

FORECLOSURE PREVENTION



1/1/2012

Resource Guide

Brought to you by:

NAACP Economic Department
1816 12th Street, NW Washington DC 20009

www.naacp.org/econ



Foreclosure prevention

RESOURCE GUIDE

The Crisis:

Dangerous lending practices and loose underwriting in the subprime mortgage market, and the weakening economy more generally, have led to millions of foreclosures, with millions more to come. Not only is this devastating to the families who lose their homes, but millions more suffer as vacant homes create neighborhood blight, housing values and entire neighborhoods spiral downward, and taxing authorities lose critical revenue that supports education and other social services.

Studies show that Minority homeowners have been disproportionately affected by the foreclosure crisis and stand to lose homes at a faster pace than white borrowers in the future.

Findings from the Center for Responsible Lending state that whites made up the majority of the 2.5 million foreclosures completed between 2007 and 2009 -- about 56 percent -- but that minority communities had significantly higher foreclosure rates.

While about 4.5 percent of white borrowers lost their homes to foreclosure during that period, black and Latino borrowers had 7.9 and 7.7 percent foreclosure rates, respectively. That means that blacks and Latinos were more than 70 percent more likely to lose their homes to foreclosure during that period, the study found. Thus, blacks lost about 240,020 homes to foreclosure, while Latinos lost about 335,950.

Source: <http://www.washingtonpost.com/wp-;http://www.self-help.org/california/addressing-the-foreclosure-crisi>
<http://www.self-help.org/california/addressing-the-foreclosure-crisi>
 dyn/content/article/2010/06/18/AR2010061802885.html

Table of Contents:

| | |
|--|----------|
| The Foreclosure Process: Overview | 2 |
| The Role of the Housing Counselor | 3 |
| ❖ HUD Approved Housing Counseling Agencies | |
| Common Foreclosure Related Scams..... | 4 |
| Scam Prevention Tips | 5 |
| Foreclosure Prevention Tips | 6 |
| Making Home Affordable Overview | 7 |



What is a Foreclosure?

A foreclosure is the legal process where your mortgage company obtains ownership of your home (i.e., repossess the property). A foreclosure occurs when the homeowner has failed to make payments and has defaulted or violated the terms of their mortgage loan.

A foreclosure can usually be avoided—even if you already received a foreclosure notice. However, you must take action as soon as you can.

GENERAL FORECLOSURE TIMELINE

****Please note that the process varies by state.****

First month missed payment – your lender will contact you by letter or phone.

Second month missed payment – your lender is likely to begin calling you to discuss why you have not made your payments. **It is important that you take their phone calls.** Talk to your lender and explain your situation and what you are trying to do to resolve it. At this time, you **still may be able to make one payment** to prevent yourself from falling three months behind.

Third month missed payment after the third payment is missed, you will receive a letter from your lender stating the amount you are delinquent, and that you have 30 days to bring your mortgage current. This is called a "Demand Letter" or "Notice to Accelerate." If you do not pay the specified amount or make some type of arrangements by the given date, the lender may begin foreclosure proceedings. They are unlikely to accept less than the total due without arrangements being made if you receive this letter. **You still have time** to work something out.

Fourth month missed payment – now you are nearing the end of time allowed in your Demand or Notice to Accelerate Letter. When the 30 days ends, if you have not paid the full amount or worked our arrangements you will be referred to your lender's attorneys. **You will incur all attorney fees** as part of your delinquency.

Sheriff's or Public Trustee's Sale – the attorney will schedule a Sale. **This is the actual day of foreclosure.** You may be notified of the date by mail, a notice is taped to your door, and the sale may be advertised in a local paper. The time between the Demand or Notice to Accelerate Letter and the actual Sale varies by state. In some states it can be as quick as 2-3 months. This is not the move-out date, but the end is near. You have until the date of sale to make arrangements with your lender, or pay the total amount owed, including attorney fees.

Redemption Period – after the sale date, you may enter a redemption period. You will be notified of your time frame on the same notice that your state uses for your Sheriff's or Public Trustee's Sale.

Important: Stay in contact with your lender, and get assistance as early as possible. All dates are estimated and vary according to your state and your mortgage company. Consult a Housing Counselor throughout the process.

THE ROLE OF THE HOUSING COUNSELOR

A housing counselor is someone who can help you through the process of working to save your home from foreclosure. While counselors will do all that they can to assist you, the process is a two-way street with the homeowner as a critical partner in the process. Below are some of the services that a housing counselor can offer.



