

Preserving Homeownership Foreclosure Prevention



CREDIT.ORG

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About Credit.org



Credit.org is a non-profit agency formed in 1974

Our mission is simple, yet vital: Improve the financial well-being of individuals and families by providing quality financial education and counseling. We offer personal assistance with money, credit, and debt management through educational programs and confidential counseling



Our Services

Financial Education Programs

We offer seminars, workshops, and educational materials on topics such as budgeting and money management, identity theft, and understanding credit.

Debt Management Programs

If you choose this option, we can work with your creditors to reduce costs and repay debt through one monthly payment.

Confidential Debt Counseling

Our certified consumer credit counselors will discuss your financial situation with you, help you understand what may cause financial stress, and help you create a personalized budget, an action plan and give you options to help manage your finances more effectively.

Credit Report Review

Our certified coaches work with you to break down your credit report, answer questions, and give guidance for improving your credit score over time.

Housing Counseling

We are a HUD-approved comprehensive housing counseling agency. We provide homebuyer education seminars, mortgage coaching, foreclosure prevention assistance, landlord/ tenant counseling, post homebuyer education and reverse mortgage coaching (please call ahead for reverse mortgage appointments).

Bankruptcy Pre-petition Credit Counseling

We provide counseling (and a certificate of completion as mandated by the bankruptcy reform law) for those considering bankruptcy. We also provide financial education (and a certificate of completion as mandated by the bankruptcy reform law) for those completing their bankruptcy discharge.

Introduction

This guide accompanies credit.org's workshop designed to help people avoid mortgage foreclosure. We will show you what options are available if your mortgage becomes delinquent, you are facing foreclosure, or you are facing a mortgage interest reset which you can no longer afford.

The seminar provides resource information so you will know what action steps to take and what options are available to you:

- if your mortgage becomes delinquent
- you are facing foreclosure
- you are facing mortgage interest reset which you can no longer afford once adjusted

You will find out what options are available to you to work with your lender to avoid foreclosure, action steps and where you can go to seek legitimate help.

Be wary of foreclosure rescue consultant schemes that claim to be helping you save your home. Call your lender/servicer, U.S. Department of Housing and Urban Development and local Better Business Bureau or check www.bbb.org to get a Reliability Report on any foreclosure rescue company.

Credit.org is certified by the U.S. Department of Housing and Urban Development (HUD) as a comprehensive housing counseling agency. The agency, based in California, is one of the nation's leading nonprofit counseling agencies helping troubled homeowners seek solutions to avoid foreclosure.





