

Project Sentinel

HUD Housing Counseling Programs
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WHAT YOU SHOULD KNOW ABOUT FORECLOSURE PREVENTION

THE VARIOUS STAGES OF FORECLOSURE ARE:

1. DELINQUENCY

Is the stage when the borrower is one or more months behind in mortgage payments or other associated payments such as property taxes. This is your status before a Notice of Default is filed.

Important reminders if you are delinquent:

- Immediately contact your servicer
- Do not avoid phone calls or ignore correspondence
- Provide complete disclosure of the circumstances
- Maintain Homeowners insurance and property tax payments
- Prepare a letter for the mortgage servicer that includes
 - ✓ Your name, address, phone number and loan number
 - ✓ A brief explanation of your hardship - whether it is resolved or on-going
 - ✓ Your intent towards the property – do you want to keep the property?
- **Beware of “Rescue” Scams!** These scams typically include offers to buy your house that result in equity skimming/stripping; and phony counseling agencies that require upfront fees for promised modifications or credit repair

Do not:

- Make promises you can't keep!
- Sign anything you do not understand!
- Pay any fee to any so-called counselor!

2. DEFAULT

This Is the stage when the formal foreclosure process has been initiated. The actual steps and time frames are:

- Notice of intent to foreclose is mailed to you – A formal default will usually be filed 30 days later, unless an alternative arrangement is made

- The Notice of Default is filed with the county recorder – This is the beginning of the formal foreclosure process. You have 90 days to bring your loan current or make an alternative agreement
- A foreclosure sale is set after the 90 day period – You have 20 days to bring your loan current or make an alternative agreement once the sale date is set.

WHAT ARE THE SHORT-TERM WORKOUT OPTIONS FOR DELINQUENCY OR DEFAULT

- **Reinstatement** – Agreeing on a lump sum payment of the amount owed, paid by a specific date agreed upon with your mortgage servicer.
- **Forebearance Agreement** – A formal written repayment agreement between the borrower and the mortgage servicer, with a schedule of payments to gradually eliminate the present delinquent amount.
- **Repayment Plan** – Agreeing to a temporary increase in monthly payments until the loan is brought current.
- **Budget Counseling and Repair** – Changing your other debts and/or lifestyle to provide more financial resources for your mortgage debt. These changes might include:
 - Eliminating unnecessary expenses
 - Selling Assets
 - Using cash in retirement accounts
 - Finding additional sources of income
 - Borrowing from family or friends
- **Interest Rate Freeze or Temporary Suspension of Rate Increase** – An option if an ARM is about to adjust upward

WHAT ARE THE LONG TERM WORKOUT OPTIONS

- **Loan Modification with Current Lender** – One or more terms of the loan may be permanently changed to bring the loan current.
- **Re-Finance With Current or Different Lender** – This option will require you to pay new loan origination fees. *Beware of “teaser” rates* on Re-Fi offers that quickly convert to significantly higher rates.
- **Reverse Mortgage for Homeowners 62 or Older** – This option is a loan against the equity in a home that provides tax-free cash advances and does not have to be repaid while the homeowner lives in the home

- **Sale** – If the sale price exceeds the loan value and can be accomplished prior to the foreclosure sale date, the lender’s permission is not required.
- **Assumption** – The property is transferred to a new buyer who assumes the loan and takes responsibility for the mortgage. *Make sure it is genuine* and not just an equity stripping scheme that takes away your ownership but leaves you financially responsible for all or part of the original debt.

ADDITIONAL LONG WORKOUT OPTIONS

-- THESE WILL IMPACT YOUR FUTURE CREDIT

- **Short Sale** – In this type of sale the property is sold for less than the total mortgage owed. The lender must give advance permission in order to receive a full cancellation of the loan obligation. There may be negative tax consequences and special counseling may be required.
- **Deed-in-lieu of foreclosure** – The borrower agrees to deed the property to the servicer in exchange for a release from all mortgage obligations
- **Bankruptcy** – This option will require advance counseling and fees for attorneys or other services before a case is filed in the bankruptcy court. Bankruptcy will only stop the foreclosure process for a limited time period and is usually only worth considering if you need time to access another workout such as a reverse mortgage or if you have substantial other debts. There are other significant negative impacts which should be discussed with a bankruptcy expert.

BEFORE LOOKING AT ANY SPECIFIC OPTIONS, YOU SHOULD CONSIDER:

- **Do you want to keep your home, is it worth the stress and financial drain?**
- **What is your ability to make future loan payments along with other payments like taxes and insurance?**
- **What will be the potential impact on your credit?**
- **What are your long term goals and needs?**

BE PROACTIVE!

- ✓ **Consider your options carefully**
- ✓ **Discuss your situation honestly with your family**
- ✓ **Pursue counseling or other loss mitigation options**
- ✓ **Seek timely legal advice if appropriate**

Regardless of who contacts the lender, you will need:

- ✓ **Hardship Letter**
- ✓ **Financial Statement(s)**
- ✓ **Current Bank Statement(s)**
- ✓ **Current Pay Stub(s) or other proof of income**
- ✓ **Most recent Tax Return**

RESOURCES

- Project Sentinel 408-720-9888 or 1-888-331-3332
- Department of Corporations 1-866-275-2677
- Department of Real Estate 916-227-0864
- Property Tax Relief or Deferral Program 1-800-952-5661

If you believe you have been a victim of a predatory lender or fraud by a broker or lender contact:

- Department of Fair Employment & Housing – 800-233-3212
- US Dept of Housing & Urban Development -- 800-669-9777
- Fair Housing Law Project – 408-280-2435
- Santa Clara County District Attorney (Real Estate Fraud Unit) – 408-792-2639