The housing counselor will help with the following:

- To determine the homeowner's objectives and needs
- To determine any time constraints
- Assist the homeowner in establishing reasons for default & help prepare a hardship letter
- Assist in preparing a spending plan
- Help consider ways to increase homeowner's income or available cash
- Assist the homeowner in reducing other debt
- Will ask the homeowner to set aside funds to prevent foreclosure
- Will get exact totals on current payments, arrears, & loan balance
- Will work with the homeowner to make realistic choices
- Will start paperwork if the homeowner chooses to try to save the home from foreclosure
- Will work with the homeowner to request a delay of foreclosure sale date
- Will assist the homeowner in determining appropriate options

HUD Approved Housing Counseling Agencies

HUD sponsors housing counseling agencies throughout the country that can provide advice on buying a home, renting, defaults, foreclosures, and credit issues. Visit <http://www.hud.gov/offices/hsg/sfh/hcc/hcs.cfm> for the list of agencies by state.

Around the Clock Advice

You can also get around the clock advice from housing experts. Call 888-995-HOPE (4673) for free, comprehensive foreclosure assistance around-the-clock.

COMMON FORECLOSURE RESCUE AND LOAN MODIFICATION SCAMS

Lease-Back or Repurchase Scams – In this scenario, a promise is made to pay off your delinquent mortgage, repair your credit and possibly pay off credit cards and other debt. However, in order to do this, you must “temporarily” sign your deed over to a “third party” investor. You are allowed to stay in the home as a renter with the option to purchase the home back after a certain amount of time has passed or your financial situation improves. The trouble is once you have signed away your rights in your property, you may not be able to repurchase the property later, even if you can and want to. After the new owner takes ownership of your property, the new owner can evict you. Furthermore, the scammer is under no obligation to sell the house back to you. Typically, after the deed is signed away, the property changes hands numerous times. The scammer may have taken a new mortgage out on your home for hundreds of thousands of dollars more than your mortgage, making it impossible for you to buy back your home.

Partial Interest Bankruptcy Scams – The scam operator asks you to give a partial interest in your home to one or more persons. You then make mortgage payments to the scam operator in lieu of paying the delinquent mortgage. However, the scam operator does not pay the existing mortgage or seek new financing. Each holder of a partial interest then files bankruptcy, one after another, without your knowledge. The bankruptcy court will issue a “stay” order each time to stop foreclosure temporarily. However, the stay does not excuse you from making payments or from repaying the full amount of your loan. This complicates and delays foreclosure, while allowing the scam operator to maintain a stream of income by collecting payments from you, the victim. Bankruptcy laws provide important protections to consumers. This scam can only temporarily delay foreclosure, and may keep you from using bankruptcy laws legitimately to address your financial problems.

Refinance Scams – While there are legitimate refinancing programs available, look out for people posing as mortgage brokers or lenders offering to refinance your loan so you can afford the payments. The scammer presents you with “foreclosure rescue” loan documents to sign. You are told that the documents are for a refinance loan that will bring the mortgage current. What you don’t realize is that you are surrendering ownership of your home. The “loan” documents are actually deed transfer documents, and the scammer counts on your not actually reading the paperwork. Once the deed transfer is executed, you believe your home has been rescued from foreclosure for months or even years until you receive an eviction notice and discover you no longer own your home. At that point, it is often too late to do anything about the deed transfer.

Internet and Phone Scams - Some scam lenders convince you to apply for a low-interest mortgage loan on the phone or Internet. They then extract vital information, such as your social security and bank account numbers. In this scam, the loan is immediately accepted, after which you start faxing the documents and sending wire transfer payments to the scammer.



FORECLOSURE SCAM PREVENTION TIPS

➤ **Know with whom you are dealing**

Before you hand over any money or provide any personal information, check out the company or person. You can check your local Better Business Bureau or state consumer protection office to see if the company or organization is legitimate and if any complaints have been filed.

➤ **Contact reputable non-profit housing or financial counselors**, such as those you can find by contacting the:

- **U.S. Department of Housing and Urban Development** (HUD) at (800) 569-4287 or www.hud.gov/offices/hsg/sfh/hcc/hccprof14.cfm
- **Homeownership Preservation Foundation** at (888) 995-HOPE or www.995hope.org



➤ **Know what you are signing**

Read and understand every document you sign. If a document is too complex, seek advice from a lawyer or trusted financial counselor. Never sign documents with blank spaces that can be filled in later. Never sign a document that contains errors or false statements, even if someone promises to correct them later.