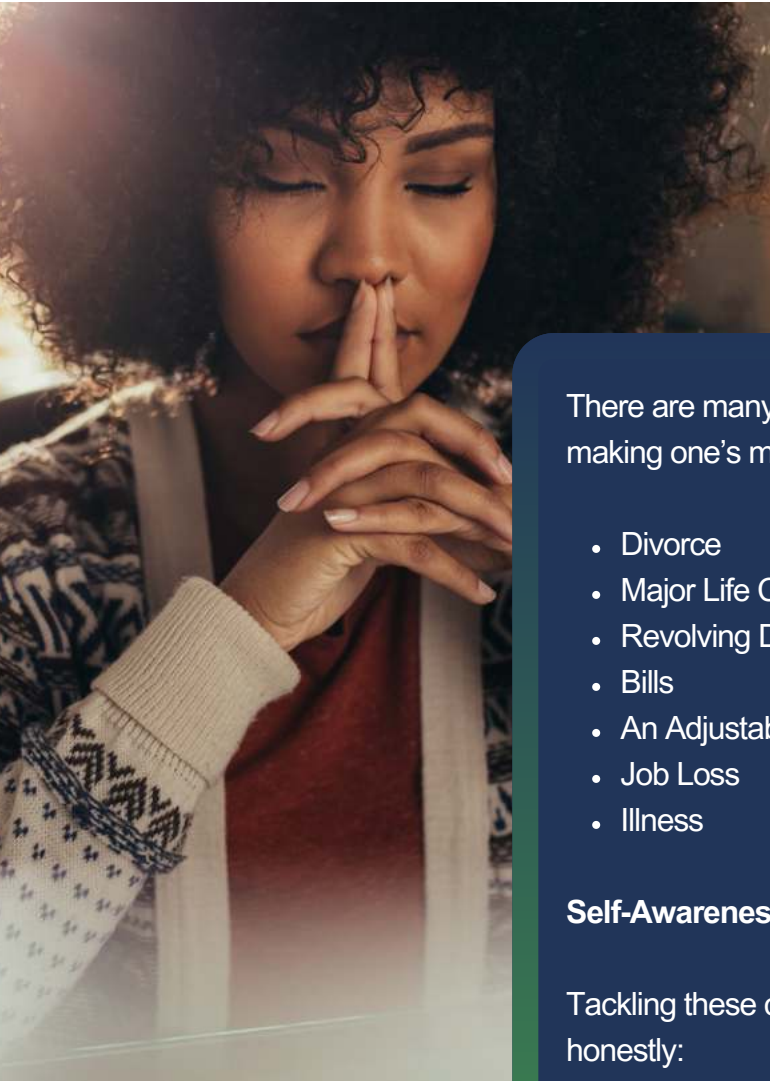
Purpose and Goals

- This material is not intended to provide legal, tax, or financial advice or opinions and should not be treated as such
- This presentation is for general informational purposes only and applies to homeowner-occupied residential property
- You will learn what to do if your mortgage becomes delinquent or if you are facing foreclosure
- You will learn the options available to you
- Our goal is to see you get involved and take action to protect your status as a homeowner

Early Intervention is Key

- A Freddie Mac / Roper study indicated over 50% the borrowers in foreclosure proceedings did not return contact from their lender
- Of those, 61% were unaware of the variety of workout options that could help them overcome short-term financial difficulties
- Of those, 92% said they would have talked to their servicers had they known these options were available to them
- Many people lose their homes because they are too ashamed or fearful to act, or are in denial about the seriousness of the problem

Life's Challenges



There are many challenging situations in life that may contribute to making one's mortgage payments:

- Divorce
- Major Life Changing Events
- Revolving Debt
- Bills
- An Adjustable-Rate Mortgage (ARM) Reset
- Job Loss
- Illness

Self-Awareness

Tackling these challenges requires one to confront their situation honestly:

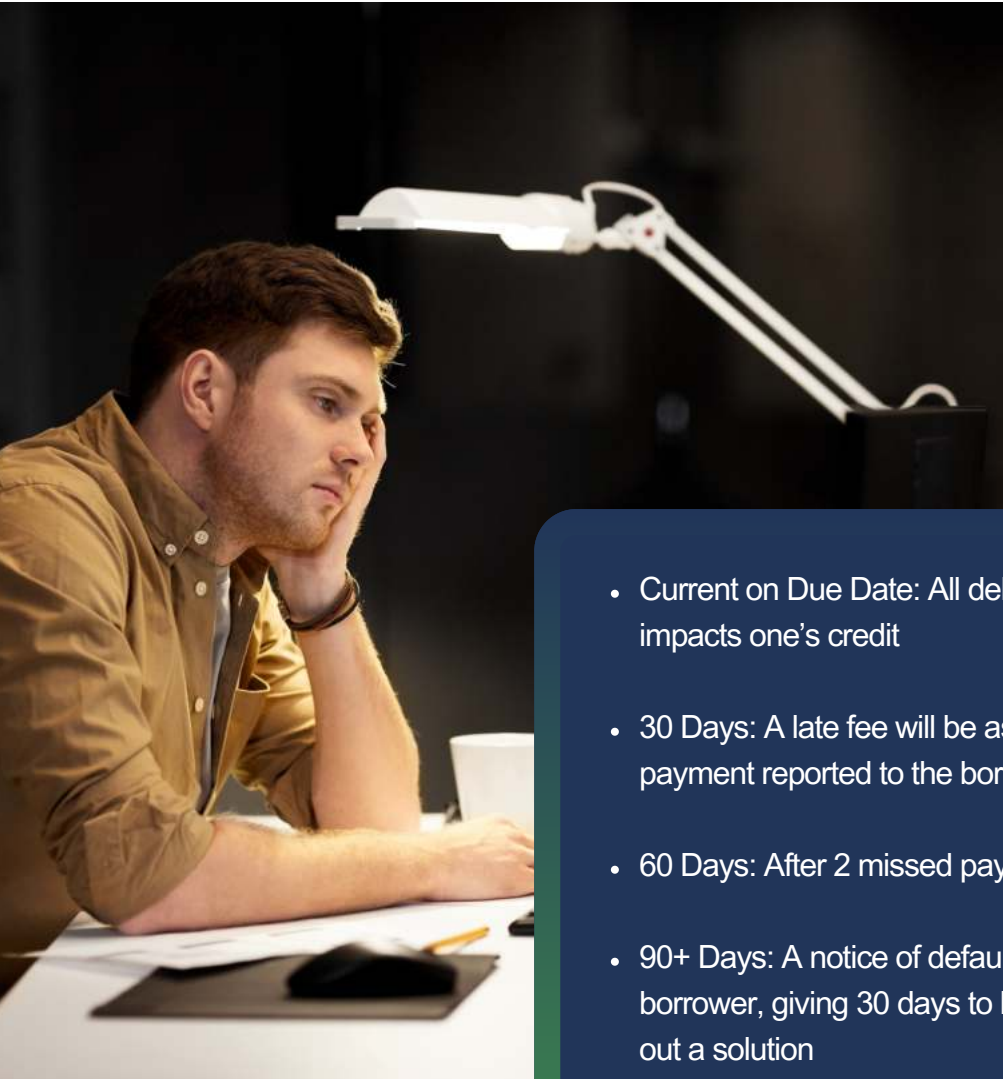
- Admit there is a problem
- Define the scope of the problem
- Be realistic about your ability and willingness to resolve the problem
- Find a workable solution

