes as necessary. If you don't have a budget, create one and stick to it!**

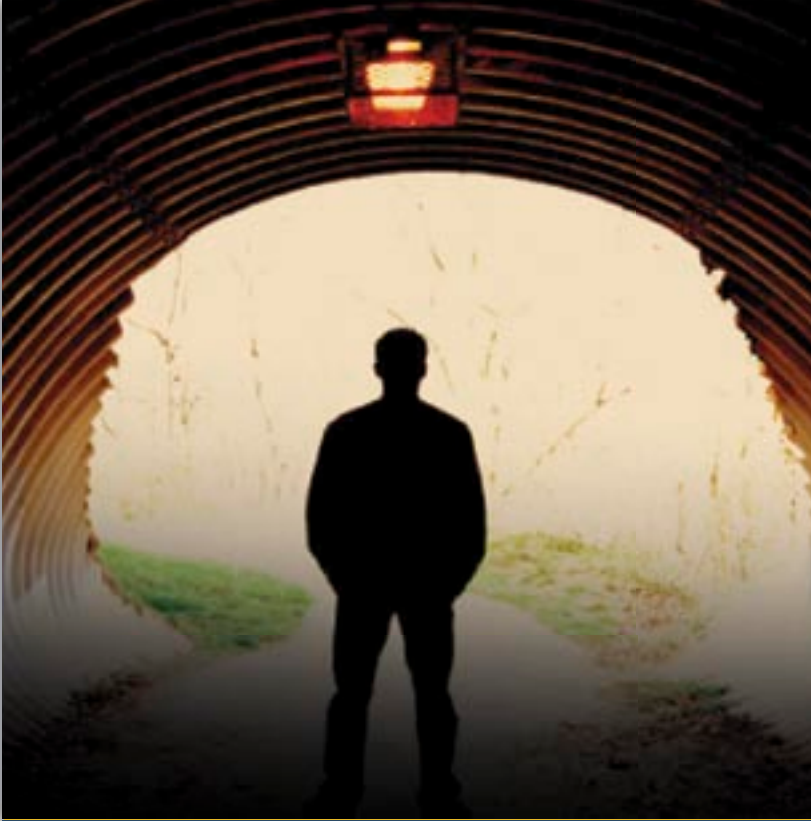
**Be aware of foreclosure scams and don't be a victim.**

**Know your mortgage rights.**

# FORECLOSURE VERSES SHORT SALE

ISSUE	FORECLOSURE	SUCCESSFUL SHORT SALE
Future Fannie Mae Loan – Primary Residence (effective May 21, 2008)	A homeowner who loses a home to foreclosure is ineligible for a Fannie Mae backed mortgage for a period of <b>5 years</b> .	A homeowner who successfully negotiates and closes a short sale will be eligible for a Fannie Mae backed mortgage after only <b>2 years</b> .
Future Fannie Mae Loan – Non Primary (effective May 21, 2008)	An Investor who allows a property to go to foreclosure is ineligible for a Fannie Mae backed investment mortgage for a period of <b>7 years</b> .	A homeowner who successfully negotiates and closes a short sale will be eligible for a Fannie Mae backed investment mortgage after only <b>2 years</b>
Future Loan with any Mortgage Company	On any future 1003 application, a prospective borrower will have to answer <b>YES</b> to question C in Section VIII of the standard 1003 that asks “Have you had a property foreclosed upon or given title or deed in lieu thereof in the last 7 years?” this will affect future rates.	There is no similar declaration or question regarding a short sale.
Credit Score	Score may be lowered anywhere from <b>250 to over 300</b> points. Typically affect score for over <b>3 years</b> .	Only late payments on mortgage will show and after sale mortgage will be reported as paid or negotiated. This will lower the score as little as <b>50 points</b> if all other payments are being made. A short sales affect can be as brief as <b>12 to 18 months</b> .
Credit History	Foreclosure will remain as a public record on a person's credit history for <b>10 years or more</b> .	Short sale is <b>not reported on a credit history</b> . There is no specific reporting item for 'short sale'. The loan is typically reported 'paid in full, settled'.
Security Clearances	Foreclosure is the <b>most challenging issue against a security clearance</b> outside of a conviction of a serious misdemeanor or felony. If a client has a foreclosure and is a police officer, in the military, in the CIA, Security or any other position that requires a security clearance in almost all cases clearance will be <b>revoked and position will be terminated</b> .	A Short Sale on it's own <b>does not challenge most security clearances</b> .
Current Employment	Employers have the right and are actively checking the credit regularly of all employees who are in sensitive positions. A foreclosure in many cases is grounds for immediate <b>reassignment or termination</b> .	A short sale is not reported on a credit report and is therefore <b>not a challenge to employment</b> .
Future Employment	Many employers are requiring credit checks on all job applicants. A foreclosure is one of the most detrimental credit items an applicant can have and in <b>most cases will challenge employment</b> .	A short sale is not reported on a credit report and is therefore <b>not a challenge to employment</b> .
Deficiency Judgment	In <b>100% of foreclosures</b> (except in those states where there is no deficiency Judgment) the bank has the right to pursue a deficiency judgment.	In some successful short sales it is possible to convince the lender to <b>give up the right to pursuit a deficiency judgment</b> against the homeowner.
Deficiency Judgment (amount)	In a foreclosure the home will have to go through an REO process if it does not sell at auction. In most cases this will result in a lower sales price and longer time to sale in a declining market. This will result in a higher possible deficiency judgment.	In a properly managed short sale the home is sold at a price that should be close to market value and in almost all cases will be better than an REO sale resulting in a <b>lower deficiency</b> .





If you find that financially you cannot keep your home, there is light at the end of the tunnel!

Call now for a consultation on qualifying for Short Sale. Don't Delay!

Timing is everything and you need a skilled professional.

I Can Assist You!