➤ **Get promises in writing**

Oral promises and agreements relating to your home are usually not legally binding. Protect your rights with a written document or contract signed by the person making the promise. Keep copies of all documents you sign.

➤ **Make your mortgage payments directly to your lender or the mortgage servicer.** Do not trust anyone else to make mortgage payments for you.

➤ **Never sign over your deed until you clearly understand what will happen to your rights to your home**

Foreclosure scams often require you to “temporarily” sign over ownership of your home to another claiming it would be only as a means to help you. Consult with a HUD-approved homeowner counseling agency.

➤ **Report suspicious activity** to the Federal Trade Commission, your State Attorney General’s Office or your state and local consumer protection agencies. Reporting con artists and suspicious schemes helps prevent others from becoming victims.

Talk to a Counselor

If you are having trouble making your mortgage payment, talk to a counselor who can help you assess your financial situation and work with your lender or servicer to see if you can avoid foreclosure.

Avoid Foreclosure Scams

Non-profit counseling agencies provide free or low cost foreclosure prevention counseling services. There is no need to pay a private company for these services.

Call Homeowners HOPE Hotline at (888) 995-4673

The Homeownership Preservation Foundation provides non-profit HUD-approved counselors across the United States that are dedicated to helping homeowners. These counselors can work with you to avoid foreclosure. www.995hope.org

Make a Budget, Find a Solution

Professionally trained and certified counselors can help you to evaluate your current financial situation. Counselors also will help you to figure out what options are available and help you find a solution.

Beware of Unethical Mortgage Foreclosure Rescue and Loan Modification Operators

A fairly new and dangerous threat has arisen for homeowners who have fallen behind on their mortgage payments and may be at risk of foreclosure – opportunistic companies. They often refer to themselves as a “foreclosure consultant”, “mortgage consultant,” and market themselves as a “foreclosure service”, “foreclosure rescue agency” or “loan modification company”. They count on homeowners being vulnerable and desperate.

These companies claim they can assist homeowners facing foreclosure with options that allow them to keep their property, refinance or modify an existing mortgage, repair credit or help “buy more time.” In reality, these “options” are intended to convince you to take the wrong steps so they can take your money and possibly your home.

Warning Signs That You May Be Dealing With A Mortgage Foreclosure Scam Operator

If The Company:

- Demands a fee in advance. No legitimate organization that works with borrowers to avoid foreclosure will ever ask for money up front.
- Offers to negotiate a loan modification for you for a fee.
- Makes unsolicited offers or “lofty” advertisements,
- Claiming they can help save your home.
- Recommends you break off contact with the lender and any counselor that you may have been working with.
- Advises you to stop making mortgage payments.
- Tells you to send your mortgage payment to anyone other than your loan servicer.
- Instructs you to transfer ownership of your property.
- Makes verbal promises that aren’t put in writing.
- Asks you to sign a document that has blank lines or spaces.

TIPS FOR AVOIDING FORECLOSURE

➤ **Don't ignore the problem.**

The further behind you become, the harder it will be to reinstate your loan and the more likely that you will lose your house.

➤ **Contact your lender as soon as you realize that you have a problem.**

Lenders do not want your house. They have options to help borrowers through difficult financial times.

➤ **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. Your failure to open the mail will not be an excuse in foreclosure court.

➤ **Know your mortgage rights.**

Find your loan documents and read them so you know what your lender may do if you can't make your payments. Learn about the foreclosure laws and timeframes in your state (as every state is different) by contacting the State Government Housing Office.

➤ **Understand foreclosure prevention options.**

Valuable information about foreclosure prevention (also called loss mitigation) options can be found on the HUD website.

➤ **Contact a HUD-approved housing counselor.**

The U.S. 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 this assistance. Call (800) 569-4287 or TTY (800) 877-8339.

➤ **Prioritize your spending.**

After healthcare, keeping your house should be your first priority. Review your finances and see where you can cut spending in order to make your mortgage payment. Look for optional expenses--cable TV, memberships, entertainment--that you can eliminate. Delay payments on credit cards and other "unsecured" debt until you have paid your mortgage.