Define Terminology

- Foreclosure: is the legal action and repossession of your home by your lender. You will lose your property and any equity you had. The property is sold by your lender to pay off a mortgage in default.
- Notice of default (NOD) / Notice of intent (NOI): are demand letters that notify the need to bring your mortgage current to stop a foreclosure. This letter may be referred to as a breach letter or demand letter. This notice is recorded after the default, or multiple missed loan payments outlining the mortgage servicer plan to begin the foreclosure process.
- Notice of Sale (NOS): This establishes the foreclosure sale date.
- Servicer: responsible for customer service, processing payments, and working with delinquent customers.
- Investor: the owner of the loan.
- Insurer: covers the lender/investor in case the loan becomes delinquent.
- Loss Mitigation: working with the homeowner to find a permanent solution to resolve the delinquency and mitigate the loss.
- Collections: the process of contacting you for and receiving delinquent amounts which are owed.
- Delinquency: failing to make your payment timely to avoid payment being received on or after the due date.
- Hardships: circumstances often beyond your control which have temporarily or permanently rendered you unable to meet mortgage obligations.



Possible Delinquency Cycle



- Current on Due Date: All debts paid as agreed, which positively impacts one's credit
- 30 Days: A late fee will be assessed, and a missed mortgage payment reported to the borrower's credit report
- 60 Days: After 2 missed payments, the loan is officially in default
- 90+ Days: A notice of default, or "breach letter" is sent to the borrower, giving 30 days to bring the mortgage current or work out a solution
- 120 Days: Foreclosure proceedings begin

Timelines vary by your lender, your state's laws, and regulations.

Do a Five-Step Assessment

STEP ONE: KNOW YOUR SHORTFALL

- Identify how close or far you are from being able to meet your mortgage payment.
- Subtract the total of your monthly expenses from your monthly income – the final number represents the amount of money you'll need to make-up so you can pay your mortgage as agreed.
- Accuracy is key avoid overestimating income or undercounting expenses

STEP TWO: EXPLORE BUDGETARY CHANGES

- Identify ways to close the deficit
- Carefully review your expenses and pinpoint areas where you can cut down to free up cash
- Are you able to sell some assets to meet next month's shortfall or live frugally for a couple of weeks, but what about after that?

