

IMPORTANT POINTS TO REMEMBER WHEN FACING FORECLOSURE

For most people, the purchase of a house represents the biggest investment that they will ever make. It becomes their home; their castle; their refuge from the pressures of the world.

But, sometimes, they financial pressures of daily life surround them *inside* the home, too. Sometimes, financial difficulties threaten the house itself. When this happens, a person can feel that there is no safe place; no help that can allow them keep their home.

DOES THE BANK REALLY WANT YOUR HOUSE?

The bank really does not want your home. Repossessions are expensive. According to one source, a repossession can cost \$40,000 or more. Plus, if the bank becomes the owner of your home, it may not be able to sell the house for as much as you owe on it. Not only would the repossession mean that the lender would lose the interest that it anticipated receiving as income, it could also lose the principle that it lent to you. While no one likes to lose money, banks that are in the business of lending money for the purpose of making money *really* don't like to lose money.

When a lender experiences a rate of foreclosures that is higher than the norm, it can also come under increased scrutiny from regulators who are charged with the responsibility of making certain that the bank is not taking undue risks with depositors' money.

So, NO, the bank does not really want your house.

WHAT SHOULD YOU DO?

Remember that your lender does not assume that "no news is good news". The worst thing to do when you experience financial difficulties and cannot make your mortgage payments is try to run and hide from the problem. Call your lender immediately and let them know that you are having a problem. The longer you wait to tell the lender that there is a problem, the fewer options that may be available to help you.

When you call your lender, ask to speak with someone in the "loss mitigation" department. These are the people who determine what options are available to help you with your mortgage problem. At some lenders, there is a department that specializes in this work. At others, it may be a part of the collections department; so, don't be alarmed if you find yourself talking to "a collector". You may find the loss

mitigation department's telephone number on the statements you receive from the lender. If not, call the Customer Service Department that appears on the statement.

Be prepared to “tell it like it is” and have details available. The lender is going to ask a lot of questions, each of which is designed to help determine your true financial situation. Organize your bills, bank statements and other documents so that you can paint a clear and detailed picture for your lender.

Tell the truth. Don't try to make things sound better than they really are; but, don't make it sound hopeless, either. At the one extreme, making things sound better than they are could yield a plan that is unworkable and puts you in a worse spot than you were to begin with. At the other extreme, making things sound hopeless could cause the lender to decide that there really *isn't* anything they can do and that it may be wiser to simply cut their losses *now*. Once your lender clearly understands your situation, options will be offered.

Retention options allow you to keep your home-

- Forbearance usually allows you to pay less than the full payment for a temporary period;
- Repayment plans allow you to make up the missed payment with monthly installments over a period of time;
- Reinstatement requires that you pay the lender the total of all missed payments by a specific date;
- Loan Modification changes the terms of the mortgage itself; i.e., changes the interest rate and/or term of the loan.

Liquidation options allow you to give up the house without going into foreclosure-

- A short sale allows you to sell the house for less than the amount owed and the lender considers the loan to be settled for less than owed;
- A deed in lieu of foreclosure allows you to transfer title of the house directly to the lender;
- An assumption allows a qualified buyer to buy the house by taking over your existing mortgage and making all future payments.

There may be other options available if the mortgage loan is an FHA loan. Your lender's loss mitigation department is probably your best guide in this matter.

If your lender is not giving you the help you need, *don't give up!* The Homeownership Preservation Foundation is a HUD-Certified, non-profit organization that provides advice and resources to help homeowners who are experiencing financial difficulties. This organization can be reached at 888-995-HOPE.

THE FOUR STEPS OF FORECLOSURE

Foreclosure may be one of the most frightening experiences anyone can face and should be avoided at all costs. Moreover, it can destroy the credit rating you've worked so hard to build over the years.

If monthly payments are not being made and you are not talking with your lender to search for options, foreclosure will happen. The process follows below.

- Redemption—your lender's attorney will contact you and give you a cure date, a deadline, by which all missed payments must be made up;
- Default—if the missed payments are not made up, the loan will be declared to be in default;
- Foreclosure—after the default has been declared, if the missed payments are not paid, the lender will take possession of the house. The trust deed to home gives the lender the legal right to do this. If you are still living in the house, the lender will obtain a court order for you to vacate the property; an eviction notice;
- Sale—The lender will sell the house at a public auction. This can occur within 30 to 120 days.

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