➤ **Use your assets.**

Do you have assets--a second car, jewelry--that you can sell for cash to help reinstate your loan? Can anyone in your household get an extra job to bring in additional income? Even if these efforts don't significantly increase your available cash or your income, they demonstrate to your lender that you are willing to make sacrifices to keep your home.

➤ **Don't lose your house to foreclosure recovery scams!**

If any firm claims they can stop your foreclosure immediately and if you sign a document appointing them to act on your behalf, you may well be signing over the title to your property and becoming a renter in your own home! 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.

FORECLOSURE PREVENTION RESOURCES

Government Mortgage Modification Programs

- Making Home Affordable
 - www.MakingHomeAffordable.gov
 - www.FinancialStability.gov

Foreclosure Mitigation Assistance/Counseling

- U.S. Department of Housing and Urban Development (HUD)
 - www.HUD.gov
 - www.HUD.gov/offices/hsg/sfh/hcc/fc
 - (800) 569-4287
- Homeownership Preservation Foundation (HopeNOW)
 - www.995hope.org
 - (888) 995-HOPE or (888) 995-4673
- NeighborWorks America
 - www.FindaForeclosureCounselor.org
 - www.NW.org/network/home.asp
- NID Housing Counseling Agency
 - <http://nidonline.org>
 - 877-964-8422

FDIC Foreclosure Prevention Website

- www.FDIC.gov/foreclosureprevention
- (877) ASK-FDIC or (877) 275-3342

Report Foreclosure Scams

- Federal Trade Commission
 - www.FTCComplaintAssistant.gov
 - www.FTC.gov/bcp/menus/consumer/credit/mortgage.shtml
 - (877) FTC-HELP or (877) 382-4357
- State Attorney General Contact List at www.NAAG.org/attorneys_general.php
- State, County, City Consumer Protection Offices www.ConsumerAction.gov/state.shtml

Have you missed your house payment?

- ▶ Search for a HUD-approved housing counselor, or
- ▶ Call toll free (800) 569-4287 to find a housing counselor near you, or
- ▶ Call the Homeowners Hope Hotline at (888) 995-HOPE.

Haven't missed a house payment yet, but afraid you might?

Has your financial situation changed due to a mortgage payment increase, loss of job, divorce, medical expenses, increase in taxes or other reasons?

- ▶ Is your credit card debt becoming unmanageable?
- ▶ Are you using your credit cards to buy groceries?
- ▶ Is it becoming difficult to pay all your monthly bills on time?

If it's becoming harder to make your house payment each month:

- ▶ Contact a HUD-approved Housing Counselor, or
- ▶ Call toll free (800) 569-4287 to find a housing counselor near you.

This information was taken directly from http://portal.hud.gov/hudportal/HUD?src=/topics/avoiding_forclosure/ftimeline

MAKING HOME AFFORDABLE OVERVIEW

The **Making Home Affordable Program** (www.makinghomeaffordable.gov) is part of the U.S. government's plan to help families set an affordable mortgage payment. The program lowers borrowers' housing-related expenses (principal, interest, taxes, insurance, and assessments or PITIA*) to 31% of gross monthly income (before tax deductions). The program also will pay you up to \$1,000 per year on your principal for 5 years if you make your payments on time.

To qualify, you must meet certain eligibility criteria, including:

- The home is your primary residence.
- Amount owed on first mortgage for a single family home is \$729,750 or less.
- Mortgage dated before January 1, 2009.
- First mortgage payment* is over 31% of gross monthly income.
- You are having financial difficulty making your current monthly payment.

Respond to Requests for Information

You will need to provide your servicer with key documents under the program before a modification can be granted. Avoid missing a deadline by responding to requests for information and providing documents in a timely manner. Information you will or may need readily available is listed in the following Borrower Modification Document Checklist.

| Borrower Modification Document Checklist | |
|---|--|
| | Two most recent pay stubs |
| | Most recent Federal income tax return |
| | Form 4506-T - Request for Transcript of Tax Return (servicer provides) |
| | Most recent bank statement for 1 month (To verify direct deposits, e.g. social security, rental income, other income) |
| | Profit and Loss Statement (for self-employed borrowers) |
| | Hardship Affidavit (available at: http://makinghomeaffordable.gov/docs/hamphardshipaffidavit.pdf) |
| Non-escrowed loans, Proof of Payment of: | |
| | Most recent real estate taxes |
| | Homeowner's (hazard) insurance |
| Other Modification Documents | |
| | Financial statement |
| | Utility bills |
| | Other: |