STEP THREE: CONTACT YOUR LENDER

- If you are unable to make your normal mortgage payment on a regular basis by adjusting your cash flow, contact your lender
- Be ready to discuss your financial situation in detail
- When speaking with your lender, be honest and clear about your desires and abilities

STEP FOUR: BE OPEN TO OPTIONS

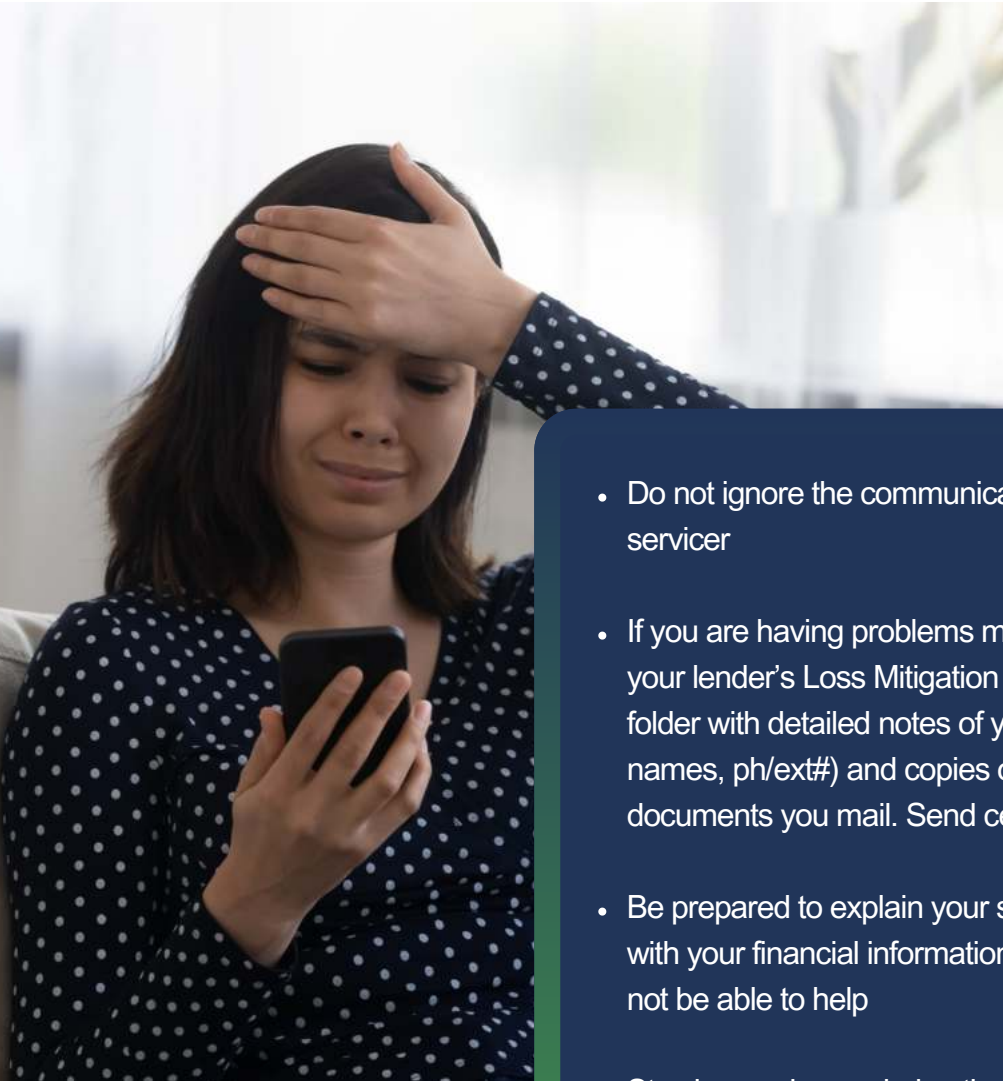
- You and your lender will discuss ways you may keep the home, which may include modifying the terms of the existing loan, making lower or no payments for a period of time, or refinancing the loan
- None of those solutions work? Consider selling the home or deeding it back to the lender. If it is worth less than the loan balance, you may be able to sell it for its current market value
- Ask about the benefits and drawbacks of each option before making a decision

STEP FIVE: TAKE ACTION

- Whatever you decide, don't wait with what you need to do. For example, if you gave your word that you will be back on track in three months by getting a second job, make sure you do so
- If you know it will be impossible to afford your mortgage payment, plan to find another living situation now and contact your lender to put the home up for sale or deed it back to the lender before the foreclosure process begins.
- Delaying action wastes precious time and money
- Don't let homeowner insurance coverage lapse – take action
- Contact your insurance agent to see if coverage can be reduced or if payment plans are available
- Advise your mortgage servicer they need to impose coverage

- Acknowledgement: Adapted from CCCS San Francisco

When You Are Delinquent



- Do not ignore the communications from your lender / loan servicer
- If you are having problems making your payments, call or write to your lender's Loss Mitigation Department without delay. Keep a folder with detailed notes of your communications (date, time, names, ph/ext#) and copies of all correspondence received and documents you mail. Send certified mail/return receipt requested
- Be prepared to explain your situation and provide your lender with your financial information, without this information, they may not be able to help
- Stay in your home during the process -- you may not qualify for assistance if you "walk away" from your property
- Be wary of foreclosure rescue scam artists that claim to be helping you save your home

Beware of Foreclosure Rescue Scams

COMMON SCAM TYPES

- Phantom Help – NOD and foreclosure filings are public record. Therefore, be suspect of new “acquaintances” or “rescuers” that may arrive to “help” you
- Bailout – 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
- Bait and Switch – homeowners think they are signing documents for a new loan to make the mortgage current, but sign away the home and are left holding the mortgage on a home they no longer own
- Equity Stripping – a buyer purchases the home for the amount of the arrearage and flips the home for a quick profit

PROTECT YOURSELF FROM SCAMS

- Don't panic
- Talk to your lender
- Find out the rules in your state – how much time do you have
- Never sign a contract under pressure
- Never sign away ownership of your property
- Don't make payments to anyone other than your lender
- Beware of a home-sale contract where you aren't formally released from your mortgage
- Don't sign anything with blank lines or spaces
- If you don't speak English, and a translator is needed, bring your own translator also
- Beware of those offering to pay your arrearage and take the house off of your hands (equity stripping)

From phony counselors to fake government modification programs, there are a ton of dubious loan programs floating around these days. The thieves are just waiting for you to nibble at their bait so they can steal your home, your identity, or both. To learn more about the public

education campaign designed to help homeowners protect themselves against loan modification scams, find trusted help and report illegal activity to authorities visit: <http://www.loanscamaalert.org>

**Sign up for the national Do Not Call list 1-888-382-1222
Call 1-888-5 OPT OUT or online: www.optoutprescreen.com**



Mortgage Myths

Myth – Mortgage companies make money by foreclosing on properties

Fact – Legitimate mortgage lenders prefer to receive your loan payments, and will foreclose only as a last resort. The average foreclosure sale results in a \$40,000 - \$50,000 loss to the investor

Myth – A mortgage must be delinquent before assistance can be provided

Fact – Options are available to borrowers who are anticipating a hardship, contacting the servicer as early as possible is the key

Myth – The worse a borrower's financial picture appears, the more likely they are to receive assistance from the mortgage company

Fact – A borrower must be able to demonstrate long term ability to afford the mortgage payment, along with their other obligations, to receive assistance in keeping the home

Myth – Since I am unable to make up the full mortgage payment(s) I missed -- it's okay to spend the money elsewhere

Fact – It's important to maintain those funds as your lender may require you to place an amount towards your arrearage as part of your "work out"

- Acknowledgement: Adapted from Community HousingWorks

The Role of the Counselor



Partnering for a Workable Solution

How Can Foreclosure Prevention Counseling Help Consumers?

HUD approved housing counseling agencies have counselors that provide one on one counseling to the borrower, taking into consideration individual personal financial situations.

Counseling provides you with a budgetary review and action plan and may include working with both you and your lender to review options and work out a solution.

The most important decision you can make is deciding if you want to keep your home.

Mortgage Default

Homeowners who are in default need to find out what type of mortgage they have: FHA, VA, or conventional mortgage

Identify what has happened to cause you to miss your mortgage payment(s). I.E. Increase in payment amount for Adjustable-Rate Mortgage? Events beyond your control (spouse illness/job loss)? Lenders will want documented evidence

Reasons For Default

- Increase in payment amount for Adjustable-Rate Mortgage (ARMs)
- Layoff: With termination notice as documentation
- Involuntary Termination: Non-criminal
- Salary Reduction: In lieu of being laid-off or receiving a demotion
- Medical Expenses or Illness: Costs beyond insurance, can't work
- Death: Income lost, burial expenses
- Employment relocation
- Temporary Loss of Wages: Lost part-time job, garnishment
- Workers Compensation Claim: Loss of full income, disability
- Necessary Repairs to Property: Essential only, leaks, damages
- Divorce/Separation: Reduction of income when one spouse moves
- Temporary Loss of Spousal or Child Support: Former spouse lost job

Options for Keeping Your Home

- Loan Modification
- Special Forbearance Plan
- Repayment Plan
- Partial Claim
- Reinstatement
- Payment Suspension/Deferment



Mortgage Relief

The best place to start when looking to obtain mortgage relief under the CARES Act is your monthly mortgage statement. That's where you will find out who your current mortgage servicer is. Mortgages can change hands, so check your most recent statement to be sure you're contacting the correct entity.

When you talk to your servicer, you will want to ask a lot of questions to be sure you understand the forbearance process and how it will impact your loan repayment. Specifically, be sure to ask them:

- Is your loan a federally-backed or GSE (Government Sponsored Enterprise) that is subject to the CARES act, or is it a private loan? If private, what deferment or forbearance options are available, and how do they differ from those required by the CARES act?
- After the pause has ended, will you have to pay back the entire unpaid amount as one lump sum, or will it be added to the end of your loan?
- Can you extend your loan term specifically to add the missed payments to the end of your mortgage?
- After the forbearance has ended, will monthly payments be higher to make up for the amount that was deferred?

Homeowners who are experiencing long-term delinquency may need to consider the following: **NOT KEEPING YOUR HOME**

Pre-Foreclosure or Short Sale

- This involves the sale of the property at fair market value
- Lender-approved pre-foreclosure sale, short payoff or short sale: selling the house, sometimes for less than what it may be worth, in order to satisfy the bulk of the mortgage. Lender agrees to accept the proceeds of the sale even though it is less than the full payoff amount in order to avoid foreclosure
- A qualified buyer may be permitted an assumption of your loan, even if your original loan documents state otherwise. You must communicate with your lender/servicer on their requirements for these option



Deed-In-Lieu of Foreclosure



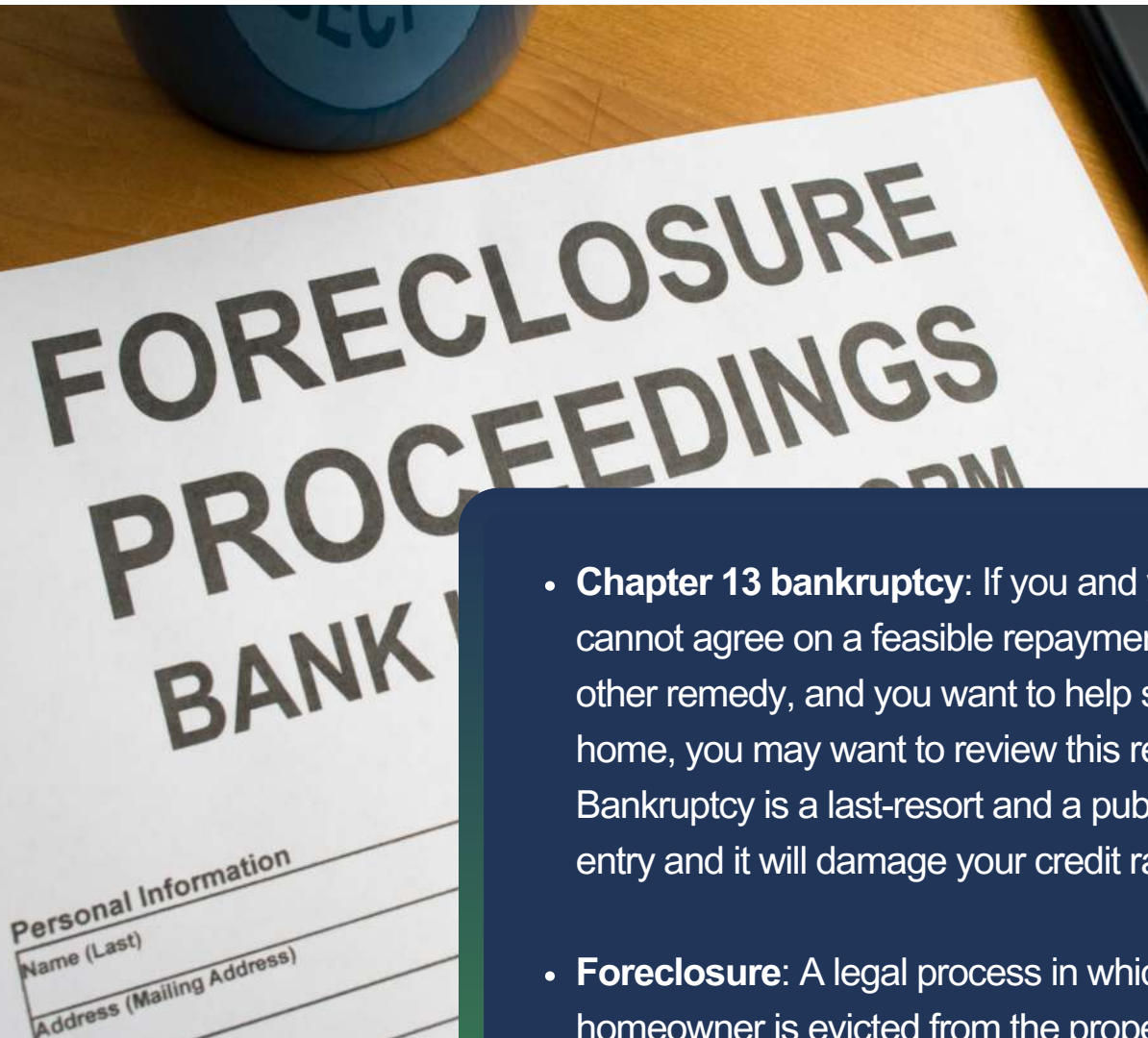
- As a last resort, you may be able to arrange a voluntary surrender of your property to your lender/servicer
- The lender must agree that the homeowner can voluntarily sign the deed over to the lender to avoid the foreclosure process
- The Homeowner is required to vacate the property at the time the documents are signed or other negotiated date

Cash for Keys



- Some lenders will offer “Cash for Keys” – whereby the lender may agree to provide the homeowner with cash to help them relocate.
- The homeowner agrees to maintain the property, until they relocate on a mutually agreed to date, and leaves the property “broom sweep clean”.
- Often the “cash for keys” is paid upon or after the homeowner exits the property

Foreclosure



- **Chapter 13 bankruptcy:** If you and your lender cannot agree on a feasible repayment plan or other remedy, and you want to help save your home, you may want to review this remedy. Bankruptcy is a last-resort and a public record entry and it will damage your credit rating
- **Foreclosure:** A legal process in which the homeowner is evicted from the property and the lender/servicer arranges for the home to be sold to pay the loan of the defaulting borrower. Foreclosure rules vary according to your state's laws. Foreclosure is public record entry and it will damage your credit rating

Resources

Contact a HUD approved counseling agency

- <https://apps.hud.gov/offices/hsg/sfh/hcc/hcs.cfm>
- (800) 569-4287

Comprehensive information to help you compare fixed rate mortgage with an adjustable-rate mortgage and compare offers.

- <https://www.consumerfinance.gov/owning-a-home/loan-options/>

One free report from each bureau per year:

- www.annualcreditreport.com
- (877) 322-8228

Free publications from credit.org to download:

- www.credit.org Select Educational Guides and Downloads
- (800) 431-8157.

PREVENT UNWANTED CREDIT OFFERS AND UNWANTED PHONE SOLICITATIONS:

- Sign up for the national Do Not Call list 1-888-382-1222
- Call 1-888-5 OPT OUT
- www.optoutprescreen.com



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